



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



Interim Report
2022

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

NOMINATION COMMITTEE

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

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

LISTING INFORMATION

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Uglan 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
People's Republic of China

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG¹

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

AUDITOR

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

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
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE²

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANK

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

COMPANY'S WEBSITE

www.hspharm.com

¹ Change of address took effect from August 15, 2022.

² Change of address took effect from August 15, 2022.

Financial Highlights

For the six months ended June 30, 2022, the Group recorded the following unaudited results:

- Revenue was approximately RMB4,434 million, representing an increase of approximately 0.7% compared with the corresponding period of the previous year;
- R&D expenditure was approximately RMB739 million, representing an increase of approximately 7.6% compared with the corresponding period of the previous year, and accounted for approximately 16.7% of the revenue;
- Profit was approximately RMB1,298 million, representing an increase of approximately 0.6% compared with the corresponding period of the previous year;
- Basic earnings per share was approximately RMB0.22, representing an increase of approximately 0.6% compared with the corresponding period of the previous year;
- Sales of innovative drugs accounted for approximately 52.3% of the Group's revenue; sales of innovative drugs accounted for approximately 28.5% of the Group's total revenue for the corresponding period of the previous year.

Corporate Overview

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

The core driving force of the Company is its focus on innovation. The Group has continuously increased its investments in R&D over the years, established sound R&D platforms and mastered a number of proprietary technologies, as well as developed a series of innovative drugs which are currently under different stages of R&D. During the six months ended June 30, 2022, the Group obtained marketing approval for a total of 7 new products. The Company has newly filed and obtained clinical approvals for 6 products, all of which were related to innovative drug programs; and filed 4 applications for marketing approvals, including 1 innovative drug (inclusive of new indications), being Category 1 innovative drug Pegmolesatide (formerly known as PEG Sihematide) for the treatment of anemia in non-dialysis chronic kidney disease patients who have not received erythropoietin therapy.

The Group 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 six months ended June 30, 2022, the sales revenue of innovative drugs amounted to approximately RMB2,321 million, representing an increase of approximately 84.8% compared to the corresponding period of the previous year, and the proportion of the total revenue of the Group increased from 28.5% for the corresponding period of the previous year to 52.3%.

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.

Corporate Overview

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).

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

Corporate Overview

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.

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

In February 2022, HS-10370 injections, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumor with the specific indications to be determined after the clinical trials.

In March 2022, HS-10380 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of schizophrenia, with the specific indications to be determined after the clinical trials.

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

In April 2022, the Company presented data from the Phase I climbing trial of its proprietary Category 1 innovative PI3K α inhibitor HS-10352-101 single agent at the 113th Annual Meeting of the American Association for Cancer Research (AACR) in 2022. HS-10352 showed favorable results in HR+HER2-advanced breast cancer with no standard of care regimen or no access to or tolerance of standard therapy subjects, showed favorable safety, tolerability and pharmacokinetic (PK) profiles and observed preliminary antitumor activity, and showed superior antitumor activity in the population carrying the PIK3CA mutation, which is expected to provide clinical benefit to patients with HR+HER2-PIK3CA+ advanced breast cancer.

In April 2022, HS-10386 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumors, with the specific indications to be determined after the clinical trials.

Corporate Overview

In April 2022, HS-10384 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for menopausal vasomotor syndrome, with the specific indications to be determined after the clinical trials.

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

In June 2022, the Medicines and Healthcare products Regulatory Agency of United Kingdom (U.K.) (“**MHRA**”) has accepted for review our partner EQRx’s marketing authorization application for aumolertinib (marketed as AMEILE® in China, aumolertinib mesilate) in EGFR-mutated non-small cell lung cancer (NSCLC). This is the first marketing authorization application of aumolertinib filed outside of the PRC.

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

Management Discussion and Analysis

INDUSTRY REVIEW

During the period under review, the effect of the COVID-19 pandemic lingered with recurring local outbreaks in the first half of the year, which has affected the operations of pharmaceutical companies. However, the rigid demand in the pharmaceutical market remained robust. With increasing aging population and heightening health awareness of the public, it is expected that the pharmaceutical industry will maintain a steady growth trend.

In terms of policy, the central government continued to step up its efforts and investment in the reform of the public health services sector by strengthening the synergy among policies in respect of the medical, medical insurance and pharmaceutical industries and expediting the development of a new landscape for orderly medical consultation at the national, provincial, municipal and grassroot level, thereby promoting the high-quality development of the healthcare and pharmaceutical industry. Over the past few years, the central government has increased the national subsidy level for medical insurance of the general public and improved the interprovincial on-the-spot settlement mechanism of medical bills with extra attention paid to the prevention and treatment of chronic diseases and cancers. Strengthened efforts have been steered towards the research on and drug security for rare diseases with an aim to enhance the level of healthcare security provided to the general public in all aspects from multiple dimensions. Nine ministries and commissions including the Ministry of Industry and Information Technology and the National Development and Reform Commission issued the “Development Plan of the Pharmaceutical Industry during the ‘14th Five-year Period’” 《〔十四五〕醫藥工業發展規劃》, which facilitated the innovation and technological breakthrough of drugs and supported enterprises to pursue innovation and internationalization. Moreover, the central government sent clear signals that further support will be provided for the innovation of the industrial chain at various levels with an emphasis on innovation and R&D. Proactive efforts will also be made in respect of introduction of new technologies. As such, companies with profound differentiated competitiveness will possess better adaptability and hence be able to give play to their key competitive advantages.

