翰森製藥
HANSOH PHARMA

Hansoh Pharmaceutical Group Company Limited

翰森製藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3692

2020

Interim Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Ma Cuifang (馬翠芳)

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)

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

STOCK CODE

Stock Code: 3692

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

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

9 Dongjin Road
Economic & Technical Development Zone
Lianyungang
Jiangsu, 222069
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.hspharm.com

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Hong Kong

Corporate Information

HONG KONG LEGAL ADVISOR

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37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISOR

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
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Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
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PRINCIPAL BANK

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

Financial Highlights

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2020, Hansoh Pharmaceutical Group Company Limited (the "**Company**") and with its subsidiaries (collectively, the "**Group**") recorded the following unaudited results:

- Revenue was approximately RMB3,980 million, representing a decrease of approximately 13.5% compared with the corresponding period of the previous year;
- Net profit was approximately RMB1,222 million, representing a decrease of approximately 5.7% compared with the corresponding period of the previous year;
- Basic earnings per share was approximately RMB0.21, representing a decrease of approximately 16.5% compared with the corresponding period of the previous year.

Corporate Overview

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

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

The core driving force of the Company is its focus on innovation. The Company has continuously increased its investments in research and development ("**R&D**") over the years, established a sound R&D platform and mastered a number of proprietary technologies. It has successfully launched and developed a series of innovative drugs and first-to-market generic drugs.

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

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

MAIN PRODUCTS

CNS disease drugs:	Oulanning (olanzapine tablets), Ameining (agomelatine tablets) and Ailanning (paliperidone extended-release tablets)
Oncology drugs:	Ameile (almonertinib mesylate tablets), Hansoh Xinfu (flumatinib mesylate tablets), Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydro chloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection)
Anti-infective drugs:	Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose for injection/tablets) and Hengsen (micafungin sodium for injection)
Others:	Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium entericcoated tablets), Zexin (apixaban tablets) and Ruiyisheng (prucalopride succinate tablets)

In 2013, the Company was first awarded with the State Science and Technology Award (second prize) (國家科技獎(二等獎)) by the PRC State Council (中國國務院) (the "**State Council**"). During the same year, we obtained United States Food and Drug Administration ("**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 Good Manufacturing Practice (藥品生產品質管制規範) ("**GMP**") certifications for all our production lines.

Corporate Overview

In 2014, the Company 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, our first self-developed innovative drug Mailingda (morinidazole sodium chloride injection) was approved for sale in China.

In 2017, the Company 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, the Company 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.

In May 2019, our self-developed GLP-1 receptor agonist, 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, the Company was awarded with the "Green Enterprise Management Award" (2019年度綠色企業管理獎).

On June 14, 2019 (the "**Listing Date**"), the shares of the Company were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), creating a milestone for the Group and laying a solid foundation for our future development.

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

In November 2019, Hansoh Xinfu (flumatinib mesylate tablets), a Category 1.1 innovative drug self-developed by the Company, obtained the approval for marketing in China and is indicated for the treatment of chronic myelogenous leukemia.

In March 2020, Ameile (almonertinib mesylate tablets), a Category 1 innovative drug self-developed by the Company, obtained the approval for marketing in China and is indicated for the treatment of non-small cell lung cancer.

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

Management Discussion and Analysis

INDUSTRY REVIEW

The Chinese economy encountered enormous challenges during the first half of 2020 in the face of the eruption of the unexpected novel coronavirus (COVID-19) pandemic, with its gross domestic product declining at a rate of 1.6% year-on-year. Pharmaceutical industry made a significant contribution to the pandemic control by committing a large amount of resources to the pandemic prevention and control. During the period, the continuous and further implementation of the national medical reform and the systematization and normalization of various measures brought a far-reaching impact on the entire pharmaceutical industry development. Under the general environment of expense control over the medicines covered by medical insurance and the normalization of volume-based drug procurement scheme by Group Purchasing Organization Program ("**GPO**", 帶量採購), the first batch of "4+7" scheme drugs procurement through centralized tendering with GPO was extended nationwide while the second batch of GPO was being initiated simultaneously, in order to promote the improvement of product quality of enterprises and also to exert pressure on them to lower their pricing. The National Reimbursement Drug List ("**NRDL**", 國家醫保藥品目錄) achieved the implementation of regularly dynamic adjustment which accelerated the process for negotiations of innovative drugs to be included in the NRDL, thereby boosting confidence of the pharmaceutical industry in innovation. The national piloting of payment systems based on diagnosis related groups (DRGs) was launched for promoting the standardized treatment of medical institutions in order to improve the efficiency of healthcare expenses. The pharmaceutical industry gradually adapted to the development trend and accelerated the pace of innovation and development towards a comprehensive transformation and upgrade. Only enterprises with strong innovation ability, rich product pipelines, high level of product quality, guaranteed production and supply plus excellent commercialization capabilities could have an opportunity to further build up and continuously expand their advantages in such a complex and volatile environment through a combination of measures.

BUSINESS REVIEW

During the period under review, the Group's main achievements are as follows:

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

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

BUSINESS REVIEW *(Continued)*

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

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

During the period under review, Oulanning (olanzapine tablets), Xinwei (imatinib mesylate tablets) and Punuoan (ambrisentan tablets) are selected drugs for the scheme for GPO. The Company actively made adjustments in response to the national medical reform policy through reducing expenditure and increasing production commercial efficiency. In respect of our existing competitive areas, the Company strengthened academic team facilities, in particular, to launch the online academic activities, to expand new sales channels, so as to ensure the achievement of performance targets, minimizing the impact of the pandemic to the least possible level. After the launch of Ameile (almonertinib mesylate tablets), Hansoh Xinfu (flumatinib mesylate tablets) and Fulaimei (polyethylene glycol loxenatide for injection), the Company has continued to strengthen its professional academic team facilities. The existing clinical data and clinical experience of the Company has been highly recognized by clinical experts. Meanwhile, the Company cooperated with professional institutions to carry out post-marketing clinical research programs and accumulate more sufficient clinic-based evidence. The Company will subsequently organize and optimize the patients' disease course management. The three innovative drugs mentioned above will be eligible for the negotiations of 2020 NRDL, which is a process accelerating transformation of innovative achievement.

