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Shanghai Henlius Biotech, Inc.

上海復宏漢霖生物技術股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2696)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the **“Board”**) of Shanghai Henlius Biotech, Inc. (the **“Company”**) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the **“Group”** or **“we”**) for the six months ended 30 June 2020 (the **“Reporting Period”**), prepared under International Financial Reporting Standards (**“IFRSs”**).

FINANCIAL SUMMARY:

1. The Group's total revenue increased by approximately RMB93.4 million to RMB110.4 million for the six months ended 30 June 2020, compared to RMB17.0 million for the six months ended 30 June 2019. Such revenue was from drug sales, research and development (**“R&D”**) services provided to customers, and license revenue.
2. For the six months ended 30 June 2020, the Group recognised R&D expenditure of approximately RMB756.9 million, representing an increase of approximately RMB228.4 million as compared with approximately RMB528.5 million for the six months ended 30 June 2019.
3. The Group's total loss increased by RMB131.1 million to RMB448.0 million for the six months ended 30 June 2020, compared to RMB316.9 million for the six months ended 30 June 2019, mainly due to the expansion of R&D activities.

BUSINESS HIGHLIGHTS:

During the Reporting Period, we have made significant progress on product commercialisation, clinical trial advancement, innovative R&D and production, including:

1. HLX01 漢利康 (Rituximab): Applications for the addition of 2,000L drug substance production scale and 2,000L production equipment, and the addition of the specification of 500mg/50ml/vial on the basis of the original specification of 100mg/10ml/vial were approved by the National Medical Products Administration of the People's Republic of China (the **“NMPA”**) in April 2020; the supplemental applications for the two new indications were approved by the NMPA in July 2020.

2. HLX02 trastuzumab injection (trade name in mainland China: 漢曲優; European Union (“EU”) trade name: Zercepac®): The Marketing Authorisation Application (“MAA”) for HLX02 trastuzumab injection (EU trade name: Zercepac®) submitted by a wholly-owned subsidiary of Accord Healthcare Limited (“Accord”), the Group’s business partner, was accepted by the European Commission (“EC”) in July 2020. The New Drug Application (“NDA”) for HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) was approved by the NMPA in August 2020.
3. HLX04 (recombinant humanised anti-VEGF monoclonal antibody injection): the Phase 3 clinical study of HLX04 for the treatment of metastatic colorectal cancer (mCRC) has completed in August 2020, and the trial has met the pre-defined primary endpoint.
4. HLX10+chemotherapy: During the Reporting Period, one Phase 2 clinical trial of HLX10 in combination with chemotherapy has completed the first patient dosing in mainland China, and two Phase 3 clinical trials of HLX10 in combination with chemotherapies have completed the dosing for the first patient in Turkey, whose indications cover advanced cervical cancer (CC) which failed to respond to the first-line chemotherapy, first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC), and previously untreated extensive-stage small cell lung cancer (ES-SCLC).
5. HLX10+HLX07: In July 2020, the first patient has been dosed in a Phase 2 clinical trial as therapy for recurrent or metastatic head and neck squamous cell carcinoma (HNSCC) in mainland China.
6. HLX55 (innovative anti-c-MET monoclonal antibody (“mAb”)): In March 2020, the first patient was dosed in a Phase 1 clinical trial of HLX55 monoclonal antibody for injection (HLX55) for the treatment of advanced solid tumours refractory to standard therapy in Taiwan, China.
7. HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection), HLX13 (recombinant anti-CTLA-4 fully humanised monoclonal antibody injection), HLX14 (recombinant anti-RANKL fully humanised monoclonal antibody injection), HLX56 (anti-Death Receptor 4 monoclonal antibody injection): The Investigational New Drug Application (“IND”) for HLX11 for the indications of metastatic breast cancer and early breast cancer has been approved by the NMPA in January 2020; the IND for HLX13 for the indications of (i) unresectable or metastatic melanoma, (ii) advanced renal cell carcinoma, (iii) microsatellite instability-high or mismatch repair-deficient metastatic colorectal cancer and (iv) adjuvant melanoma treatment has been approved by the NMPA in April 2020; the IND for HLX14 for the indication of postmenopausal osteoporosis in women with high fracture risks has been approved by the NMPA in May 2020; the IND for HLX56 for the treatment of advanced solid tumours refractory to standard therapy has been approved by the Ministry of Health and Welfare of Taiwan in May 2020.
8. Xuhui Facility: It has received the Good Manufacturing Practice (“GMP”) certification issued by the EU in respect of HLX02 trastuzumab injection (EU trade name: Zercepac®) drug substance (DS) and drug product (DP) line in April 2020, and has passed the on-site inspection conducted by Shanghai Medical Products Administration (上海市藥品監督管理局) in respect of HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) drug substance (DS) south line and drug product (DP) No. 1 line in July 2020. As of 18 August 2020, being the Latest Practicable Date (“**Latest Practicable Date**”), the Company’s manufacturing facility at Yishan Road, Xuhui District, Shanghai (the “**Xuhui Facility**”) has completed the filing of production approval for new key equipment of four 2,000L bioreactors to Shanghai Medical Products Administration and the Group’s overall commercial production capacity has been increased to 20,000L.