BUSINESS HIGHLIGHTS

During the period under review, the Group’s operating headquarters, research and development and production bases in Mainland China were successively affected by the outbreak of the pandemic, which slowed down the progress of product R&D and marketing activities, especially the promotion of new drugs. During the six months ended June 30, 2022, the Group’s sales revenue of innovative drugs amounted to approximately RMB2,321 million, representing an increase of approximately 84.8% compared to the corresponding period of the previous year, and the proportion of innovative drugs sales revenue increased to 52.3% from 28.5% 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 June 30, 2022, a total of 6 innovative drugs were approved for marketing, 5 of them were included in the NRDL and XINYUE (Inebilizumab Injections) has been granted drug registration approval for the treatment of adult patients with neuromyelitis optica spectrum disorders (NMOSD) who are anti-aquaporin-4 immunoglobulin G seropositive (AQP4-IgG+) during the period. As at June 30, 2022, the Group had 1,432 R&D staff and over 25 innovative drug programs at various clinical development stages. Meanwhile, the Group paid close attention to frontier technology in the global pharmaceutical industry. With respect to BD, it further enhanced the Group’s innovation capabilities and enriched its innovation product pipeline through in-licensing and joint development.

Management Discussion and Analysis

BUSINESS HIGHLIGHTS *(Continued)*

For the six months ended June 30, 2022, the Group recorded revenue of approximately RMB4,434 million during the period of review, representing an increase of approximately 0.7% compared with the corresponding period of the previous year; profit of approximately RMB1,298 million, representing an increase of approximately 0.6% compared with the corresponding period of the previous year; and earnings per share of approximately RMB0.22, representing an increase of approximately 0.6% compared with the corresponding period of the previous year.

We generate substantially all of our revenue from sales of pharmaceutical products. Our main products are concentrated in the therapeutic areas which the Group strategically targets at, including the oncology, anti-infectives, CNS diseases, metabolic diseases and other main therapeutic areas:

In respect of anti-tumor products, we primarily focus on the treatment of solid tumors with high incidence such as lung cancer, as well as hematological cancer. Our anti-tumor product portfolio mainly consists of Ameile (aumolertinib mesylate tablets), an innovative drug, Hansoh Xinfu (flumatinib mesylate tablets), an innovative drug, Pulaile (pemetrexed disodium for injection), Xintai (bortezomib for injection) and Xinwei (imatinib mesylate tablets). During the six months ended June 30, 2022, revenue from our anti-tumor drug portfolio amounted to approximately RMB2,451 million, accounting for approximately 55.3% 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) 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 six months ended June 30, 2022, revenue from our anti-infective drug portfolio amounted to approximately RMB597 million, accounting for approximately 13.5% of the total revenue of the Group.

Our CNS disease product portfolio mainly consists of, among others, Oulanning (olanzapine oral dose formulations), Ailanning (paliperidone extended-release tablets) and Ameining (agomelatine tablets). During the six months ended June 30, 2022, revenue from our CNS disease drug portfolio amounted to approximately RMB845 million, accounting for approximately 19.0% of the total revenue of the Group.

Product portfolio of metabolic diseases and other areas mainly consists of, among others, Fulaimei (PEG-loxenate for injection), an innovative drug, Ruibote (rabeprazole sodium enteric-coated tablets) and Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Puruiian (ambrisentan tablets). During the six months ended June 30, 2022, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB541 million, accounting for approximately 12.2% of the total revenue of the Group.

Management Discussion and Analysis

INNOVATIVE DRUG PRODUCTS

During the six months ended June 30, 2022, the sales revenue of innovative drugs amounted to approximately RMB2,321 million, representing an increase of approximately 84.8% compared with the corresponding period of the previous year and accounted for approximately 52.3% of the Group's total revenue. The sales revenue of innovative drugs is composed of the revenues of 5 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 direct-to-patient pharmacies. With the rising coverage rate, the number of patients using these drugs increased significantly. Mailingda renewed the agreement with the NHTA for the second time and remained in the NRDL. 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 shortest in the Group. In March 2022, XINYUE was approved for marketing and included in the Chinese Guidelines for the Diagnosis and Treatment of Optic Neuromyelitis Optica Spectrum Disorders (2021 Edition)* 《(中國視神經脊髓炎譜系疾病診斷與治療指南(2021年版))》 with Class A recommendation.

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 were presented at the ASCO Meeting in June 2021, shows that the median progression-free survival (mPFS) of the first-line treatment of NSCLC achieved 19.3 months. 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.

In June 2022, the MHRA has accepted for review our partner EQRx's marketing authorization application for aumolertinib, being jointly developed and commercialized by the Company and EQRx, for the first-line treatment of adult patients with locally advanced or metastatic NSCLC with sensitizing EGFR mutations and for the treatment of adult patients with locally advanced or metastatic T790M mutation-positive NSCLC, which have progressed on or after EGFR-TKI therapy. This is the first marketing authorization application of aumolertinib filed outside of the People's Republic of China.

In June 2022, data on CNS metastasis in patients with locally advanced or metastatic EGFR-mutated NSCLC treated with Ameile in the first line were presented at ASCO. Ameile significantly reduced the risk of CNS progression compared to gefitinib, with a median progression-free survival of 29.0 months in CNS.

Management Discussion and Analysis

INNOVATIVE DRUG PRODUCTS *(Continued)*

Ameile *(Continued)*

Since its launch, Ameile has been widely prescribed in clinical practices, bringing new hope to lung cancer patients in China. Ameile has been included in the Guidelines of Chinese Society of Clinical Oncology for the treatment of Non-small Cell Lung Cancer in 2022* 《(2022年CSCO非小細胞肺癌診療指南)》 due to its efficacy and safety which were highly recognized by clinical experts, and has been listed as Class I recommendation for first-line indications and second-line indications.

Hansoh Xinfu

Hansoh Xinfu (flumatinib mesylate tablets) is the second-generation Bcr-Abl TKI. Hansoh Xinfu was 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))》.

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 renewed the agreement with the NHTA 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 NHTA was successfully renewed twice consecutively in November 2019 and December 2021, respectively.

