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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board (the "**Board**") of directors (the "**Directors**") of Hansoh Pharmaceutical Group Company Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2019, together with the comparative figures for the corresponding period in 2018.

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

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2019, the Group recorded the following unaudited results:

Revenue was approximately RMB4,599 million, representing an increase of approximately 21.9% compared with the corresponding period of the previous year; R&D expenditure reached RMB558 million, representing an increase of approximately 53.8% compared with the corresponding period of the previous year, and accounted for 12.1% of the revenue; net profit was approximately RMB1,296 million, representing an increase of approximately 24.3% compared with the corresponding period of the previous year; and earnings per share was approximately RMB0.25.

CORPORATE OVERVIEW

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

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

Main products

CNS disease drugs:	Oulanning (olanzapine tablets) and Ameining (agomelatine tablets)
Oncology drugs:	Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydro chloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection) and Xintai (bortezomib for injection)
Anti-infective drugs:	Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose injection) and Hengsen (micafungin sodium for injection)
Others:	Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Ruibote (rabeprazole sodium enteric-coated tablets) and Zexin (apixaban tablets)

In 2013, the Company was first awarded with the State Science and Technology Award (second prize) (國家科技二等獎) by the PRC State Council (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 ("**GMP**") certifications for all our production lines.

In 2014, the Company was once again awarded with the State Science and Technology Award (second prize) (國家科技二等獎) 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 and a long-acting Category 1.1 innovative drug indicated for the treatment of Type-II diabetes, polyethylene glycol loxenatide for injection, was approved for sale in China.

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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

China's economic growth was stable during the first half of 2019, with its GDP growing at a rate of 6.3% year-on-year, which is a slower growth rate as compared to its highest. During the same period, the continuous and further implementation of the national medical reform has brought significant challenges and opportunities to the entire pharmaceutical industry. Under the general environment of price control over the medicines covered by medical insurance, the "4+7" scheme for centralized tendering with minimum procurement quantities has been implemented successively since March 2019 in combination with the consistency evaluation to promote the improvement of the product quality level of enterprises and to exert pressure on enterprises to lower their pricing at the same time. The adjustment of the National Reimbursement Drug List (國家醫保藥品目錄) has entered into a normal state. The adjustment plan for the new 2019 edition of the National Reimbursement Drug List (國家醫保藥品目錄) was introduced, in which innovative drugs are included through negotiation based on the clinical needs and taking into account efficacy and safety. The piloting of payment systems based on diagnosis related groups (DRGs) has promoted the standardized treatment of medical institutions. Under such a multi-directional and profound reform situation, innovation has become the core driving force for the development of powerful pharmaceutical enterprises. Enterprises with strong innovation ability, rich product pipelines, high level of product quality, guaranteed production and supply, along with excellent commercialization capabilities, have the opportunity to further build and continuously expand their advantages in the complex and volatile environment through a combination of measures.

Business Review

During the period under review, the Group achieved the following important business progress:

In April 2019, an application for marketing was made in respect of the third-generation epidermal growth factor receptor ("**EGFR**") drug, Omeitinib tablets (HS-10296), which was accepted for new drug priority review and is a self-developed innovative drug for the treatment of patients with non-small cell lung cancer after EGFR-T790M mutation. It is expected to significantly prolong the life expectancy of targeted patients after its launch.

In May 2019, the long-acting GLP-1 receptor agonist Fulaimei (polyethylene glycol loxenatide for injection), which is a self-developed innovative drug, was approved for launch, providing a better treatment choice for diabetes patients in China and significantly improving their medication experience and quality of life.

In May 2019, we signed a cooperation agreement with Viela Bio, Inc. to develop CD19 monoclonal antibody inebilizumab in the PRC for the treatment of neuromyelitis optica spectrum disorder ("**NMOSD**") as well as other autoimmune diseases and hematological malignancies.

During the period under review, we obtained the production approvals for Apixaban tablets and Vildagliptin tablets, both of which are domestic first-to-market generic drugs and are considered to have passed the consistency evaluation. Cefdinir capsules were the first to pass the consistency evaluation.

