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

2019
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. Ma Cuifang (馬翠芳)

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
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

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

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

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

Financial Highlights

For the six months ended June 30, 2019, Hansoh Pharmaceutical Group Company Limited (the "**Company**") and its subsidiaries (collectively, 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, representing an increase of approximately 19.0% 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 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.

Corporate Overview

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: **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.

BUSINESS REVIEW *(Continued)*

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, representing an increase of approximately 19.0% compared with corresponding period of the previous year.

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.

REVENUE *(Continued)*

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.

REVENUE *(Continued)*

Gastrointestinal, diabetes and cardiovascular products *(Continued)*

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.

RESEARCH AND DEVELOPMENT *(Continued)*

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 (for the six months ended June 30, 2018: approximately RMB697 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 which are independent third parties. 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 but has not currently implemented any hedging measures.

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 remuneration of the directors of the Company ("**Directors**"), 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.

Management Discussion and Analysis

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.

Corporate Governance and Other Information

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

As at June 30, 2019, 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	68.35%
Miss Sun Yuan[2]	Beneficiary of a trust	3,900,000,000	68.35%

Notes:

(1) The calculation is based on the total number of 5,705,919,200 issued shares of the Company as at June 30, 2019.

(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.

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, 2019, 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, 2019, the interests and/or short positions of persons (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest (1)
Stellar Infinity(2)	Beneficial owner	3,900,000,000	68.35%
Sunrise Investment(2)	Interest in controlled corporation	3,900,000,000	68.35%
Sunrise Trust Trustee(2)	Interest in controlled corporation	3,900,000,000	68.35%
Apex Medical(3)	Beneficial owner	950,000,000	16.65%
Mr. Cen Junda(3)	Interest in controlled corporation	950,000,000	16.65%

Notes:

(1) The calculation is based on the total number of 5,705,919,200 issued shares of the Company as at June 30, 2019.

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

(3) Apex Medical 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, 2019, 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.

SHARE OPTION SCHEME

The Company did not have any share option scheme during the six months ended June 30, 2019.

RESTRICTED SHARE UNIT SCHEME

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.

Corporate Governance and Other Information

CHANGE IN DIRECTORS' INFORMATION

Save for the appointment of Mr. Chan Charles Sheung Wai as an independent non-executive director of Maoyan Entertainment (a company listed on the Main Board of the Stock Exchange with stock code: 1896) on January 10, 2019, 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 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 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 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 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.

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. 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.

SPECIAL DIVIDEND

Pursuant to a resolution of the Board and a resolution of the shareholders of the Company dated May 27, 2019, the Company declared special dividends to its then existing shareholders (the "**Second Unpaid Dividends**," together with the RMB4,000 million dividends declared on July 31, 2018, or the "**First Unpaid Dividends**," the "**Unpaid Dividends**"). In May 2019, the first installment of RMB600 million of the Unpaid Dividends was paid to the Company's then existing shareholders.

INTERIM DIVIDEND

Save for the Second Unpaid Dividends, 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.

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 20 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 30 June 2019, 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 are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

30 August 2019

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June **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 30 June 2019

	For the six months ended 30 June	
	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 30 June 2019

	Notes	As at 30 June 2019 (unaudited) *RMB'000*	As at 31 December 2018 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,522,068**	1,381,825
Right-of-use 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	10	**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	11	**1,493,849**	2,016,439
Other financial assets	12	**2,538,284**	511,792
Bank deposits with initial term of over three months when acquired	13	**7,675,224**	–
Cash and cash equivalents	14	**1,020,739**	964,831
Total current assets		**16,070,736**	6,684,185
CURRENT LIABILITIES			
Trade and bills payables	15	**120,850**	158,810
Other payables and accruals	16	**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
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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	**As at 30 June 2019 (unaudited)** ***RMB'000***	As at 31 December 2018 (audited) *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

		Attributable to owners of the parent								
	Notes	Share capital *RMB'000*	Share premium* *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 1 January 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")	17(a)	**–**	**1,682,278**	**–**	**–**	**–**	**–**	**1,682,278**	**–**	**1,682,278**
Capitalization issue	17(b)	**44**	**(44)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares in connection with the IPO	17(c)	**5**	**6,921,299**	**–**	**–**	**–**	**–**	**6,921,304**	**–**	**6,921,304**
Share issue expenses		**–**	**(130,567)**	**–**	**–**	**–**	**–**	**(130,567)**	**–**	**(130,567)**
At 30 June 2019 (unaudited)		**50**	**9,775,414**	**(57,100)**	**101,375**	**205,000**	**2,243,160**	**12,267,899**	**–**	**12,267,899**
At 1 January 2018 (audited)		1	1,302,448	(57,100)	24,266	205,000	3,044,075	4,518,690	–	4,518,690
Profit for the period		–	–	–	–	–	1,042,307	1,042,307	–	1,042,307
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations		–	–	–	10,830	–	–	10,830	–	10,830
At 30 June 2018 (unaudited)		1	1,302,448	(57,100)	35,096	205,000	4,086,382	5,571,827	–	5,571,827