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

For the six months ended June 30, 2020, the Group recorded revenue of approximately RMB3,980 million in the period, representing a decrease of approximately 13.5% compared with the corresponding period of the previous year; net profit of approximately RMB1,222 million, representing a decrease of approximately 5.7% compared with the corresponding period of the previous year; and basic earnings per share of approximately RMB0.21, representing a decrease of approximately 16.5% compared with the corresponding period of the previous year.

Management Discussion and Analysis

REVENUE

We generate substantially all of our revenue from sales of pharmaceutical products. Most of our main products are in the CNS diseases, oncology, anti-infectives and other main therapeutic areas we strategically target. Coupled with the outbreak of COVID-19 and the scheme for centralized tendering with minimum procurement quantities, our total revenue recorded a decrease year on year. However, revenue from the newly-launched products recorded a rapid increase.

CNS disease products

Our CNS disease drug portfolio mainly consists of Oulanning (olanzapine tablets) and Ameining (agomelatine tablets). For the six months ended June 30, 2020, revenue from our CNS disease drug portfolio amounted to approximately RMB693 million and accounted for approximately 17.4% of our total revenue.

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

Oncology products

In respect of oncology products, we primarily focus on drugs for the treatment of solid tumors with high incidence such as lung cancer and breast cancer, as well as hematological cancer. Our oncology drug portfolio mainly consists of Ameile (almonertinib mesylate tablets), a Category 1 innovative drug which was newly launched in 2020, Hansoh Xinfu (flumatinib mesylate tablets) which was newly launched in 2019, Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydrochloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection). For the six months ended June 30, 2020, revenue from our oncology drug portfolio amounted to approximately RMB1,844 million and accounting for approximately 46.3% of our total revenue.

REVENUE *(Continued)*

Oncology products *(Continued)*

Ameile (almonertinib mesylate tablets) is the first innovative drug for the third-generation EGFR-TKI developed in China, indicating for the treatment of patients with locally advanced or metastatic non-small cell lung cancer with T790M mutation, who have progressed on or after EGFR-TKI therapy. In addition to its favorable safety profile, Ameile's median progression free survival (mPFS) for patients being treated is over one year, which is the longest period among same class drugs at the moment. Since its launch, Ameile has been widely applied in clinical practices, bringing new hope to lung cancer patients in China. Ameile has been included in the Guidelines of Chinese Society of Clinical Oncology for the treatment of Non-small Cell Lung Cancer in 2020 (《2020年CSCO非小細胞肺癌診療指南》) due to its efficacy and safety which were highly recognized by clinical experts. Hansoh Xinfu (flumatinib mesylate tablets) is the second-generation TKI drug targeting Bcr-Abl, indicating for the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, its efficacy is better than that of imatinib. Further, no pleural effusion or cardiotoxicity which incurred in the use of other second-generation drugs was discovered and its safety is more favorable. Since its launch, patients have benefited significantly and the growth of patient population of long-term application continues. Hansoh Xinfu is recommended in the first-line treatment for chronic myelogenous leukemia in the Guidelines for Diagnosis and Treatment of Chronic Myelogenous leukemia in China (2020 edition) (中國慢性髓性白血病診斷與治療指南(2020版)). Xinwei is the first-to-market generic of imatinib, which is indicated for the targeted treatment of, among others, Philadelphia chromosome-positive chronic myelogenous leukemia and acute lymphocytic leukemia, gastrointestinal stromal tumors. Unlike chemotherapy drugs, imatinib is typically prescribed for long-term use. In May 2018, Xinwei became the first imatinib mesylate tablets to pass the consistency evaluation. Pulaile is the first-to-market generic of pemetrexed, which is indicated for the treatment of non-small cell lung cancer and malignant pleural mesothelioma, and is the first-line chemotherapeutic drug. Pulaile obtained the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) certification in 2016 and obtained U.S. FDA certification in 2019. Zefei is the first-to-market generic of gemcitabine, which is indicated for the treatment of middle and late-stage non-small cell lung cancer, breast cancer, and pancreatic cancer, and is the first-line typical chemotherapeutic drug. In 2013, Zefei obtained U.S. FDA certification. In 2013, Zefei won the second prize for the Advancement of Science and Technology Award (國家科技進步二等獎). Since its launch in 2001, Zefei has taken a leading position in the gemcitabine market and increased penetration into county markets through our professional academic promotion and active expansion of its scope of clinical application.

REVENUE *(Continued)*

Anti-infective products

Our anti-infective drug portfolio mainly consists of Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose injection) and Hengsen (micafungin sodium for injection). The Company mainly focuses on drug-resistant bacteria products as the clinical needs of these products are increasing. Meanwhile, the Company maintains rational drug use as the guiding direction for academic activities of anti-infective drugs, to promote the regulated clinical use of anti-infective drugs. For the six months ended June 30, 2020, revenue from our anti-infective drug portfolio amounted to approximately RMB784 million and accounting for approximately 19.7% of our total revenue.

Mailingda is our first self-developed innovative drug, and is also the latest generation of nitroimidazole-class drug indicated for treatment of pelvic inflammation, gangrenous appendicitis and suppurative appendicitis caused by certain bacteria in adults. It has a better safety profile than the previous generation of typical drug named ornidazole. Mailingda is recommended in the treatment of intra-abdominal infection in the Chinese Guideline for the Diagnosis and Management of Intra-abdominal Infection (2019 edition) (中國腹腔感染診治指南(2019版)). In 2017, Mailingda was included in the NRDL after negotiation. The agreement with the National Healthcare Security Administration was renewed successfully in November 2019 through negotiation.