During the period under review, the clinical trial application for our innovative drug HS-10342 was submitted and we obtained implied permission to conduct phase I clinical trials. In addition, we submitted applications for marketing in respect of Paliperidone extended-release tablets and Dabigatran etexilate capsules.

During the period under review, our oncology injectable product Pulaile obtained U.S. FDA certification. The new 2019 edition of the National Reimbursement Drug List (國家醫保藥品目錄) was announced, in which our drugs listed in the 2017 edition were not removed and one drug, i.e. metformin hydrochloride repaglinide tablets, was included. The construction of a new high-end preparations R&D center and production base in Changzhou is ongoing, and is planned to be completed within this year. The arrangement of a biological drugs production base was initiated.

During the period under review, the Company actively made adjustments in response to the national medical reform policy. Oulanning and Xinwei, both of which are selected drugs for the scheme for centralized tendering with minimum procurement quantities, maintained steady growth. In respect of our existing competitive areas, the Company strengthened academic facilities and publicity activities and continuously improved product coverage, so as to ensure the achievement of performance targets, leading market share and steady growth. During the launch of Fulaimei (polyethylene glycol loxenatide for injection), the Company has strengthened 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 projects and accumulate more sufficient clinic-based evidence. The Company will subsequently organize and expand the chronic disease management of diabetes to help patients improve their disease course management.

For the six months ended June 30, 2019, the Group recorded revenue of approximately RMB4,599 million in the period, representing an increase of approximately 21.9% compared with the corresponding period of the previous year; net profit of approximately RMB1,296 million, representing an increase of approximately 24.3% compared with the corresponding period of the previous year; and earnings per share of approximately RMB0.25.

Revenue

We generate substantially all of our revenue from sales of pharmaceutical products. Most of our main products are focused on our strategically focused areas of treatment, namely CNS diseases, oncology, anti-infectives and other areas. Our total revenue growth was primarily attributable to the increase in sales of products in each of our therapeutic areas.

CNS disease products

Our CNS disease drug portfolio mainly consists of, among others, Oulanning (olanzapine tablets), Ameining (agomelatine tablets). For the six months ended June 30, 2019, revenue from our CNS disease drug portfolio amounted to approximately RMB1,161 million and accounted for approximately 25.2% of our total revenue.

Oulanning is the first-to-market generic of olanzapine in China, indicated for treatment of schizophrenia, mania and bipolar affective disorder, typically prescribed for long-term use. After its launch, this product 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, 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. During the period under review, revenue from Oulanning maintained steady growth.

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 Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydrochloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection) and Xintai (bortezomib for injection). For the six months ended June 30, 2019, revenue from our oncology drug portfolio amounted to approximately RMB1,843 million and accounted for approximately 40.1% of our total revenue.

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. During the period under review, revenue from Xinwei maintained steady growth. 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 this year. During the period under review, revenue from Pulaile continued to grow. 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. During the period under review, revenue from Zefei also maintained steady growth through our professional academic promotion, active expansion of its scope of clinical application and increased penetration into county markets.

Anti-infective products

Our anti-infective drug portfolio mainly consists of, among others, Mailingda, Zetan, Hengjie and Hengsen. The Company mainly focuses on drug-resistant bacteria products and the clinical needs of these products is increasing. Meanwhile, the Company maintains guiding direction of rational drug use for academic activities of anti-infective drugs, and promotes the regulated clinical use of anti-infective drugs. For the six months ended June 30, 2019, revenue from our anti-infective drug portfolio amounted to approximately RMB965 million and accounted for approximately 21.0% 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. In 2017, Mailingda was included in the National Reimbursement Drug List (國家醫保藥品目錄) after negotiation. With good clinical safety, revenue from Mailingda in the first half of 2019 met our expectation.

Gastrointestinal, diabetes and cardiovascular products

Our drug portfolio of this segment mainly consists of, among others, Fulaimei, Fulaidi, Ruibote and Zexin. For the six months ended June 30, 2019, revenue from the drug portfolio in relation to the abovementioned areas amounted to approximately RMB630 million and accounted for approximately 13.7% of our total revenue.