* These reserve accounts comprise the reserves of RMB12,267,849,000 and RMB5,571,826,000 in the condensed consolidated statement of financial position as at 30 June 2019 and 30 June 2018, respectively.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 **(unaudited)** ***RMB'000***	2018 (unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**1,545,358**	1,278,031
Adjustments for:			
Provision of/(reverse of) impairment for trade receivable	5	**1,375**	(1,091)
Depreciation of items of property, plant and equipment	5	**90,711**	69,687
Depreciation of right-of-use assets	5	**2,179**	–
Amortisation of prepaid land lease payments	5	**–**	1,334
Amortisation of intangible assets	5	**6,497**	3,246
Loss/(gain) on disposal of items of property, plant and equipment	4	**398**	(607)
Fair value gains of financial assets at fair value through profit or loss	4	**(36,235)**	(10,579)
Investment income	4	**(17,580)**	(8,067)
Interest income from deposits with initial term of over three months when acquired	4	**(16,189)**	–
Interest expense on lease liabilities	4	**40**	–
Dividend income from equity investments at fair value through profit or loss	4	**–**	(8)
		1,576,554	1,331,946
Increase in trade and bills receivables		**(182,013)**	(615,644)
Increase in prepayments, other receivables and other assets		**(13,786)**	(16,089)
Decrease/(increase) in inventories		**57,479**	(60,638)
(Decrease)/increase in trade and bills payables		**(37,960)**	84,851
Increase in other payables and accruals		**361,276**	161,584
Increase in contract liabilities		**6,765**	3,080
Cash generated from operations		**1,768,315**	889,090
Income tax paid		**(289,959)**	(192,418)
Net cash flows from operating activities		**1,478,356**	696,672

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
		RMB'000	*RMB'000*
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**573**	2,197
Purchases of items of property, plant and equipment		**(287,327)**	(145,453)
Purchases of intangible assets		**(4,062)**	(158)
Increase in bank deposits with initial term of over three months when acquired		**(7,662,539)**	–
Increase of financial products included in other financial assets		**(2,022,986)**	–
Decrease/(increase) of financial products included in financial assets at fair value through profit or loss		**534,000**	(331,500)
Receipt of investment income from financial products included in other financial assets		**16,039**	10,088
Receipt of investment income from financial products included in financial assets at fair value through profit or loss		**24,825**	8,401
Dividends received from listed equity investments		**–**	8
Loans to a related party		**–**	(367,000)
Repayment of loans from a related party		**–**	153,000
Net cash flows used in investing activities		**(9,401,477)**	(670,417)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares prior to the IPO	17(a)	**1,682,278**	–
Net proceeds from issue of new shares in connection with the IPO	17(c)	**6,921,304**	–
Principal portion of lease payments		**(39,311)**	–
Dividends paid	7	**(600,000)**	–
Net cash flows from financing activities		**7,964,271**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**41,150**	26,255
Cash and cash equivalents at beginning of period		**964,831**	266,444
Effect of foreign exchange rate changes, net		**14,758**	117
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,020,739**	292,816
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	**610,590**	289,515
Non-pledged time deposits with initial term of less than three months when acquired	14	**410,149**	3,301
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**1,020,739**	292,816

Notes to the Interim Condensed Consolidated Financial Information

For the Six Months ended 30 June 2019

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 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.

2.2 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 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land use right, property and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and present separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

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.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (unaudited)
Operating lease commitments as at 31 December 2018	624
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	612
Less: Commitments relating to leases of low-value assets	(612)
Lease liabilities as at 1 January 2019	–

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Summary of new accounting policies *(Continued)*

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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)**

The Group recognised rent expense from short-term leases of RMB2,434,000 for the six months ended 30 June 2019.

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 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

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

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 RMB'000 (unaudited)	2018 RMB'000 (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

Notes to the Interim Condensed Consolidated Financial Information

For the Six Months ended 30 June 2019

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 is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the periods presented.

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

In 2014, Jiangsu Hansoh Pharmaceutical Group Co., Ltd., 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 is entitled to the preferential tax rate of 15% from 2017 to 2019.

In 2017, Shanghai Hansoh BioMedical Co., Ltd., 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.

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. DIVIDENDS

Pursuant to the Company's board resolution dated 31 July 2018, the Company declared dividends of RMB4,000 million to the 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 the 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 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 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 17.