Gastrointestinal, diabetes and cardiovascular products

Our drug portfolio of this segment mainly consists of Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium enteric-coated tablets), Zexin (apixaban tablets) and Ruiyisheng (prucalopride succinate tablets). For the six months ended June 30, 2020, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB659 million and accounting for approximately 16.6% of our total revenue.

Fulaimei (polyethylene glycol loxenatide for injection) is our self-developed innovative diabetes drug. With clear hypoglycemic efficacy and high safety, it requires only one injection per week, providing a new treatment choice to diabetes patients in China. Fulaimei is also the first innovative drug launched by using our proprietary PEGylation technology.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT

We have one of the largest R&D teams among pharmaceutical companies in China. Our dedicated professional R&D team consists of thousands of researchers working in two centres in Shanghai and Lianyungang. We have several national-level R&D designations, including the National Technology Center (國家級技術中心), Post-doctoral Research Station (博士後科研工作站) and Key National Laboratory (國家重點實驗室).

We focus on R&D of innovative products in the fields such as CNS diseases, oncology, anti-infectives and diabetes. At present, we have more than a hundred research projects, including 5 innovative drug projects entering into the phase II and post-phase II phases of clinical trials, and 22 projects which are for the development of bioequivalency (BE) (including the application for production). During the period under review, the Company has newly applied for and obtained clinical approvals of 10 drugs, and filed applications for marketing of 10 drugs, out of which 6 new drugs (including 1 innovative drug and 2 first-to-market generic drugs) have been granted approval and all generic drugs have passed the consistency evaluation. Ameile, a self-developed innovative and the first third generation EGFR-TKI drug in the PRC, has obtained the approval for marketing. It is indicated for treatment of patients with locally advanced or metastic NSCLC with T790M mutation, who have progressed on or after EGFR-TKI therapy. Ameile has demonstrated favourable efficacy and safety, in addition to its efficacy for patients with brain metastasis. HS-10234, a self-developed innovative drug, is expected to file a New Drug Application (NDA) in the third quarter of 2020. This drug is expected to be used for the treatment of hepatitis B, and improves the efficacy while significantly reducing toxic side effect as compared with its previous generation of drug (TDF).

In addition to investment in R&D internally, the Group also actively sought external cooperation and acquisition opportunities. In July, we have entered into a strategic collaboration and license agreement with EQRx, INC. ("**EQRx**") to grant an exclusive license to permit EQRx to research, develop, manufacture and commercialize Almonertinib outside China. In order to enrich our product pipelines, we introduced two new drug projects through in-licensing. In April, we introduced anti-infective innovative drug project from NiKang Therapeutics. In July, we introduced fourth generation inhibiting Bcr-Abl project from Terns Pharmaceuticals. In relation to external collaboration, we expanded our collaboration with Atomwise in April on active compound discovery through AI-aided drug design.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended June 30, 2020, the Group's operating activities generated a net cash inflow of approximately RMB1,361 million. The turnover days of both trade and bills receivables and inventory experienced a decrease compared with the corresponding period of the previous year. The capital expenditure for the period was RMB187 million, mainly relating to the construction, purchase of buildings and workshops, and the purchase of equipment, motor vehicles and software required for production, R&D and administrative activities. The Group's cash flow of financing activities for the period mainly consisted of the gross proceeds of RMB3,172 million from the Placing and the payment of RMB2,200 million for our undistributed dividends declared before the Listing.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The Group's financial position remains sound. As at June 30, 2020, we had cash and bank balances of RMB5,488 million (as at December 31, 2019: RMB8,238 million), financial assets at fair value through profit or loss of RMB1,578 million (as at December 31, 2019: RMB2,772 million), and other financial assets of RMB9,805 million (as at December 31, 2019: RMB3,583 million). As at June 30, 2020, our financial assets at fair value through profit or loss and other financial assets comprise of investments in financial products issued by commercial banks. Our purchase of financial products during the six months ended June 30, 2020 does not constitute notifiable transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). As at June 30, 2020, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 20.2% (as at December 31, 2019: 33.4%).

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

PLEDGE OF GROUP ASSETS

As at June 30, 2020, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

CONTINGENT LIABILITIES

As at June 30, 2020, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

During the six months ended June 30, 2020, we did not have any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at June 30, 2020, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended June 30, 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

EMPLOYEES AND EMOLUMENTS POLICY

As at June 30, 2020, the Group had a total of 10,159 full-time employees, whose remuneration is determined based on their performance and experience as well as the prevailing market salary level.

The staff costs, including remuneration of the directors of the Company (the "**Directors**"), social welfare and other benefits, were approximately RMB828 million for the six months ended June 30, 2020. We also provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about the Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, production safety and corporate culture.

We have conditionally approved and adopted a scheme for the grant of restricted share units ("**RSU Scheme**") on May 27, 2019 to recognize contributions by selected participants and give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the RSU Scheme, please refer to the prospectus of the Company dated May 31, 2019. As at June 30, 2020, 9,035,000 restricted share units had been granted by the Company pursuant to the RSU Scheme.