Fulaimei

Fulaimei (PEG-loxenate 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 lowering blood sugar efficacy and good safety, it requires only once weekly administration. It is the first long-acting GLP-1 innovative drug wholly developed in China, providing a new treatment option to diabetes patients in China. Fulaimei has been included in the Prevention and Therapy Guidelines for Type 2 Diabetes in China (2020 Edition)* 《(中國2型糖尿病防治指南(2020版))》 released by the Chinese Diabetes Society (CDS) in April 2021.

Management Discussion and Analysis

INNOVATIVE DRUG PRODUCTS *(Continued)*

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 improve drug plasma stability and reduce patient's exposure to tenofovir. It is a safer long-term treatment option. Hengmu was included in the CSCO Guidelines for Diagnosis and Treatment of Liver Cancer (2022 Edition)* 《(CSCO肝癌診療指南(2022年版))》 as Class I recommendation.

XINYUE

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

R&D AND INNOVATION

The Group have one of the largest R&D teams among pharmaceutical companies in China. Our professional R&D team consists of 1,432 research fellows at four R&D centres in Shanghai, Lianyungang and Changzhou, as well as the United States respectively. We have several national-level R&D designations, including the National Technology Center* (國家級技術中心), Post-doctoral Research Station* (博士後科研工作站) and Key National Laboratory* (國家重點實驗室).

The Group focuses on R&D of innovative products in the fields such as oncology, anti-infectives, CNS diseases and metabolic diseases as well as autoimmune diseases. At present, we have over 40 clinical trials of innovative drug on going, which are derived from over 25 innovative drug programs at various clinical development stages. During the six months ended June 30, 2022, the Group obtained a total of 46 patents granted in China (including 8 granted in Hong Kong, Macau and Taiwan) and 4 patents granted overseas. It has also obtained marketing approval for 7 new products, including 1 innovative drug: Inebilizumab Injections (trade name: XINYUE 昕越®), which are used for the treatment of adult patients with NMOSD who are AQP4-IgG+. The Group filed 4 new applications for marketing, including 1 innovative drug: Category 1 innovative drug Pegmolesatide (formerly known as PEG Sihematide) for the treatment of anemia in non-dialysis chronic kidney disease patients who have not received erythropoietin therapy. It has newly filed and obtained 6 clinical approvals, all of which are related to innovative drug programs.

Management Discussion and Analysis

R&D AND INNOVATION *(Continued)*

Details of progress made by the Group in respect of innovative drugs during the six months ended June 30, 2022 were as follows:

Marketing approval for innovative drugs

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

Application for marketing of innovative drugs

In May 2022, the application for marketing for the new indication of Category 1 innovative drug Pegmolesatide (formerly known as PEG Sihematide) self-developed by the Group was accepted by the NMPA. This new indication is intended to be used for the treatment of anemia in non-dialysis chronic kidney disease patients who have not received erythropoietin therapy.

Clinical approvals newly filed and obtained for innovative drugs

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

In February 2022, HS-10370 injections, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumor with the specific indications to be determined after the clinical trials.

In March 2022, HS-10380 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of schizophrenia, with the specific indications to be determined after the clinical trials.

In April 2022, HS-10386 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for the treatment of advanced solid tumors, with the specific indications to be determined after the clinical trials.

In April 2022, HS-10384 tablets, a Category 1 innovative drug self-developed by the Group, has been granted a clinical trial notice issued by the NMPA, and is intended to be used for menopausal vasomotor syndrome, with the specific indications to be determined after the clinical trials.

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 six months ended June 30, 2022, the expenses of BD project (including upfront payment(s) and milestone payment(s)) paid by the Group were approximately RMB151 million in total.

Management Discussion and Analysis

BD *(Continued)*

Milestone achieved with Viela Bio

In March 2022, “Inebilizumab Injections” (trade name: XINYUE 昕越®) has been granted drug registration approval issued by the NMPA for the treatment of adult patients with NMOSD who are AQP4-IgG+. The obtaining of drug registration approval of “Inebilizumab Injections” will further enrich and improve the Group’s product portfolio.

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

Collaboration with NiKang Therapeutics

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

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

Milestone achieved with EQRx

In June 2022, the MHRA has accepted for review our partner EQRx’s marketing authorization application for aumolertinib, a novel, third-generation EGFR-TKI being developed and commercialized under the license agreement entered into between the Group and EQRX, for the first-line treatment of adult patients with locally advanced or metastatic NSCLC with sensitizing EGFR mutations and for the treatment of adult patients with locally advanced or metastatic EGFR T790M mutation-positive NSCLC. This is the first marketing authorization application of aumolertinib filed outside of the People’s Republic of China.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended June 30, 2022, the Group’s operating activities generated a net cash inflow of RMB1,774 million. The capital expenditure for the reporting period was RMB181 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 Group’s financial position remains sound. As at June 30, 2022, we had cash and bank balances of RMB16,978 million (as at December 31, 2021: RMB14,702 million), financial assets at fair value through profit or loss of RMB1,882 million (as at December 31, 2021: RMB2,357 million), other financial assets of RMB2,086 million (as at December 31, 2021: RMB1,874 million). As at June 30, 2022, 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 during the six months ended June 30, 2022 does not constitute notifiable transactions of the Company under the Listing Rules. As at June 30, 2022, the Group’s gearing ratio (calculated as total liabilities divided by total assets) was approximately 26.8% (as at December 31, 2021: 26.3%).

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

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 June 30, 2022, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

CONTINGENT LIABILITIES

As at June 30, 2022, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

During the six months ended June 30, 2022, we did not have any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at June 30, 2022, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended June 30, 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

EMPLOYEES AND EMOLUMENTS POLICY

As at June 30, 2022, the Group had a total of 10,783 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 RMB1,237 million for the six months ended June 30, 2022. We also provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about the Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable Good Manufacturing Practice (GMP) or other certifications, quality control, production safety and corporate culture.