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 ***RMB'000*** **(unaudited)**	2018 *RMB'000* (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. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
At beginning of period:		
Cost	**2,155,172**	1,826,304
Accumulated depreciation	**(773,347)**	(654,814)
Net carrying amount	**1,381,825**	1,171,490
At beginning of period, net of accumulated depreciation	**1,381,825**	1,171,490
Additions	**233,658**	218,400
Disposals	**(971)**	(1,591)
Transfer	**(1,733)**	(7,643)
Depreciation provided during the period	**(90,711)**	(76,390)
At end of period, net of accumulated depreciation	**1,522,068**	1,304,266
At end of period:		
Cost	**2,376,697**	2,023,701
Accumulated depreciation	**(854,629)**	(719,435)
Net carrying amount	**1,522,068**	1,304,266

10. 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

10. TRADE AND BILLS RECEIVABLES *(Continued)*

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 ***RMB'000*** **(unaudited)**	31 December 2018 *RMB'000* (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 ***RMB'000*** **(unaudited)**	31 December 2018 *RMB'000* (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 ***RMB'000*** **(unaudited)**	2018 *RMB'000* (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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 *RMB'000* (unaudited)	31 December 2018 *RMB'000* (audited)
Investments in financial products	**1,493,849**	2,016,439

The investments represent investments in certain financial products issued by commercial banks in the PRC with expected return rates ranging from 2.00% to 4.15% per annum and can be redeemed at any time. 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.

12. OTHER FINANCIAL ASSETS

	30 June 2019 *RMB'000* (unaudited)	31 December 2018 *RMB'000* (audited)
Investments in financial products	**2,538,284**	511,792

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 2.48% to 4.10%. None of these investments are either past due or impaired.

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

	30 June 2019 *RMB'000* (unaudited)	31 December 2018 *RMB'000* (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.

14. CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (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

15. TRADE AND BILLS PAYABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (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 RMB'000 (unaudited)	31 December 2018 RMB'000 (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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (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

17. SHARE CAPITAL

	30 June 2019 RMB (unaudited)	31 December 2018 RMB (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**

17. SHARE CAPITAL *(Continued)*

Notes:

(a) On 12 February 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 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).

18. COMMITMENTS

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

	30 June 2019 **RMB'000** **(unaudited)**	31 December 2018 *RMB'000* (audited)
Contracted, but not provided for acquisition of property, plant and equipment	**194,609**	173,963

19. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
江蘇明泰投資集團有限公司 (“Jiangsu Mingtai Group”)	Controlled by a director
連雲港恒運醫藥科技有限公司 (“Hengyun”)	Subsidiary of Jiangsu Mingtai Group
江蘇恆瑞醫藥股份有限公司 (“Hengrui Medicine”)	Controlled by a close family member of a director

(b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales to		
Hengrui Medicine	–	262
Purchase from		
Hengyun	–	2,306
Hengrui Medicine	–	206
Loans to		
Jiangsu Mingtai Group	–	367,000

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

(c) Balances with related parties:

Due from related parties

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivable		
Hengrui Medicine	–	11

19. RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries and bonuses	**28,395**	17,706
Social welfare and other benefits	**710**	541
Total compensation paid to key management personnel	**29,105**	18,247

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Financial assets

	Carrying Amount		Fair Values	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Trade and bills receivables	**2,825,845**	2,645,207	**2,825,845**	2,645,207
Financial assets at fair value through profit or loss	**1,477,000**	2,011,000	**1,493,849**	2,016,439
Financial assets included in prepayments, other receivables and other assets	**59,883**	32,015	**59,883**	32,015
Other financial assets	**2,538,284**	511,792	**2,538,284**	511,792
Bank deposits with initial term of over three months when acquired	**7,675,224**	–	**7,675,224**	–
Cash and cash equivalents	**1,020,739**	964,831	**1,020,739**	964,831
	15,596,975	6,164,845	**15,613,824**	6,170,284

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

Financial liabilities

	Carrying Amount		Fair Values	
	30 June 2019 *RMB'000* (unaudited)	31 December 2018 *RMB'000* (audited)	**30 June 2019 *RMB'000* (unaudited)**	31 December 2018 *RMB'000* (audited)
Trade and bills payables	**120,850**	158,810	**120,850**	158,810
Financial liabilities included in other payables and accruals	**1,467,359**	1,019,285	**1,467,359**	1,019,285
Lease Liabilities	**10,367**	–	**10,367**	–
Dividends payable	**3,400,000**	4,000,000	**3,400,000**	4,000,000
	4,998,576	5,178,095	**4,998,576**	5,178,095

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
As at 30 June 2019				
Financial assets at fair value through profit or loss	**–**	**1,493,849**	**–**	**1,493,849**
As at 31 December 2018				
Financial assets at fair value through profit or loss	–	2,016,439	–	2,016,439

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

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 30 June 2018:Nil).

21. EVENTS AFTER THE REPORTING PERIOD

The Company issued and allotted 82,692,000 ordinary shares 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).