9. Songjiang Second Plant: On 30 March 2020, the Board of the Company has resolved to approve the second stage investment of not more than RMB720 million for the Phase I project of the Henlius Biotech Biopharmaceutical Industrialisation Base II (the “**Songjiang Second Plant**”), which is currently under construction in Songjiang District, Shanghai. As of the Latest Practicable Date, the Board has approved investment of the first and second stages investment with the total amount of not more than RMB1,720 million for the Phase I project of Shongjiang Second Plant.
10. In March 2020, the Group entered into an exclusive license agreement with Mabxience Research, S.L. (“**Mabxience**”) to grant it an exclusive license to develop and commercialise products containing HLX02 in therapeutic use in oncology in Argentina, Uruguay and Paraguay. According to the agreement, the Company will receive an upfront payment of USD250,000 and milestone payments not more than USD500,000.
11. In June 2020, the Group entered into an amendment to the license agreement with Accord for HLX02 trastuzumab injection (EU trade name: Zercepac®) on the basis of the license agreement entered into by both parties for HLX02 in June 2018, which was made in respect of the new specifications and the corresponding milestone payment arrangement not exceeding USD3.08 million and the adjustment in the royalties of HLX02 (increasing from the range of 13.5%-25% of profits generated from the net sales as agreed in the original license agreement to 15%-26.5%).
12. On 30 March 2020, the Board of the Company has resolved to approve the resolution on making an application to the relevant regulatory authorities in the People’s Republic of China (“**PRC**” or “**China**”) for the allotment and issue of A Shares and an application to the Shanghai Stock Exchange for the relevant matters in relation to the listing of, and permission to deal in, the A Shares on the Science and Technology Innovation Board of Shanghai Stock Exchange (“**A Share Listing**”). On 12 June 2020, the shareholders of the Company have resolved to approve the relevant matters in relation to the A Share Listing.

For details of the above, please refer to this announcement and (if applicable) the Company’s previous announcements on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company’s websites.