The Company has conditionally approved and adopted the restricted share unit scheme ("**RSU Scheme**") on May 27, 2019 to recognize contributions by selected participants and give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the RSU Scheme, please refer to the section headed "Statutory and General Information – D. Post-IPO RSU Scheme" in Appendix IV to the prospectus of the Company dated May 31, 2019. During the six months ended June 30, 2022, 36,240,000 restricted share units ("**RSUs**") had been granted by the Company, 53,700 RSUs had been canceled by the Company and 17,037,300 RSUs had lapsed pursuant to the RSU Scheme.

Management Discussion and Analysis

PROSPECTS

Amid the new industry landscape of more definite policies and increasing competition, the Group will adhere to the dual-engine model of both in-house R&D and external BD collaboration to promote in-depth transformation and upgrade. On one hand, the Group will step up the efforts in in-house R&D to accelerate the conversion of its innovative achievements, thereby building its competitive moat with in-house innovation as its core. On the other hand, the Group will, through BD, actively identify new targets, expand into new horizons, introduce new technologies and promote the Group's in-house R&D achievements to the world in a bid to benefit more patients globally. The Group will also actively expand its therapeutic areas. Apart from further development in its advantageous areas such as oncology, anti-infectives, central nervous system diseases and metabolic diseases, the Group will also further tap into new areas with potentials for the provision of high-quality products, with an aim to satisfy the unmet healthcare needs of the majority of patients on the basis of continuously enriching its product pipeline.

Corporate Governance and Other Information

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

As at June 30, 2022, 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 and/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 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%
Ms. Sun Yuan ⁽³⁾	Beneficiary of a trust	3,901,200,300	65.87%
Mr. Lyu Aifeng ⁽⁴⁾	Beneficial owner	1,550,000	0.03%

Notes:

- (1) The calculation is based on the total number of 5,922,350,070 issued shares of the Company as at June 30, 2022.
- (2) These ordinary shares in the Company are beneficially owned by Stellar Infinity Company Ltd. ("**Stellar Infinity**") which is a wholly-owned subsidiary of Sunrise Investment Advisors Limited ("**Sunrise Investment**"), which in turn is wholly owned by Harmonia Holding Investing (PTC) Limited (the "**Sunrise Trust Trustee**") as trustee for The Sunrise Trust (the "**Sunrise Trust**"), a discretionary trust set up by Ms. Sun Yuan ("**Ms. Sun**"). Ms. Zhong Huijuan ("**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 Ms. 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) In addition to the ordinary shares held by Stellar Infinity, Ms. Sun is entitled to 1,200,300 restricted share units subject to vesting conditions.
- (4) These include (i) 210,000 ordinary shares of the Company held by Mr. Lyu Aifeng ("**Mr. Lyu**") pursuant to exercise of restricted share units and (ii) Mr. Lyu's entitlement to 1,340,000 restricted share units subject to vesting conditions.

Corporate Governance and Other Information

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 corporations 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%
Ms. 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 Ms. 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 Ms. 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 June 30, 2022, 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 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 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.

Corporate Governance and Other Information

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

As at June 30, 2022, 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 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%

Notes:

- (1) The calculation is based on the total number of 5,922,350,070 issued shares of the Company as at June 30, 2022.
- (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 June 30, 2022, so far as is known to the Directors, no person (not being a Director or chief executive of the Company) had or were deemed to have any interest or short position in the shares or underlying shares of the Company which were required to be notified 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.

Corporate Governance and Other Information

RESTRICTED SHARE UNIT SCHEME

We have conditionally approved and adopted 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 of the Company dated May 31, 2019.

As at June 30, 2022, pursuant to the RSU Scheme, the Company had granted to directors, executives and employees of the Group outstanding RSUs representing 38,942,520 shares of the Company. Details of RSUs granted under the RSU Scheme for the six months ended June 30, 2022 are as follows:

Category	Grant date ⁽¹⁾	Outstanding	Number of shares underlying RSUs			Lapsed	Outstanding
		as at January 1, 2022	Granted	Exercised	Cancelled		as at June 30, 2022
1. Directors							
Ms. Sun Yuan	April 29, 2022	0	1,200,300	0	0	0	1,200,300
Mr. Lyu Aifeng	June 15, 2020 to April 29, 2022	930,000	1,250,000	90,000	0	750,000	1,340,000
2. Employees of the Group							
In Aggregate	April 22, 2020 to June 24, 2022	21,400,860	33,789,700	2,447,340	53,700	16,287,300	36,402,220
Total:		22,330,860	<u>36,240,000</u>	<u>2,537,340</u>	<u>53,700</u>	<u>17,037,300</u>	<u>38,942,520</u>

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; (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; or (iii) approximately 19% shall vest after six months from of the grant date and the remaining approximately 33%, 33% and 15% shall vest on the first, second and third anniversary of the grant date, respectively.

CHANGE IN DIRECTORS' INFORMATION

There is not any change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended June 30, 2022.

Corporate Governance and Other Information

EVENTS AFTER THE REPORTING PERIOD

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

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

With effect from August 15, 2022, the address of the principal place of business in Hong Kong of the Company will be relocated from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

With effect from August 15, 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited, will change its address from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code during the six months ended June 30, 2022, save for code provision C.2.1 of the CG Code.

Code Provision C.2.1

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

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

Corporate Governance and Other Information

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by Directors (the “**Company Code**”) on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Company Code during the six months ended June 30, 2022.

AUDIT COMMITTEE

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

The Audit Committee and the external auditor, Ernst & Young, have reviewed the unaudited interim results of the Group for the six months ended June 30, 2022.

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

During the six months ended June 30, 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of an interim dividend of HK5 cents per share for the six months ended June 30, 2022 (for the six months ended June 30, 2021: nil). The interim dividend for 2022 will be paid to shareholders on Friday, September 30, 2022 whose names appear on the register of members of the Company on Wednesday, September 14, 2022. For the purpose of determining shareholders who are qualified for the interim dividend, the register of members of the Company will be closed from Tuesday, September 13, 2022 to Wednesday, September 14, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Friday, September 9, 2022.