PROSPECTS

Although the social and economic development was affected by the unexpected outbreak of COVID-19, the development of all industries, including the pharmaceutical industry, has gradually resumed normal thanks to the effective management and control measures adopted by the Chinese government. Due to the impact of the pandemic, the health awareness of the general public is heightened instead, leading to a continuous increase in the already huge medical demand in China. As the national medical reform continues to deepen and the level of primary health care steadily increases, the reform of medical insurance payment methods is propelled and the development of commercial health insurance is further accelerated. Therefore, expense control on medical insurance will remain an important initiative for a certain period of time. The GPO of drugs fully implemented last year has a far-reaching impact on the development of the PRC pharmaceutical industry that it not only imposes pressure on pharmaceutical manufacturers to reduce prices, but also accelerates the process of industry differentiation and integration, which promotes the sound and sustainable development of the industry. The Chinese government has continuously increased commitment in medical treatment of major diseases through various measures, including the systematic negotiation on inclusion of innovative drugs in the NRDL, the relaxation of time restriction on marketing approval of the eligible innovative drugs for NDRL negotiation, strengthened support for the transformation of innovative achievements, the support of national GPO and the inclusion of drugs listed in "List of First Batch of Encouraged Generic Drugs" (《鼓勵仿製藥品目錄》) in the NRDL. All these measures ensure better development of medicines for chronic diseases, rare diseases and children, so as to meet people's profound need for a healthy life. The implementation of a series of supporting measures, such as speeding up of the review process by NMPA, ensures the realization of the objectives of medical reform policy. The PRC pharmaceutical market still faces favorable conditions, and the industry reform brings both opportunities and challenges to the pathway of the development for pharmaceutical manufacturers and therefore, comprehensive competitiveness is critical to their future development. As the Category 1 innovative drugs, such as Ameile (almonertinib mesylate tablets) and Fulaimei (polyethylene glycol loxenatide for injection), have been approved for marketing, our innovation transformation has entered into the harvesting stage. Looking forward, we will continue to enhance our core competitiveness in the fields of, among others, R&D, sales and production. Management of the Group is confident that, the Group will achieve rapid and sustainable development driven by the Group's strong competitive edges brought about by its extensive product pipelines, innovative product portfolio and proven commercialization capabilities.

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

As at June 30, 2020, 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules were as follows:

1. Interest in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest[1]
Ms. Zhong Huijuan[2]	Person with influence over a trust	3,900,000,000	65.89%
Miss Sun Yuan[2]	Beneficiary of a trust	3,900,000,000	65.89%
Mr. Lyu Aifeng[3]	Beneficial owner	300,000	0.005%

Notes:

(1) The calculation is based on the total number of 5,918,991,200 issued shares of the Company as at June 30, 2020.

(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 Miss Sun Yuan ("**Miss 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 Miss Sun are deemed or taken to be interested in all the shares of the Company which are beneficially owned by Stellar Infinity for the purpose of Part XV of the SFO.

(3) These ordinary shares in the Company correspond to Mr. Lyu Aifeng's entitlement to restricted share units subject to vesting conditions.

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

2. Interest in shares or underlying shares of associated 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%
Miss Sun Yuan	Sunrise Investment[(1)]	Beneficiary of a trust	100	100%

Notes:

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

Save as disclosed above, as at June 30, 2020, 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.

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

As at June 30, 2020, the interests and/or short positions of persons (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange 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	65.89%
Sunrise Investment[(2)]	Interest in controlled corporation	3,900,000,000	65.89%
Sunrise Trust Trustee[(2)]	Interest in controlled corporation	3,900,000,000	65.89%
Apex Medical[(3)]	Beneficial owner	950,000,000	16.05%
Mr. Cen Junda[(3)]	Interest in controlled corporation	950,000,000	16.05%

Notes:

(1) The calculation is based on the total number of 5,918,991,200 issued shares of the Company as at June 30, 2020.

(2) Stellar Infinity is a wholly-owned subsidiary of Sunrise Investment, which in turn is wholly owned by the Sunrise Trust Trustee as 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 Company Ltd. ("**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, 2020, 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.

RESTRICTED SHARE UNIT SCHEME

We have conditionally approved and adopted the RSU Scheme on May 27, 2019 to recognize contributions by selected participants and give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the RSU Scheme, please refer to Appendix IV "Statutory and General Information – D. Post-IPO RSU Scheme" of the prospectus of the Company dated May 31, 2019.

As at June 30, 2020, 9,035,000 restricted share units ("**RSUs**") had been granted by the Company pursuant to the RSU Scheme and were outstanding. During the six months ended June 30, 2020, the Company granted 9,035,000 RSUs to 307 grantees (including a Director) pursuant to the RSU Scheme, and none of the RSUs granted was vested, cancelled or lapsed. The vesting schedule of the RSUs granted follows either of following: (i) 40% shall vest on the first anniversary of the grant date and the remaining 30% and 30% shall vest on the second and third anniversary of the grant date, respectively; or (ii) 30% shall vest on the first anniversary of the grant date and the remaining 30% and 40% shall vest on the second and third anniversary of the grant date, respectively.

For further details of the RSU Scheme, please refer to note 20 to the interim condensed consolidated financial statements for the six months ended June 30, 2020.

CHANGE IN DIRECTORS' INFORMATION

On June 5, 2020, Ms. Ma Cuifang ceased to be a member of the audit committee (the "**Audit Committee**") and Ms. Yang Dongtao was appointed as a member of the Audit Committee.

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

EVENTS AFTER THE REPORTING PERIOD

In July 2020, we entered into a strategic collaboration and license agreement with EQRx, INC. ("**EQRx**"), whereby we have granted an exclusive right to permit EQRx to research, develop and manufacture Almonertinib, and, if approved for marketing, will bring Almonertinib to more cancer patients in need around the world. With EQRx's exceptional leadership team and extensive experiences in clinical development in the area of oncology, it is expected that the Group's collaboration with EQRx will further enhance our experience and infrastructure in connection with our clinical development and product commercialization. For further details, please refer to the announcement of the Company dated July 23, 2020.

In the same month, "Empagliflozin Tablets" was granted drug registration approval from the NMPA. The product is a sodium-glucose co-transporter 2 (SGLT2) inhibitor indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, providing a better treatment choice for diabetes patients in China.