OUR PRODUCT PIPELINE

Product (Reference Drug)		Target	Indication	Pre-clinical	IND	Phase 1	Phase 2	Phase 3	NDA	Approved for Commercialization	Partner
With near-term commercial visibility	漢利康 (rituximab) ⁽¹⁾	CD20	Non-Hodgkin lymphoma and chronic lymphocytic leukemia								FOSON PHARMA 福森药业
	HLX02 (trastuzumab) ⁽²⁾	HER2	Breast cancer and metastatic gastric cancer								FOSON PHARMA 福森药业
	HLX01 (rituximab)	CD20	Rheumatoid arthritis ⁽³⁾								FOSON PHARMA 福森药业
	HLX03 (adalimumab) ⁽⁴⁾	TNF-α	Psoriasis, ankylosing spondylitis and rheumatoid arthritis								FOSON PHARMA 福森药业
	HLX04 (bevacizumab)	VEGF	Metastatic colorectal cancer and non-squamous non-small cell lung cancer								FOSON PHARMA 福森药业
Under clinical research			Wet age-related macular degeneration and diabetic retinopathy								
	HLX10	Monotherapy	MSI-H/dMMR solid tumours								YKbio 药明生物
			Chronic hepatitis B								
		+ Chemo	Metastatic esophageal squamous-cell carcinomas								
			Squamous non-small cell lung cancer								
			Extensive-stage small cell lung cancer								
			Gastric cancer								
			Cervical cancer								
			Non-squamous non-small cell lung cancer								
			Hepatocellular carcinoma								
		+HLX04	PD-1+VEGF								
		+HLX07	PD-1+EGFR								
	HLX07	EGFR	Solid tumours								
	HLX05 (cetuximab) ⁽⁵⁾	EGFR	Metastatic colorectal cancer and squamous cell carcinoma of the head and neck								
	HLX12 (ramucirumab)	VEGFR 2	Gastric cancer, metastatic non-small cell lung cancer and metastatic colorectal cancer								Jingze 晶泽
	HLX20	PD-L1	Solid tumours								
Bispecific	HLX22	HER2	Breast cancer and gastric cancer								YKbio 药明生物
	HLX55 ⁽⁶⁾	c-MET	Solid tumours								
	HLX11 (pertuzumab)	HER2	Breast cancer								
Pre-clinical	HLX13 (ipilimumab)	CTLA-4	Melanoma, renal cell carcinoma and metastatic colorectal cancer								
	HLX56 ⁽⁷⁾	DR4	Solid tumours								
	HLX14 (denosumab)	RANKL	Osteoporosis								
	HLX301	TIGIT Bispecific	Solid tumours								
	HLX35	4-1BB Bispecific	Solid tumours								
	HLX304	OX40 Bispecific	Solid tumours								
	HLX71	S1 Protein of SARS-CoV-2	COVID-19 etc.								
	HLX70	S1 Protein of SARS-CoV-2	COVID-19 etc.								
	HLX15 (daratumumab)	CD38	Multiple myeloma								
	HLX26	LAG3	Solid tumours								
	HLX23	CD73	Solid tumours								
	HLX16 (evolocumab)	PCSK9	Hypercholesterolemia, atherosclerotic cardiovascular disease etc.								
	HLX24	CD47	Solid tumours								
	HLX58	Claudin 18.2	Solid tumours								
	HLX59	CD27	Solid tumours								
	HLX51	OX40	Solid tumours								
	HLX52	TIM-3	Solid tumours								
	HLX53	TIGIT	Solid tumours								
	HLX63	GPC3	Solid tumours								
	HLX60	GARP	Solid tumours								

● Tumour-specific target
● Angiogenesis target
● Tumour immunology target
● Combination therapy
● Bispecific
● Others

(1) Approved by the NMPA in February 2019, being the first domestic biosimilar
 (2) Approved for launching in the EU in July 2020 (EU trade name Zercepac[®]); approved for launching in China in August 2020, being the first domestic biosimilar approved in both China and Europe.
 (3) Considered as biologic medicine since the reference product has not yet been approved for the relevant indication.
 (4) HLX03's NDA has been accepted by the NMPA
 (5) Commercialisation right in China have been granted to Shanghai Jingze.
 (6) Commercialisation right in China and certain countries in Southeast, Central and South Asia were obtained.
 (7) Commercialisation right in China were obtained.

★ Potential First-in-class

Core products

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW FOR THE FIRST HALF OF THE YEAR

Adhering to our vision of “be the most trusted and admired innovative biotech company in the world by focusing on providing quality and affordable medicines for all patients”, and benefitting from our efficient biopharmaceutical industry-wide platform that integrates R&D, production and commercialisation into a whole, outstanding global regulatory registration and clinical operational capability, comprehensive quality management system as well as strong commercial operational capability, the Group has gradually made significant progress on product R&D and commercialisation during the Reporting Period.

(I) Promoting the Sustainable and Steadily Growing Product Pipeline

Based on the main product development strategy of “combining imitation and innovation”, the Group took the lead in launching the first domestic biosimilar, HLX01 (漢利康), and the first domestic biosimilar, HLX02 trastuzumab injection (trade name in mainland China: 漢曲優; EU trade name: Zercepac®), approved in China and Europe, and gradually developed innovative mAb products, combining self-developed anti-PD-1 and PD-L1 mAb, being the first to launch combined immunotherapy in China, and prospectively laid out a comprehensive pipeline integrating innovative mAb and tumour combination immunotherapy into a whole. As of the Latest Practicable Date, 2 products have been successfully marketed in mainland China, 1 product’s MAA has obtained approval in the EU, 1 product’s NDA in mainland China has been accepted, 18 products and 2 mAb combination therapies have been adopted worldwide, which obtained over 30 clinical trial approvals, and carried out nearly 20 clinical trials on 10 products and 8 combination therapies in many countries and regions around the world, such as mainland China, Taiwan, China, Australia, Poland, Ukraine, the Philippines and Turkey.