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 was 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\$233.57 million was utilized as at June 30, 2022 and US\$362.08 million remains unutilized. The balance is expected to be fully utilized by 2030.

Corporate Governance and Other Information

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\$312.5 million was utilized as at June 30, 2022 and HK\$3,164.70 million remains unutilized. The balance is expected to be fully utilized by 2030.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in June 2019 and allotment and issuance of shares pursuant to the full exercise of the over-allotment option in July 2019 amounted to approximately HK\$8.798 billion. The proposed use of the net proceeds was disclosed in the Company’s prospectus dated May 31, 2019. As at June 30, 2022, the net proceeds of approximately HK\$8.798 billion have been fully utilized for the purposes as set out in the prospectus.

Independent Review Report of Interim Financial Information



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

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 26 to 48, which comprises the condensed consolidated statement of financial position of Hansoh Pharmaceutical Group Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at June 30, 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

August 26, 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	4,434,378	4,401,501
Cost of sales		<u>(398,582)</u>	<u>(415,680)</u>
Gross profit		4,035,796	3,985,821
Other income	4	194,399	182,245
Selling and distribution expenses		(1,682,856)	(1,529,142)
Administrative expenses		(292,386)	(432,693)
Research and development costs		(739,035)	(686,929)
Other (expenses)/gains, net	4	<u>(6,794)</u>	<u>27,754</u>
PROFIT BEFORE TAX	5	1,509,124	1,547,056
Income tax expense	6	<u>(211,148)</u>	<u>(256,466)</u>
PROFIT FOR THE PERIOD		<u>1,297,976</u>	<u>1,290,590</u>
Attributable to:			
Owners of the parent		<u>1,297,976</u>	<u>1,290,590</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT FOR THE PERIOD			
Basic (RMB)	8	0.22	0.22
Diluted (RMB)	8	<u>0.22</u>	<u>0.20</u>

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	1,297,976	1,290,590
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	253,549	(124,121)
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods	253,549	(124,121)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	253,549	(124,121)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,551,525	1,166,469
Attributable to:		
Owners of the parent	1,551,525	1,166,469

Interim Condensed Consolidated Statement of Financial Position

For the six months ended June 30, 2022

	Notes	June 30, 2022 (Unaudited) RMB'000	December 31, 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,243,289	3,224,555
Right-of-use assets	10(a)	261,706	250,840
Intangible assets		31,776	17,037
Investment in an associate	11	87,649	–
Financial assets at fair value through profit or loss	13	437,606	394,967
Prepayments for purchase of property, plant and equipment		85,896	93,404
Total non-current assets		4,147,922	3,980,803
CURRENT ASSETS			
Inventories		497,126	410,127
Trade and bills receivables	12	3,033,249	3,675,990
Prepayments, other receivables and other assets		221,293	160,207
Financial assets at fair value through profit or loss	13	1,881,837	2,357,215
Other financial assets	14	2,085,894	1,873,773
Cash and bank balances	15	16,977,595	14,702,056
Total current assets		24,696,994	23,179,368
CURRENT LIABILITIES			
Trade and bills payables	16	239,612	248,330
Other payables and accruals	17	2,404,266	2,609,035
Contract liabilities		13,246	22,201
Lease liabilities	10(b)	14,426	9,968
Tax payable		81,059	134,196
Dividends payable		455,826	–
Total current liabilities		3,208,435	3,023,730
NET CURRENT ASSETS		21,488,559	20,155,638
TOTAL ASSETS LESS CURRENT LIABILITIES		25,636,481	24,136,441

Interim Condensed Consolidated Statement of Financial Position

For the six months ended June 30, 2022

	Notes	June 30, 2022 (Unaudited) RMB'000	December 31, 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds	18	4,029,505	3,742,996
Lease liabilities	10(b)	86,193	74,917
Deferred tax liabilities		372,003	266,752
Other non-current liabilities		22,695	22,931
Total non-current liabilities		4,510,396	4,107,596
NET ASSETS			
		21,126,085	20,028,845
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	52	52
Treasury shares		(86,138)	(57,969)
Reserves		21,212,171	20,086,762
		21,126,085	20,028,845
Non-controlling interests		—	—
Total equity		21,126,085	20,028,845

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

Notes	Share capital RMB'000	Share premium* RMB'000	Share- based payments* RMB'000	Treasury shares RMB'000	Merger reserve/ other reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Statutory surplus reserves* RMB'000	Retained profits* RMB'000	Total equity RMB'000
At January 1, 2022 (audited)	52	14,023,877	134,062	(57,969)	(57,100)	(923,885)	853,383	6,056,425	20,028,845
Profit for the period	-	-	-	-	-	-	-	1,297,976	1,297,976
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	253,549	-	-	253,549
Total comprehensive income for the period	-	-	-	-	-	253,549	-	1,297,976	1,551,525
Restricted share unit subscribed under share- based payments	-	(19,193)	-	29,891	-	-	-	-	10,698
Share-based payments	-	-	51,194	-	-	-	-	-	51,194
Repurchase of shares under share award scheme	-	-	-	(58,060)	-	-	-	-	(58,060)
Dividends declared	7	-	-	-	-	-	-	(455,826)	(455,826)
Others	-	-	-	-	(2,291)	-	-	-	(2,291)
At June 30, 2022 (unaudited)	52	14,004,684	185,256	(86,138)	(59,391)	(670,336)	853,383	6,898,575	21,126,085
At January 1, 2021 (audited)	52	14,008,766	68,590	-	(57,100)	(722,482)	846,908	3,730,864	17,875,598
Profit for the period	-	-	-	-	-	-	-	1,290,590	1,290,590
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(124,121)	-	-	(124,121)
Total comprehensive income for the period	-	-	-	-	-	(124,121)	-	1,290,590	1,166,469
Issue of shares by private placement	-	15,111	-	-	-	-	-	-	15,111
Share-based payments	-	-	42,089	-	-	-	-	-	42,089
Dividends declared	7	-	-	-	-	-	-	(380,866)	(380,866)
At June 30, 2021 (unaudited)	52	14,023,877	110,679	-	(57,100)	(846,603)	846,908	4,640,588	18,718,401