Save as disclosed in this report, no other material events affecting the Company occurred since June 30, 2020 and up to the date of this report.

Corporate Governance and Other Information

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 CG Code has been applicable to the Company with effect from the Listing Date.

The Board of Directors (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, 2020, save for code provisions A.2.1 and A.5.1 of the CG Code.

Code Provision A.2.1

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

Code Provision A.5.1

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

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

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 contained in Appendix 10 to the Listing Rules. The Company Code has been applicable to the Company with effect from the Listing Date. 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, 2020.

AUDIT COMMITTEE

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

The Audit Committee and the external auditor, Ernst & Young, have reviewed the unaudited interim results of the Group for the six months ended June 30, 2020.

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

During the six months ended June 30, 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended June 30, 2020.

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. The balance of the unutilized net proceeds as at June 30, 2020 was approximately HK$3,477.20 million. 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, 2020, the net proceeds utilized was approximately HK$3.509 billion and the remaining net proceeds was approximately HK$5.289 billion. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the prospectus. As at June 30, 2020, the net proceeds utilized by the Group were as follows:

Purpose	Percentage of the total amount	Net proceeds received (HKD100 million)	Utilized from the Listing Date to June 30, 2020 (HKD100 million)	Unutilized as at June 30, 2020 (HKD100 million)	Expected time frame
R&D programs, expanding our R&D team and investment in technologies	45%	39.59	10.04	29.55	The balance is expected to be fully utilized by 2025
Manufacturing system to construct new production lines and further automate existing production facilities	25%	21.99	5.86	16.13	The balance is expected to be fully utilized by 2023
Enhancement of sales and academic promotion	20%	17.60	12.48	5.12	The balance is expected to be fully utilized by 2023
Working capital and other general purposes	10%	8.80	6.71	2.09	The balance is expected to be fully utilized by 2023
Total	100%	87.98	35.09	52.89	

Independent Review Report of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 23 to 44, which comprise the condensed consolidated statement of financial position of Hansoh Pharmaceutical Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") as at June 30, 2020, 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, 2020

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2020

	Notes	For the six months ended June 30, 2020 (unaudited) *RMB'000*	2019 (unaudited) *RMB'000*
REVENUE	4	**3,979,518**	4,599,422
Cost of sales		**(357,865)**	(381,940)
Gross profit		**3,621,653**	4,217,482
Other income	4	**113,377**	73,556
Selling and distribution expenses		**(1,447,427)**	(1,810,224)
Administrative expenses		**(348,570)**	(388,785)
Research and development costs		**(476,377)**	(557,849)
Other gains, net	4	**30,938**	11,178
PROFIT BEFORE TAX	5	**1,493,594**	1,545,358
Income tax expense	6	**(271,760)**	(249,321)
PROFIT FOR THE PERIOD		**1,221,834**	1,296,037
Attributable to:			
Owners of the parent		**1,221,834**	1,296,037
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT FOR THE PERIOD (RMB)			
Basic	8	**0.21**	0.25
Diluted	8	**0.21**	0.25

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2020

	For the six months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**1,221,834**	1,296,037
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**144,155**	30,949
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**144,155**	30,949
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**144,155**	30,949
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,365,989**	1,326,986
Attributable to:		
Owners of the parent	**1,365,989**	1,326,986

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2020

	Notes	**As at June 30, 2020 (unaudited) *RMB'000***	As at December 31, 2019 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,792,514**	1,740,832
Right-of-use assets	10(a)	**201,522**	187,100
Intangible assets		**8,257**	4,568
Financial assets at fair value through profit or loss	12	**6,966**	–
Prepayments for purchase of property, plant and equipment		**303,994**	194,706
Total non-current assets		**2,313,253**	2,127,206
CURRENT ASSETS			
Inventories		**385,425**	414,348
Trade and bills receivables	11	**2,380,816**	2,245,959
Prepayments, other receivables and other assets		**107,216**	193,772
Financial assets at fair value through profit or loss	12	**1,578,000**	2,772,040
Other financial assets	13	**9,805,167**	3,583,457
Cash and bank balances	14	**5,487,608**	8,238,422
Total current assets		**19,744,232**	17,447,998
CURRENT LIABILITIES			
Trade and bills payables	15	**102,577**	192,850
Other payables and accruals	16	**2,085,644**	1,762,676
Contract liabilities		**57,138**	40,469
Lease liabilities	10(b)	**7,033**	3,653
Tax payable		**1,073**	40,684
Dividends payable		**2,000,000**	4,200,000
Total current liabilities		**4,253,465**	6,240,332
NET CURRENT ASSETS		**15,490,767**	11,207,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,804,020**	13,334,872
NON-CURRENT LIABILITIES			
Lease liabilities	10(b)	**18,702**	5,783
Deferred tax liabilities		**185,953**	284,767
Total non-current liabilities		**204,655**	290,550
NET ASSETS		**17,599,365**	13,044,322

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2020

	Notes	**As at June 30, 2020 (unaudited) *RMB'000***	As at December 31, 2019 (audited) *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**52**	51
Reserves		**17,599,313**	13,044,271
		17,599,365	13,044,322
Non-controlling interests		**–**	–
Total equity		**17,599,365**	13,044,322