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

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 development 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).

For the six months ended June 30, 2019, R&D expenditure amounted to approximately RMB558 million, representing approximately 12.1% of our revenue. The R&D expenditure during this period increased by 53.8% as compared with the corresponding period of the previous year. On one hand, we continued to make more investments in our independent R&D, resulting in continued increase in the clinical trial expenses of innovative drugs. On the other hand, we also introduced international advanced varieties through cooperation. The relevant expenses for technology introduction during this period was approximately RMB100 million.

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 100 research projects, including 5 innovative drug projects entering into the phase II and post-phase II phases of clinical trials, and more than 20 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 2 drugs, and filed applications for marketing of 6 drugs, out of which 3 new drugs (including one innovative drug and two first-to-market generic drugs) have been granted approval and among which 1 drug has passed the consistency evaluation. Among these, the self-developed innovative drug Fulaimei (polyethylene glycol loxenatide) has been approved for marketing. It has clear hypoglycemic efficacy and high safety, and is only required to be injected once a week, providing a new treatment choice for diabetes patients in China. Fulaimei is also the first-to-market innovative drug launched by using our proprietary PEGylation technology, which builds greater confidence for subsequent application of such technology. An application for marketing was made in respect of the self-developed innovative drug Omeitinib tablets (HS-10296), which was accepted for new drug priority review and is the third-generation of EGFR indicated to treat patients with non-small cell lung cancer after EGFR-T790M mutation, which is expected to significantly prolong the life expectancy of the targeted patients. Flumatinib, a self-developed innovative drug, has completed all technical evaluations and is expected to be approved during the year. This drug is a second-generation TKI targeting Bcr-Abl for the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, its efficacy is greater than imatinib, no pleural effusion or cardiotoxicity which was incurred in the use of other second-generation drugs was found and its safety is higher; HS-10234, a self-developed innovative drug, has completed the enrollment of patients for all clinical trials during the period under review, and is expected to submit new drug application next year. This drug is expected to be used for the treatment of hepatitis B. It is a prodrug of tenofovir (PMPA), which is rapidly converted into the active metabolite tenofovir diphosphate (PMPApp) in the body and is very stable in plasma, thus improving the efficacy while significantly reducing toxic side effect.

In addition to investment in R&D internally, the Group also actively sought external cooperation and acquisition opportunities. In May 2019, we entered into a cooperation agreement with Viela Bio, Inc. for the development of CD19 monoclonal antibody inebilizumab to treat NMOSD and other autoimmune diseases and hematologic malignancies in the PRC. NMOSD is a rare autoimmune disease in which overactive immune cells and autoantibodies in the patients attack the optic nerve and spinal cord, causing blindness, paraplegia, sensory loss, bladder dysfunction, and peripheral pain.

Liquidity and Financial Resources

For the six months ended June 30, 2019, the Group's operating activities generated a net cash inflow of approximately RMB1,478 million. The turnover days of both trade receivables and inventory experienced a decrease. The capital expenditure for the period was RMB276 million, mainly relating to the construction, renovation and purchase of additional land, buildings and workshops, and the purchase of equipment, motor vehicles and software required for production, R&D and administrative activities. The Group's cash flow of financing activities for the period mainly consisted of the receivables upon the Listing and the initial payment of RMB600 million for our undistributed dividends before the Listing.

The Group's financial position remains sound. As at June 30, 2019, we had cash and cash equivalents of RMB1,021 million (as at December 31, 2018: RMB965 million), bank deposits with initial terms of over three months of RMB7,675 million (as at December 31, 2018: nil), financial assets at fair value through profit or loss of RMB1,494 million (as at December 31, 2018: RMB2,016 million), and other financial assets of RMB2,538 million (as at December 31, 2018: RMB512 million). As at June 30, 2019, 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 after the Listing does not constitute notifiable transactions of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). As at June 30, 2019, the Group's gearing ratio (calculated as total liabilities divided by total assets was approximately 32.0% (as at December 31, 2018: 70.7 %).