* These reserve accounts comprise the reserves of RMB21,212,171,000 and RMB18,718,349,000 in the condensed consolidated statement of financial position as at June 30, 2022 and June 30, 2021, respectively.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,509,124	1,547,056
Adjustments for:			
Impairment of trade receivables, net	5	1,481	20
Impairment of inventories, net	5	312	733
Depreciation of items of property, plant and equipment	5	144,320	124,416
Depreciation of right-of-use assets	5	10,021	7,720
Amortisation of deferred income		(236)	(236)
Amortisation of intangible assets	5	3,826	3,115
Gain on disposal of items of property, plant and equipment	4	(2,196)	(479)
Share of loss of an associate	4	776	–
Fair value gains of financial assets at fair value through profit or loss	4	(43,596)	(12,525)
Fair value change of convertible bonds	4	60,692	(89,336)
Investment income	4	(3,620)	(74,095)
Interest income from deposits with initial term of over three months when acquired		(126,972)	(19,414)
Interest expense	4	28,656	27,114
Share-based payments	5	51,194	42,089
		1,633,782	1,556,178
Decrease/(increase) in trade and bills receivables		641,260	(53,238)
Increase in prepayments, other receivables and other assets		(61,086)	(87,894)
Increase in inventories		(87,311)	(30,973)
(Decrease)/increase in trade and bills payables		(8,718)	125,562
Decrease in other payables and accruals		(176,096)	(187,282)
(Decrease)/increase in contract liabilities		(8,955)	9,016
Cash generated from operations		1,932,876	1,331,369
Income tax paid		(159,034)	(247,230)
Net cash flows from operating activities		1,773,842	1,084,139

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from items of property, plant and equipment		3,546	3,879
Purchases of items of property, plant and equipment		(185,914)	(252,331)
Purchases of intangible assets		(16,680)	(359)
Increase in time deposits with original maturity of over three months when acquired		(5,694,345)	(4,502,478)
(Increase)/decrease in financial products included in other financial assets		(92,841)	6,366,971
Decrease/(increase) in financial assets at fair value through profit or loss		407,535	(1,302,332)
Interest income received from deposits with initial term of over three months when acquired		80,958	26,056
Investment income received from financial products included in other financial assets		3,620	74,095
Investment income received from financial products included in financial assets at fair value through profit or loss		25,761	7,651
Net cash flows (used in)/from investing activities		<u>(5,468,360)</u>	<u>421,152</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of convertible bonds		–	3,852,789
Net proceeds from issue of new shares		–	15,111
Lease payments		(7,467)	(7,969)
Purchase of shares under the share incentive scheme		(58,060)	–
Collection from employees for subscription of shares under the share incentive scheme		10,698	–
Dividends paid		–	(64,336)
Net cash flows (used in)/from financing activities		<u>(54,829)</u>	<u>3,795,595</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,749,347)	5,300,886
Cash and cash equivalents at beginning of period		6,718,709	3,063,316
Effect of foreign exchange rate changes, net		(261,835)	288,794
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>2,707,527</u>	<u>8,652,996</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	15	2,653,210	2,413,139
Non-pledged time deposits with initial term of less than three months when acquired	15	<u>54,317</u>	<u>6,239,857</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u>2,707,527</u>	<u>8,652,996</u>

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

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

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

3. OPERATING SEGMENT INFORMATION

Information about geographical areas

Since over 90% of the Group's revenue and operating profit were generated from the sales 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 is presented in accordance with HKFRS 8 *Operating Segments*.

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 periods presented.

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

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

An analysis of revenue and other income is as follows:

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sales of industrial products – at a point in time	4,372,817	4,390,540
Rendering of research and development services	61,561	10,961
	4,434,378	4,401,501
Other income		
Investment income	3,620	74,095
Government grants	38,930	43,312
Bank interest income	151,802	64,248
Others	47	590
	194,399	182,245

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

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other (expenses)/gains, net		
Gain on disposal of items of property, plant and equipment	2,196	479
Fair value gains of financial assets at fair value through profit or loss	43,596	12,525
Fair value (loss)/gains of convertible bonds	(60,692)	89,336
Donations	(25,374)	(34,564)
Exchange differences, net	68,819	(2,070)
Impairment of trade receivables, net	(1,481)	(20)
Impairment of inventories, net	(312)	(733)
Interest expense	(28,656)	(27,114)
Share of loss of an associate	(776)	–
Others	(4,114)	(10,085)
	(6,794)	27,754

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold		250,301	282,667
Depreciation of items of property, plant and equipment		144,320	124,416
Depreciation of right-of-use assets		10,021	7,720
Amortisation of intangible assets		3,826	3,115
Impairment of trade receivables, net		1,481	20
Impairment of inventories, net		312	733
Operating lease expenses		3,802	2,102
Auditors' remuneration		1,534	1,937
Share of loss of an associate	4	776	–
Gain on disposal of items of property, plant and equipment	4	(2,196)	(479)
Investment income	4	(3,620)	(74,095)
Fair value gains of financial assets at fair value through profit or loss	4	(43,596)	(12,525)
Fair value loss/(gains) of convertible bonds	4	60,692	(89,336)
Bank interest income	4	(151,802)	(64,248)
Exchange differences, net	4	(68,819)	2,070
Employee benefit expense			
Wages and salaries		849,677	814,940
Social welfare and other benefits*		335,817	252,339
Share-based payments expense		51,194	42,089
		1,236,688	1,109,368

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

6. 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 British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and 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% on the estimated assessable profits arising in Hong Kong during the reporting period.