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020

		Attributable to owners of the parent									
	Notes	Share capital *RMB'000*	Share premium* *RMB'000*	Share-based payments* *RMB'000*	Merger reserve/ other reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Statutory surplus reserves* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At January 1, 2020 (audited)		**51**	**10,836,794**	**–**	**(57,100)**	**255,712**	**613,050**	**1,395,815**	**13,044,322**	**–**	**13,044,322**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**1,221,834**	**1,221,834**	**–**	**1,221,834**
Other comprehensive income for the period: Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**144,155**	**–**	**–**	**144,155**	**–**	**144,155**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**144,155**	**–**	**1,221,834**	**1,365,989**	**–**	**1,365,989**
Issue of shares by private placement	17(a)	**1**	**3,181,517**	**–**	**–**	**–**	**–**	**–**	**3,181,518**	**–**	**3,181,518**
Share issue expenses		**–**	**(9,545)**	**–**	**–**	**–**	**–**	**–**	**(9,545)**	**–**	**(9,545)**
Share-based payments		**–**	**–**	**17,081**	**–**	**–**	**–**	**–**	**17,081**	**–**	**17,081**
Transfer from retained profits		**–**	**–**	**–**	**–**	**–**	**167,640**	**(167,640)**	**–**	**–**	**–**
At June 30, 2020 (unaudited)		**52**	**14,008,766**	**17,081**	**(57,100)**	**399,867**	**780,690**	**2,450,009**	**17,599,365**	**–**	**17,599,365**
At January 1, 2019 (audited)		1	1,302,448	–	(57,100)	70,426	205,000	947,123	2,467,898	–	2,467,898
Profit for the period		–	–	–	–	–	–	1,296,037	1,296,037	–	1,296,037
Other comprehensive income for the period: Exchange differences on translation of foreign operations		–	–	–	–	30,949	–	–	30,949	–	30,949
Total comprehensive income for the period		–	–	–	–	30,949	–	1,296,037	1,326,986	–	1,326,986
Issue of shares prior to the Initial Public Offering ("**IPO**")		–	1,682,278	–	–	–	–	–	1,682,278	–	1,682,278
Capitalization issue		44	(44)	–	–	–	–	–	–	–	–
Issue of shares in connection with the IPO		5	6,921,299	–	–	–	–	–	6,921,304	–	6,921,304
Share issue expenses		–	(130,567)	–	–	–	–	–	(130,567)	–	(130,567)
At June 30, 2019 (unaudited)		50	9,775,414	–	(57,100)	101,375	205,000	2,243,160	12,267,899	–	12,267,899

* These reserve accounts comprise the reserves of RMB17,599,313,000 and RMB12,267,849,000 in the condensed consolidated statement of financial position as at June 30, 2020 and June 30, 2019, respectively.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	Notes	For the six months ended June 30, 2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**1,493,594**	1,545,358
Adjustments for:			
Impairment of trade receivables, net	5	**421**	1,375
Impairment of inventories, net	5	**6,409**	–
Depreciation of items of property, plant and equipment	5	**102,632**	90,711
Depreciation of right-of-use assets	5	**4,731**	2,179
Amortisation of intangible assets	5	**1,755**	6,497
Loss on disposal of items of property, plant and equipment	4	**98**	398
Fair value gains of financial assets at fair value through profit or loss	4	**(51,243)**	(36,235)
Investment income	4	**(23,577)**	(17,580)
Interest income from deposits with initial term of over three months when acquired		**(41,918)**	(16,189)
Interest expense on lease liabilities	4	**449**	40
Share-based payments	5	**17,081**	–
		1,510,432	1,576,554
Increase in trade and bills receivables		**(135,278)**	(182,013)
Increase in prepayments, other receivables and other assets		**(36,297)**	(13,786)
Decrease in inventories		**22,514**	57,479
Decrease in trade and bills payables		**(90,273)**	(37,960)
Increase in other payables and accruals		**361,026**	361,276
Increase in contract liabilities		**16,669**	6,765
Cash generated from operations		**1,648,793**	1,768,315
Income tax paid		**(287,332)**	(289,959)
Net cash flows from operating activities		**1,361,461**	1,478,356

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	Notes	For the six months ended June 30, 2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**171**	573
Purchases of items of property, plant and equipment		**(303,185)**	(287,327)
Purchases of intangible assets		**(4,103)**	(4,062)
Increase in bank deposits with initial term of over three months when acquired		**(867,722)**	(7,662,539)
Increase of financial products included in other financial assets		**(6,172,916)**	(2,022,986)
Decrease of financial products included in financial assets at fair value through profit or loss		**1,184,843**	534,000
Interest income received from deposits with initial terms of over three months when acquired		**32,755**	–
Investment income received from financial products included in other financial assets		**23,577**	16,039
Investment income received from financial products included in financial assets at fair value through profit or loss		**53,474**	24,825
Net cash flows used in investing activities		**(6,053,106)**	(9,401,477)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares prior to the IPO		**–**	1,682,278
Net proceeds from issue of new shares in connection with the IPO		**–**	6,921,304
Net proceeds from issue of new shares by private placement	17(a)	**3,171,973**	–
Principal portion of lease payments		**(3,303)**	(39,311)
Dividends paid		**(2,200,000)**	(600,000)
Net cash flows from financing activities		**968,670**	7,964,271
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,722,975)**	41,150
Cash and cash equivalents at beginning of period		**5,344,859**	964,831
Effect of foreign exchange rate changes, net		**49,987**	14,758
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,671,871**	1,020,739
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	14	**1,224,238**	610,590
Non-pledged time deposits with initial term of less than three months when acquired	14	**447,633**	410,149
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,671,871**	1,020,739

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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, 2020 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, 2019.