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, 2019, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Contingent Liabilities

As at June 30, 2019, the Group had no material contingent liabilities.

Significant Investments Held

During the six months ended June 30, 2019, we did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As at June 30, 2019, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals

During the six months ended June 30, 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Employees and Emoluments Policy

As at June 30, 2019, the Group had a total of 8,913 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 Directors' remuneration and social welfare and other benefits, were approximately RMB739 million for the six months ended June 30, 2019. 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, workplace 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 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 the prospectus of the Company dated May 31, 2019. As at June 30, 2019, no restricted share unit had been granted or agreed to be granted by the Company pursuant to the RSU Scheme.

Prospects

Given the acceleration of population aging in China and the continuously growing income level of Chinese residents, there is a rapid increase in health awareness and medical demand from the general public in China, leading to a growth in healthcare expenditure year by year. Cost control serves as an important initiative in the PRC medical reform. The "4+7" scheme for centralized tendering with minimum procurement quantities implemented this year has a far-reaching impact on the development of the PRC pharmaceutical industry, which not only imposes pressure on pharmaceutical manufacturers to reduce prices, but also accelerates the process of industry differentiation and integration, promoting the sound and sustainable development of the industry. In the past few years, the PRC government has been continuously increasing medical investment in major diseases. In 2018, the PRC government held special negotiations on the inclusion of selected oncology drugs into the National Reimbursement Drug List (國家醫保藥品目錄). The PRC government also published articles to support the development of medicines for chronic diseases, rare diseases and children, so as to meet the people's profound need for healthy life this year. Meanwhile, the establishment of dynamic adjustment mechanism of medical insurance and the implementation of a series of supporting measures, such as speeding up the review by the drug administration department, ensure the realization of objectives of medical reform policy. In the PRC pharmaceutical market with huge potential, the industry reform brings both opportunities and challenges to the development of pharmaceutical manufacturers, therefore the manufacturers' comprehensive competitiveness is critical to their future development. For the second half of 2019, we aim to continue to enhance our core competitiveness in, among others, the fields of R&D, sales and production. The management of the Group is confident that, with the Group's strong competitive positioning of its innovative products, its strong product pipeline and its proven R&D capabilities, the Group is well positioned to enter a new phase of rapid growth.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Notes	For the six months ended June 30, 2019 (unaudited) *RMB'000*	2018 (unaudited) *RMB'000*
REVENUE	*4*	**4,599,422**	3,774,196
Cost of sales		**(381,940)**	(250,192)
Gross profit		**4,217,482**	3,524,004
Other income	*4*	**73,556**	35,944
Selling and distribution expenses		**(1,810,224)**	(1,558,557)
Administrative expenses		**(388,785)**	(368,292)
Research and development costs		**(557,849)**	(362,609)
Other gains, net	*4*	**11,178**	7,541
PROFIT BEFORE TAX	*5*	**1,545,358**	1,278,031
Income tax expense	*6*	**(249,321)**	(235,724)
PROFIT FOR THE PERIOD		**1,296,037**	1,042,307
Attributable to:			
Owners of the parent		**1,296,037**	1,042,307
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT FOR THE PERIOD			
Basic and diluted (RMB)	*8*	**0.25**	0.21

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	For the six months ended June 30,	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**1,296,037**	1,042,307
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**30,949**	10,830
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**30,949**	10,830
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**30,949**	10,830
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,326,986**	1,053,137
Attributable to:		
Owners of the parent	**1,326,986**	1,053,137