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

6. INCOME TAX (Continued)

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 periods presented is analysed as follows:

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	105,897	174,741
Deferred income tax	105,251	81,725
	211,148	256,466

7. DIVIDENDS

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends declared – RMB7.32 cents (2021: RMB6.51 cents) per ordinary share	455,826	380,866

Notes:

Pursuant to the resolution of the shareholders of the Company dated June 10, 2022, the Company declared a dividend of RMB7.32 cents (six months ended June 30, 2021: RMB6.51 cents) per ordinary share, amounting to a total of approximately RMB455,826,000 (six months ended June 30, 2021: RMB380,866,000).

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,916,956,923 (2021: 5,920,327,325) in issue during the period, as adjusted to reflect the rights issue during the period.

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

The diluted earnings per share for the six-month period ended 30 June 2022 did not assume conversion of the convertible bonds as its conversion be anti-dilutive.

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	1,297,976	1,290,590
Interest on convertible bonds	–	23,770
Fair value change on the derivative component of convertible bonds	–	(89,336)
	1,297,976	1,225,024
Adjusted number of shares		
Six months ended June 30,		
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	5,916,956,923	5,920,327,325
Effect of dilution – weighted average number of ordinary share		
Restricted share units	2,524,570	3,991,197
Convertible bonds	–	68,105,586
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	5,919,481,493	5,992,424,108
Basic earnings per share (RMB per share)	0.22	0.22
Diluted earnings per share (RMB per share)	0.22	0.20

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

9. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period:		
Cost	4,584,317	3,166,835
Accumulated depreciation	(1,359,762)	(1,127,506)
Net carrying amount	3,224,555	2,039,329
At beginning of period, net of accumulated depreciation	3,224,555	2,039,329
Additions	165,863	1,134,106
Disposals	(311)	(3,679)
Depreciation provided during the period	(144,320)	(124,416)
Transfer	(4,038)	(1,906)
Exchange realignment	1,540	326
At end of period, net of accumulated depreciation	3,243,289	3,043,760
At end of period:		
Cost	4,734,230	4,288,608
Accumulated depreciation	(1,490,941)	(1,244,848)
Net carrying amount	3,243,289	3,043,760

10. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use right, property, equipment and vehicles. 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 between 3 and 5 years. Equipment and vehicles generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

10. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	250,840	264,489
Additions	16,824	–
Disposals	–	(5,140)
Exchange realignment	4,063	–
Depreciation charge	(10,021)	(7,720)
At end of the period	261,706	251,629

(b) Lease liabilities

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount at beginning of the period	84,885	92,749
New leases	16,824	–
Disposals	–	(4,724)
Accretion of interest recognised during the period	2,154	1,717
Exchange realignment	4,223	(695)
Payments	(7,467)	(6,223)
Carrying amount at end of the period	100,619	82,824

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	2,154	1,717
Depreciation charge of right-of-use assets	10,021	7,720
Total amount recognised in profit or loss	12,175	9,437

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

11. INVESTMENT IN AN ASSOCIATE

	June 30, 2022 RMB'000 (Unaudited)
Share of net assets	87,649

The above investment represents the 27.8% equity shares in Blossom Bioscience, Ltd. held through a wholly-owned subsidiary of the Company.

The following table illustrates the financial information of the Group's associate that is not material:

	For the six months ended June 30, 2022 RMB'000 (Unaudited)
Share of the associate's loss for the period	(776)
Aggregate carrying amount of the Group's investment in the associate	87,649

12. TRADE AND BILLS RECEIVABLES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Trade receivables	3,001,495	3,248,366
Provision for impairment	(2,550)	(1,069)
	2,998,945	3,247,297
Bills receivable	34,304	428,693
	3,033,249	3,675,990

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:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 90 days	2,767,437	2,997,328
91 days to 180 days	14,191	217,159
Over 180 days	217,317	32,810
	2,998,945	3,247,297

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

12. TRADE AND BILLS RECEIVABLES (Continued)

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

	June 30, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited)
Within 90 days	26,612	394,604
91 days to 180 days	7,692	34,089
	34,304	428,693

The movements in the loss allowance for impairment of trade receivables are as follows:

	For the six months ended June 30, 2,022 <i>RMB'000</i> (Unaudited)	2,021 <i>RMB'000</i> (Unaudited)
At beginning of the period	1,069	462
Impairment losses, net	1,481	20
Write-off	–	–
At end of the period	2,550	482

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

	Not overdue	Overdue by			Total
		Within 90 days	90 days to 1 year	Over 1 year	
At 30 June 2022					
Expected credit loss rate	0%	0%	20%	100%	0%
Gross carrying amount (RMB'000)	2,765,408	224,976	10,701	410	3,001,495
Expected credit losses (RMB'000)	–	–	2,140	410	2,550
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

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Current		
Investments in financial products (note (a))	<u>1,881,837</u>	<u>2,357,215</u>
Non-current		
Other unlisted investments, at fair value (note (b))	<u>437,606</u>	<u>394,967</u>

Notes:

- (a) The above investments represent investments in certain financial products issued by commercial banks with expected return rates ranging from 1.05% to 3.84% 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 investments in unlisted funds which specialise in making equity investments in the life science industry and in unlisted equity interests of innovative biopharmaceutical manufacturers. The Group has an intention of holding them as long-term investments.

14. OTHER FINANCIAL ASSETS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Investments in financial products	<u>2,085,894</u>	<u>1,873,773</u>

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 an annual return rates ranging from 0.39% to 3.09% (December 31, 2021: 0.39% to 0.47%). None of these investments are either past due or impaired.