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 December 31, 2019, 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 HKRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS1 and HKAS8	*Definition of Material*

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendment to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of industrial products – at a point in time	**3,978,187**	4,599,422
Rendering research and development services	**1,331**	–
	3,979,518	4,599,422
Other income		
Investment income	**23,577**	17,580
Government grants	**25,800**	20,037
Income from technology transfer – at a point in time	**–**	5,462
Bank interest income	**63,623**	29,997
Others	**377**	480
	113,377	73,556

An analysis of other gains, net is as follows:

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other gains, net		
Loss on disposal of items of property, plant and equipment	**(98)**	(398)
Fair value gains of financial assets at fair value through profit or loss	**51,243**	36,235
Donations	**(19,347)**	(24,401)
Exchange differences, net	**4,440**	(2,639)
Impairment of trade receivables, net	**(421)**	(1,375)
Impairment of inventories, net	**(6,409)**	–
Interest expense on lease liabilities	**(449)**	(40)
Others	**1,979**	3,796
	30,938	11,178

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold		**241,474**	246,448
Depreciation of items of property, plant and equipment		**102,632**	90,711
Depreciation of right-of-use assets		**4,731**	2,179
Amortisation of intangible assets		**1,755**	6,497
Impairment of trade receivables, net		**421**	1,375
Impairment of inventories, net		**6,409**	–
Operating lease expenses		**6,865**	2,434
Auditors' remuneration		**1,880**	3,000
Loss on disposal of items of property, plant and equipment	4	**98**	398
Investment income	4	**(23,577)**	(17,580)
Fair value gains of financial assets at fair value through profit or loss	4	**(51,243)**	(36,235)
Bank interest income	4	**(63,623)**	(29,997)
Exchange differences, net	4	**(4,440)**	2,639
Employee benefit expense			
Wages and salaries		**690,745**	603,068
Social welfare and other benefits		**120,051**	136,224
Share-based payments		**17,081**	–
		827,877	739,292

6. INCOME TAX

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

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

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.

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.

6. INCOME TAX *(Continued)*

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

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

At the end of the reporting period, Jiangsu Hansoh and Shanghai Hansen have not renewed their HNTE qualification. According to "Announcement of the State Administration of Taxation on Issues concerning the Implementation of Preferential Income Tax Policy for High-tech Enterprises", within the year of the expiration of the HNTE qualification, Jiangsu Hansoh and Shanghai Hansen are still entitled to the preferential tax rate of 15% before renewing their qualification.

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

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**370,574**	263,011
Deferred income tax	**(98,814)**	(13,690)
	271,760	249,321

7. DIVIDENDS

No dividend was proposed for the six months ended June 30, 2020.

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

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the parent of RMB1,221,834,000 (2019: RMB1,296,037,000), and the weighted average number of ordinary shares of 5,833,026,365 (2019: 5,165,779,284) in issue during the period, are adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of restricted share units expected to be unlocked in the future.

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

	For the six months ended June 30,	
	2020	2019
	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	**1,221,834**	1,296,037

	Adjusted number of shares Six months ended June 30,	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**5,833,026,365**	5,165,779,284
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	**448,267**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**5,833,474,632**	5,165,779,284
Basic earnings per share (RMB per share)	**0.21**	0.25
Diluted earnings per share (RMB per share)	**0.21**	0.25

9. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of period:		
Cost	**2,665,507**	2,155,172
Accumulated depreciation	**(924,675)**	(773,347)
Net carrying amount	**1,740,832**	1,381,825
At beginning of period, net of accumulated depreciation	**1,740,832**	1,381,825
Additions	**159,764**	233,658
Disposals	**(269)**	(971)
Depreciation provided during the period	**(102,632)**	(90,711)
Transfer	**(5,266)**	(1,733)
Exchange realignment	**85**	–
At end of period, net of accumulated depreciation	**1,792,514**	1,522,068
At end of period:		
Cost	**2,812,823**	2,376,697
Accumulated depreciation	**(1,020,309)**	(854,629)
Net carrying amount	**1,792,514**	1,522,068

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 has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**187,100**	142,005
Additions	**19,153**	49,638
Depreciation charge	**(4,731)**	(2,179)
At end of the period	**201,522**	189,464

(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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Carrying amount at beginning of the period	**9,436**	–
New leases	**19,153**	49,638
Accretion of interest recognised during the period	**449**	40
Payments	**(3,303)**	(39,311)
Carrying amount at end of the period	**25,735**	10,367

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

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**449**	40
Depreciation charge of right-of-use assets	**4,731**	2,179
Total amount recognised in profit or loss	**5,180**	2,219

11. TRADE AND BILLS RECEIVABLES

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Trade receivables	**2,062,246**	1,551,688
Provision of impairment	**(1,195)**	(1,011)
	2,061,051	1,550,677
Bills receivable	**319,765**	695,282
	2,380,816	2,245,959

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, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Within 90 days	**2,009,350**	1,517,015
91 days to 180 days	**41,381**	33,619
Over 180 days	**10,320**	43
	2,061,051	1,550,677

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

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Within 90 days	**226,900**	405,607
91 days to 180 days	**92,865**	289,675
	319,765	695,282

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**1,011**	5,870
Impairment losses, net	**421**	1,375
Write-off	**(237)**	(3,315)
At end of the period	**1,195**	3,930

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30,	December 31,
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Investments in financial products (note (a))	**1,578,000**	2,772,040
Non-current		
Other unlisted investments, at fair value (note (b))	**6,966**	–

Notes:

(a) The above investments represent investments in certain financial products issued by commercial banks in the PRC with expected return rates ranging from 1.54% to 3.85% per annum. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected return. None of these investments are either past due or impaired.

(b) The amount represents unlisted equity investment in a US venture capital which specialise in making equity investment in life science industry. The Group has an intention of holding it as a long-term investment.

13. OTHER FINANCIAL ASSETS

	June 30,	December 31,
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investments in financial products	**9,805,167**	3,583,457

The above investments represent investments in certain financial products issued by commercial banks. These financial products had terms of less than one year and had guaranteed annual return rates ranging from 0.73% to 2.14%. None of these investments are either past due or impaired.