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Notes	**As at June 30, 2019 (unaudited) *RMB'000***	As at December 31, 2018 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,522,068**	1,381,825
Use-of-right assets		**189,464**	–
Prepaid land lease payments		**–**	138,847
Intangible assets		**9,773**	10,475
Prepayments for purchase of property, plant and equipment		**250,191**	199,039
Total non-current assets		**1,971,496**	1,730,186
CURRENT ASSETS			
Inventories		**422,185**	479,664
Trade and bills receivables	*9*	**2,825,845**	2,645,207
Prepayments, other receivables and other assets		**94,610**	66,252
Financial assets at fair value through profit or loss		**1,493,849**	2,016,439
Other financial assets		**2,538,284**	511,792
Bank deposits with initial term of over three months when acquired	*10*	**7,675,224**	–
Cash and cash equivalents	*11*	**1,020,739**	964,831
Total current assets		**16,070,736**	6,684,185
CURRENT LIABILITIES			
Trade and bills payables	*12*	**120,850**	158,810
Other payables and accruals	*13*	**1,949,547**	1,460,221
Contract liabilities		**43,076**	36,311
Lease liabilities		**10,367**	–
Tax payable		**21,495**	48,443
Dividends payable		**3,400,000**	2,800,000
Total current liabilities		**5,545,335**	4,503,785
NET CURRENT ASSETS		**10,525,401**	2,180,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,496,897**	3,910,586

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT JUNE 30, 2019

	Notes	**As at June 30, 2019 (unaudited) *RMB'000***	As at December 31, 2018 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Dividends payable		**–**	1,200,000
Deferred tax liabilities		**228,998**	242,688
Total non-current liabilities		**228,998**	1,442,688
NET ASSETS		**12,267,899**	2,467,898
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**50**	1
Reserves		**12,267,849**	2,467,897
		12,267,899	2,467,898
Non-controlling interests		**–**	–
Total equity		**12,267,899**	2,467,898

These interim condensed consolidated financial statements have been reviewed by Ernst & Young, not audited.

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 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 consolidated financial statements for the year ended 31 December 2018 included in the prospectus of the Company dated 31 May 2019 (the "**Prospectus**").

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 CHANGES IN ACCOUNTING POLICIES

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 consolidated financial statements for the year ended 31 December 2018 included in the Prospectus, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Accordingly, the Group recognised right-of-use assets of RMB142,005,000 as at 1 January 2019. Prepaid rental of RMB142,005,000 were derecognised, resulting in a decrease in prepaid land lease payments and a decrease in prepayments, other receivables and other assets of RMB138,847,000 and RMB3,158,000, respectively, as at 1 January 2019.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets, lease liabilities and the movement during the period are as follow:

	Right-of-use assets			
	Land use right *RMB'000*	**Property** *RMB'000*	**Sub-total** *RMB'000*	**Lease liability** *RMB'000*
As at 1 January 2019	**142,005**	**–**	**142,005**	**–**
Additions	**38,248**	**11,390**	**49,638**	**(49,638)**
Depreciation charge	**(1,579)**	**(600)**	**(2,179)**	**–**
Interest expense	**–**	**–**	**–**	**(40)**
Payments	**–**	**–**	**–**	**39,311**
As at 30 June 2019	**178,674**	**10,790**	**189,464**	**(10,367)**

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 OTHER GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods – at a point in time	**4,599,422**	3,774,196
Other income		
Investment income	**17,580**	8,067
Government grants	**20,037**	12,227
Income from technology transfer – at a point in time	**5,462**	14,021
Bank interest income	**13,808**	894
Interest income from deposits with initial terms of over three months when acquired	**16,189**	–
Dividend income from equity investments at fair value through profit or loss	**–**	8
Others	**480**	727
	73,556	35,944

An analysis of other gains, net is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other gains, net		
(Loss)/gain on disposal of items of property, plant and equipment	**(398)**	606
Fair value gains of financial assets at fair value through profit or loss	**36,235**	10,579
Donations	**(24,401)**	(9,127)
Net foreign exchange differences	**(2,639)**	2,768
(Provision)/reverse of impairment for trade receivables	**(1,375)**	1,091
Interest expense on lease liabilities	**(40)**	–
Others	**3,796**	1,624
	11,178	7,541