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

15. CASH AND BANK BALANCES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Cash and bank balances, unrestricted	2,653,210	2,503,263
Bank deposits with initial term of less than three months when acquired	54,317	4,215,446
Bank deposits with initial term of over three months when acquired (note (a))	14,270,068	7,983,347
Cash and bank balances	16,977,595	14,702,056

Note:

- (a) The above investments represent time deposits with initial term of over three months when acquired (including three months) issued by commercial banks with annual return rates ranging from 0.81% to 4.33%. None of these investments are either past due or impaired. None of these deposits are pledged.

16. TRADE AND BILLS PAYABLES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Trade payables	151,171	116,103
Bills payable	88,441	132,227
	239,612	248,330

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

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 90 days	238,234	247,069
91 days to 180 days	131	193
181 days to 1 year	191	12
Over 1 year	1,056	1,056
	239,612	248,330

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

17. OTHER PAYABLES AND ACCRUALS

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Accrued expenses	1,657,480	1,725,012
Staff payroll, welfare and bonus payables	276,241	362,688
Other tax payables	158,145	112,861
Payables for purchase of items of property, plant and equipment	91,170	102,800
Other payables	221,230	305,674
	2,404,266	2,609,035

18. CONVERTIBLE BONDS

On January 22, 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 March 4, 2021 on the basic conversion price of HK\$60.00 per share. The bonds are redeemable at the option of the bondholders on January 22, 2024. Any convertible bonds not converted, redeemed or purchased and cancelled will be redeemed by the Company on January 22, 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:

- (a) 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.
- (b) 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 recognized 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.

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

18. CONVERTIBLE BONDS (Continued)

The convertible bonds issued in 2021 have been split into the debt and embedded derivative components as follows:

	Debt component <i>RMB'000</i>	Embedded derivative component <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2022	3,611,331	131,665	3,742,996
Allocated transaction costs			
Exchange adjustments	190,827	8,488	199,315
Interest charged	26,502	–	26,502
Fair value change	–	60,692	60,692
	<u>3,828,660</u>	<u>200,845</u>	<u>4,029,505</u>
As at June 30, 2022 (Unaudited)	<u>3,828,660</u>	<u>200,845</u>	<u>4,029,505</u>

19. SHARE CAPITAL

	June 30, 2022 <i>RMB</i> (Unaudited)	December 31, 2021 <i>RMB</i> (Audited)
Issued and fully paid:		
5,922,350,070 shares of HK\$0.00001 each (December 31, 2021: 5,922,350,070 shares of HK\$0.00001 each)	<u>52,169</u>	<u>52,169</u>

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

	Number of shares in issue	Share capital <i>RMB</i>
At January 1, 2022 (audited)	<u>5,922,350,070</u>	<u>52,169</u>
At June 30, 2022 (unaudited)	<u>5,922,350,070</u>	<u>52,169</u>

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

20. TREASURY SHARES

During the six months ended June 30, 2022, a summary of movements in the Company's treasury shares is as follows:

	Treasury shares RMB'000
At January 1, 2022	57,969
Shares purchased for share-based payments	58,060
Share subscription rights exercised	(29,891)
At June 30, 2022 (unaudited)	86,138

21. COMMITMENTS

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

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Contracted, but not provided for the acquisition of property, plant and equipment	142,894	202,836

22. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	27,749	25,128
Performance related bonuses	11,467	6,696
Share-based payments	27,443	20,502
Pension scheme contributions	1,349	1,331
Total compensation paid to key management personnel	68,008	53,657

Notes to the Interim Condensed Consolidated Financial Information

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23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, bank deposits with initial term of over three months when acquired, trade and bills receivables, trade and bills payables, financial assets at fair value through profit or loss, 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 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 June 30, 2022 were assessed to be insignificant.

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			Total
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at June 30, 2022				
Financial assets at fair value through profit or loss	–	1,881,837	437,606	2,319,443
Bills receivable (note (a))	–	–	34,304	34,304
As at December 31, 2021				
Financial assets at fair value through profit or loss	–	2,357,215	394,967	2,752,182
Bills receivable (note (a))	–	–	423,251	423,251

Notes to the Interim Condensed Consolidated Financial Information

June 30, 2022

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000	
As at June 30, 2022				
Convertible bonds – embedded derivative instruments (note (b))	–	–	200,845	200,845
As at 31 December 2021				
Convertible bonds – embedded derivative instruments (note (b))	–	–	131,665	131,665

Notes:

- (a) At June 30, 2022, 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 fair value of bills receivable approximates to their carrying amount largely due to the short-term maturities of these instruments.
- (b) The fair value of the embedded derivative instruments of convertible bonds has been estimated using the binomial option pricing model. The significant unobservable input is discount rate.

During the period, 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 (December 31, 2021: Nil).

Definitions

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

“Apex Medical”	APEX MEDICAL COMPANY LTD., a company incorporated in the BVI as a limited liability company and wholly-owned by Mr. Cen Junda
“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
“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
“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
“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

Definitions

“Director(s)”	the director(s) of the Company
“EGFR-TKI”	epidermal growth factor receptor (EGFR)-tyrosine kinase inhibitor (TKI)
“EQRx”	EQRx, Inc.
“Fortune Peak”	Fortune Peak (HS) Company Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“GHDDI”	Beijing Huayi Health Drug Discovery Institute* (北京華益健康藥物研究中心) (also known as the Global Health Drug Discovery Institute)
“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)
“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
“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

Definitions

“MHRA”	the Medicines and Healthcare products Regulatory Agency of United Kingdom (U.K.)
“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)
“NiKang Therapeutics”	NiKang Therapeutics Inc.
“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)
“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
“Prospectus”	the prospectus of the Company dated May 31, 2019
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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

Definitions

“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 Ms. 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
“TiumBio”	TiumBio Co., Ltd.
“U.S. FDA”	the United States Food and Drug Administration
“Viela Bio”	Viela Bio, Inc.
“%”	percentage

* *For identification purposes only*