14. CASH AND BANK BALANCES

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Cash and bank balances, unrestricted	**1,224,238**	3,411,166
Bank deposits with initial term of less than three months when acquired	**447,633**	1,933,693
Bank deposits with initial terms of over three months when acquired (note (a))	**3,815,737**	2,893,563
Cash and bank balances	**5,487,608**	8,238,422

Note:

(a) The above investments represent time deposits with initial terms of over three months when acquired (including three months) issued by commercial banks with annual return rates ranging from 0.84% to 3.15%. None of these investments are either past due or impaired. None of these deposits are pledged.

15. TRADE AND BILLS PAYABLES

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Trade payables	**76,391**	88,432
Bills payable	**26,186**	104,418
	102,577	192,850

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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within 90 days	**84,298**	139,094
91 days to 180 days	**17,519**	52,965
181 days to 1 year	**103**	151
Over 1 year	**657**	640
	102,577	192,850

16. OTHER PAYABLES AND ACCRUALS

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Accrued expenses	**1,198,805**	1,009,471
Staff payroll, welfare and bonus payables	**352,465**	385,345
Other tax payables	**96,171**	63,875
Payables for purchase of items of property, plant and equipment	**53,696**	73,059
Other payables	**384,507**	230,926
	2,085,644	1,762,676

17. SHARE CAPITAL

	June 30, 2020 *RMB* (Unaudited)	December 31, 2019 *RMB* (Audited)
Issued and fully paid: 5,918,991,200 shares of HK$0.00001 each (December 31, 2019: 5,788,611,200 shares of HK$0.00001 each)	**52,140**	50,951

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

	Number of shares in issue	**Share capital *RMB***
At January 1, 2020 (audited)	**5,788,611,200**	**50,951**
Private placement – issue of shares of HK$0.00001 each (Note (a))	**130,380,000**	**1,189**
At June 30, 2020 (unaudited)	**5,918,991,200**	**52,140**

Note:

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

18. COMMITMENTS

The group had the following capital commitments at the end of the reporting period.

	June 30, 2020 *RMB'000* (Unaudited)	December 31, 2019 *RMB'000* (Audited)
Contracted, but not provided for acquisition of property, plant and equipment	**266,214**	197,628

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended June 30,	
	2020 *RMB'000* (Unaudited)	2019 *RMB'000* (Unaudited)
Salaries and bonuses	**26,268**	28,395
Social welfare and other benefits	**671**	710
Share-based payments	**9,180**	–
Total compensation paid to key management personnel	**36,119**	29,105

20. SHARE-BASED PAYMENTS

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

The table below discloses movement of the RSU Scheme:

	Number of restricted share units
Outstanding as at January 1, 2020 (Audited)	**–**
Granted during the period	**9,035,000**
Forfeited during the period	**–**
Exercised during the period	**–**
Expired during the period	**–**
Outstanding as at June 30, 2020 (Unaudited)	**9,035,000**

In the current reporting period, restricted share units were granted on April 22, 2020 and June 15, 2020. The closing price of the Group's shares immediately before April 22, 2020 and June 15, 2020, the dates of grant, were HK$28.45 and HK$36.75, respectively.

20. SHARE-BASED PAYMENTS *(Continued)*

The fair values of the restricted share units determined at the dates of grant using the Binomial model were HK$21.44 and HK$31.59 respectively. The following assumptions were used to calculate the fair values of restricted share units:

	April 22, 2020	June 15, 2020
Grant date volume weighted average share price	**HK$27.96**	HK$36.91
Exercise price	**HK$5.36**	HK$5.36
Exercise life	**3 years**	3 years
Exercise volatility	**41.9%-46.7%**	40.9%-46.2%
Dividend yield	**0%**	0%
Risk-free interest rate	**0.41%-0.52%**	0.34%-0.43%

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

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

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

During the six months ended June 30, 2020, the Trustee hasn't acquired any shares.

21. 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 terms 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, 2020 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			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1) *RMB'000*	**(Level 2)** *RMB'000*	**(Level 3)** *RMB'000*	*RMB'000*
As at June 30, 2020				
Financial assets at fair value through profit or loss	**–**	**1,584,966**	**–**	**1,584,966**
Bills receivable (Note (a))	**–**	**–**	**319,765**	**319,765**
As at December 31, 2019				
Financial assets at fair value through profit or loss	–	2,772,040	–	2,772,040

Note:

(a) At June 30, 2020, 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 is measured at fair value through other comprehensive income. The fair value of bills receivable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

Fair value hierarchy *(Continued)*

Assets measured at fair value: (Continued)

The Group did not have any financial liabilities measured at fair value as at June 30, 2020 and December 31, 2019.

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 (six months ended June 30, 2019: Nil).

22. EVENTS AFTER THE REPORTING PERIOD

On July 23, 2020, Hansoh (Shanghai) Healthtech Co., Ltd. and Jiangsu Hansoh Pharmaceutical Group Company Ltd. (collectively, the "**Licensors**"), each a wholly-owned subsidiary of the Group, entered into a strategic collaboration and license agreement (the "**License Agreement**") with EQRx, INC. ("**EQRx**"), pursuant to which the Licensors grant, among others, an exclusive license to permit EQRx to research, develop, manufacture and commercialize Almonertinib and any product containing or comprising of Almonertinib in the field of treatment of cancer, cancer-related and immune-inflammatory diseases in humans outside of the PRC.

Pursuant to the License Agreement and subject to the terms and conditions thereof, Licensors are eligible to receive upfront and regulatory and development milestone payments of approximately US$100 million, not including additional potential commercial milestone payments and tiered-royalties based on net sales. Such milestone payments are subject to achievement of relevant milestone events and are payable upon the first occurrence of the relevant milestone event. Under the License Agreement, EQRx is subject to customary exclusivity non-compete obligations, and the Licensors and EQRx are subject to customary mutual representations, warranties, covenants and indemnities.