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**246,448**	114,998
Depreciation of items of property, plant and equipment		**90,711**	69,687
Amortisation of prepaid land lease payments		**–**	1,334
Depreciation of right-of-use assets		**2,179**	–
Amortisation of intangible assets		**6,497**	3,246
Provision/(reverse) of impairment for trade receivables		**1,375**	(1,091)
Operating lease expenses		**2,434**	996
Auditors' remuneration		**3,000**	1,150
Loss/(gain) on disposal of items of property, plant and equipment	*4*	**398**	(606)
Dividend income from equity investments at fair value through profit or loss	*4*	**–**	(8)
Investment income	*4*	**(17,580)**	(8,067)
Fair value gains of financial assets at fair value through profit or loss	*4*	**(36,235)**	(10,579)
Bank interest income	*4*	**(13,808)**	(894)
Interest income from deposits with initial terms of over three months when acquired	*4*	**(16,189)**	–
Employee benefit expense			
Wages and salaries		**603,068**	471,073
Social welfare and other benefits		**136,224**	112,033
		739,292	583,106

6. INCOME TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**263,011**	189,370
Deferred income tax	**(13,690)**	46,354
	249,321	235,724

7. DIVIDEND

Pursuant to the Company's board resolution dated 31 July 2018, the Company declared dividends of RMB4,000 million to its then shareholders. In May 2019, the Company paid the first instalment of RMB600 million.

Pursuant to the Company's board resolution and the resolution of the shareholders of the Company dated 27 May 2019, the Company declared special dividends to its then shareholders. The special dividends were declared out of the cumulative distributable profits of the Group as of 30 April 2019. The amount of the special dividends will be announced after the completion of the special audit for the accounts of the Group for the period from 1 January 2019 to 30 April 2019.

Save as disclosed above, no other interim dividend was proposed for the six months ended 30 June 2019.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company, and the weighted average number of shares in issue, during the six months ended 30 June 2019 and 2018.

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2019 and 2018 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 14.

The Group had no potentially dilutive shares in issue during the six months ended 30 June 2019 and 2018.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company used in the basic and diluted earnings per share calculation	**1,296,037**	1,042,307

	Adjusted number of shares Six months ended 30 June	
	2019	2018
Shares		
Adjusted weighted average number of shares in issue during the period used in the basic and diluted earnings per share calculation	**5,165,779,284**	5,000,000,000

9. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,809,739**	1,610,677
Provision of impairment	**(3,930)**	(5,870)
	1,805,809	1,604,807
Bills receivable	**1,020,036**	1,040,400
	2,825,845	2,645,207

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:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**1,769,882**	1,560,095
91 days to 180 days	**27,088**	41,346
Over 180 days	**8,839**	3,366
	1,805,809	1,604,807

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**584,750**	608,017
91 days to 180 days	**435,286**	431,883
Over 180 days	**–**	500
	1,020,036	1,040,400

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**5,870**	12,598
Impairment losses, net	**1,375**	(1,091)
Write-off	**(3,315)**	(1,647)
At end of the period	**3,930**	9,860

10. BANK DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS WHEN ACQUIRED

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank deposits with initial term of over three months when acquired	**7,675,224**	–

The above investments represent time deposits with initial term of over three months when acquired (including 3 months) issued by commercial banks with annual return rates ranging from 1.54% to 3.34%. None of these investments are either past due or impaired. None of these deposits are pledged.

11. CASH AND CASH EQUIVALENTS

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**610,590**	653,183
Bank deposits with initial term of less than three months when acquired	**410,149**	311,648
Cash and cash equivalents	**1,020,739**	964,831

12. TRADE AND BILLS PAYABLES

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**82,189**	95,291
Bills payable	**38,661**	63,519
	120,850	158,810

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**111,172**	121,530
91 days to 180 days	**8,504**	36,386
181 days to 1 year	**408**	321
Over 1 year	**766**	573
	120,850	158,810

13. OTHER PAYABLES AND ACCRUALS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accrued expenses	**1,166,491**	586,816
Staff payroll, welfare and bonus payables	**385,828**	366,306
Other tax payables	**96,359**	74,630
Payables for purchase of items of property, plant and equipment	**79,733**	75,329
Other payables	**221,136**	357,140
	1,949,547	1,460,221

14. SHARE CAPITAL

	30 June 2019	31 December 2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Issued and fully paid:		
5,705,919,200 shares of HK$0.00001 each (31 December 2018: 10,000 shares of US$0.01 each)	**50,222**	652

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

	Number of shares in issue	Share capital *RMB*
At 1 January 2019 (audited)	10,000	652
Issue of shares of US$0.01 each *(Note (a))*	309.2784	21
Capitalization issue *(Note (b))*:		
10,309.2784 shares of US$0.01 each repurchase and cancelled	(10,309.2784)	(673)
5,154,639,200 shares of HK$0.00001 each allotted and issued	5,154,639,200	45,368
Initial Public Offering – issue of shares of HK$0.00001 each *(Note (c))*	551,280,000	4,854
At 30 June 2019 (unaudited)	5,705,919,200	50,222

(a) On February 12, 2019, the Company allotted and issued 309.2784 shares of a par value of US$0.01 to Catalunya Heritage Limited for a total cash consideration of approximately US$248,582,000 (RMB1,682,278,000).

(b) On 14 June 2019, the authorised share capital of the Company was increased from US$10,000 divided into 1,000,000 shares of a par value of US$0.01 each to the aggregate of US$10,000 and HK$200,000 divided into (i) 1,000,000 shares of a par value of US$0.01 each and (ii) 20,000,000,000 shares of a par value of HK$0.00001 each by the creation of 20,000,000,000 shares of a par value of HK$0.00001 each.

103,092,784 shares of a par value of HK$0.00001 each were allotted and issued to the then existing shareholders in proportion to their respective shareholdings in the Company and credited as fully paid. 10,309.2784 shares of a par value of US$0.01 each of the Company were repurchased and cancelled and the authorised share capital was reduced by cancellation of the 1,000,000 authorised but unissued shares of a par value of US$0.01 each, following which, the authorised share capital of the Company was HK$200,000 divided into 20,000,000,000 shares of par value of HK$0.00001 each.

5,051,546,416 shares of a par value of HK$0.00001 each were allotted and issued to the then existing shareholders in proportion to their respective shareholdings in the Company and credited as fully paid at par value, by way of capitalisation of the sum of HK$50,515.46 standing to the credit of the share premium account of the Company.

(c) In connection with the Company's Global Offering, 551,280,000 ordinary shares of a par value of HK$0.00001 each were issued at a price of HK$14.26 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HK$7,861,253,000 (approximately RMB6,921,304,000). Dealing in the shares of the Company on the Stock Exchange commenced on 14 June 2019.

After listing on the Stock Exchange, the Company issued and allotted 82,692,000 shares at a price of HK$14.26 per share on 10 July 2019 pursuant to the full exercise of the over-allotment option as disclosed in the announcement of the Company dated 5 July 2019. The gross proceeds received by the Company was approximately HK$1,179,188,000 (equivalent to approximately RMB1,039,548,000).

EVENTS AFTER THE REPORTING PERIOD

In connection with the global offering of the Company, the Company allotted and issued 82,692,000 ordinary shares on July 10, 2019 pursuant to the full exercise of the over-allotment option, details of which were disclosed in the announcement of the Company dated July 5, 2019.

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 is of the view that the Company has complied with all the code provisions as set out in the CG Code during the period from the Listing Date to June 30, 2019, save for code provisions A.2.1 and A.5.1 of the CG Code.

Code Provision A.2.1

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

Code Provision A.5.1

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by Directors (the "**Company Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. 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 for the period from the Listing Date to June 30, 2019.

AUDIT COMMITTEE

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

The Audit Committee and the external auditor have reviewed the unaudited interim results of the Group for the six months ended June 30, 2019.

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

Since the Listing Date and up to June 30, 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

Save for the special dividends declared by the Company on May 27, 2019, the Board did not recommend payment of any interim dividend for the six months ended June 30, 2019.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares in the Company in June 2019 and allotment and issuance of shares pursuant to the full exercise of the over-allotment option in July 2019, after deduction of the underwriting fees and commissions and other estimated related expenses, will be used by the Company for the purposes as set out in the Company's prospectus dated May 31, 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.hspharm.com**). The interim report of the Company for the six months ended June 30, 2019 will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, August 30, 2019

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