The NDA for the first mAb biosimilar HLX01 (漢利康) self-developed by the Group was approved by the NMPA in February 2019, becoming the first case according to the “The Guiding Principles for Biosimilar” approved for marketed mAb, and has achieved commercialisation in late May 2019. In the first half of 2020, primarily through the cooperation agreement with Shanghai Fosun Pharmaceutical Industrial Development Company Limited (“**Fosun Pharmaceutical Industrial Development**”), the Group achieved a total sales revenue of HLX01 (漢利康) of RMB95.8 million, and has improved the accessibility of drugs for domestic patients with haematological disease such as lymphoma. In April 2020, HLX01 (漢利康) has received approvals from the NMPA for the applications including the addition of 2,000L drug substance production scale and 2,000L production equipment. In the same month, HLX01 (漢利康) was approved to add 500mg/50ml/vial to the original specification of 100mg/10ml/vial. In May 2020, supplemental applications for two new indications of HLX01 (漢利康) were accepted by the NMPA and approved in July 2020. Since then, on top of the use of HLX01 (漢利康) for the original approved for non-Hodgkin lymphoma indications, two new indications was added: (1) monotherapy maintenance therapy after complete or partial response under rituximab in combination with chemotherapy for patients with initially-treated follicular lymphoma, and (2) fludarabine and cyclophosphamide (FC) combination therapy for patients with previously-untreated or relapsed/refractory chronic lymphocytic leukaemia (CLL), which covers all the indications of the original rituximab in mainland China. Increased production scale and production equipment, as well as new specifications and indications, will provide a strong guarantee of HLX01 (漢利康) production capacity, benefit a wider range of patients, and realise drug usages with more affordable price via combinations among different scales. In order to benefit a wider patient population, the Group adopted a differentiated development strategy for HLX01 (漢利康), and concurrently carried out the clinical research of the original drug on rheumatoid arthritis indications that have not yet been approved in China. As of the time being, the enrollment of patients for Phase 3 clinical trial for this indication has been completed.

The Group’s other core products also achieved significant results during the Reporting Period. In May 2020, the MAA for HLX02 trastuzumab injection (EU trade name: Zercepac®) submitted by a wholly-owned subsidiary of Accord, a business partner of the Group, for the treatment of HER2-positive early-stage breast cancer, HER2-positive metastatic breast cancer and untreated HER2-positive metastatic adenocarcinoma of the stomach or gastroesophageal junction received a positive opinion and recommended approval for MAA from the Committee for Medicinal Products for Human Use (“**CHMP**”) of the European Medicines Agency (“**EMA**”). In July 2020, the above mentioned MAA for HLX02 trastuzumab injection (EU trade name: Zercepac®) was duly approved by the EC, making HLX02 (trastuzumab injection) the first biosimilar made by Chinese institution which has been approved for launching in the EU. In August 2020, the NDA for HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) was approved by the NMPA. HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) was formally approved for commercialisation in mainland China. The preparation work for HLX02漢曲優’s commercialisation is being carried out smoothly.

In April 2020, the Group received two Certificates of GMP Compliance of a Manufacturer, being the GMP Certificates, from Poland's Chief Pharmaceutical Inspector. The Company's drug substance (DS) line and drug product (DP) line for HLX02 trastuzumab injection (EU trade name: Zercepac®) at Xuhui Facility passed the Good Manufacturing Practice (GMP) certification by the EU. In July 2020, the Group received the "Notification of the Results of the On-site Inspection of Pharmaceutical Production Base" (《藥品生產現場檢查結果告知書》) issued by Shanghai Medical Products Administration, notifying that the drug substance (DS) south line and drug product (DP) No. 1 line for HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) at Xuhui Facility have successfully passed the on-site inspection by Shanghai Medical Products Administration.

1. mAb Biosimilars that are Expected to be Commercialised in the Near Future

The NDA for HLX03 self-developed by the Group was accepted by the NMPA in January 2019 and is currently in the priority review process; as of the Latest Practicable Date, HLX03 for the treatment of plaque psoriasis indications has completed the phase 3 clinical trial in mainland China, which showed that the efficacy of HLX03 for moderate to severe plaque psoriasis is equivalent to that of the original drug, and it is similar to the original drug in terms of safety, immunogenicity and pharmacokinetics. As of the Latest Practicable Date, the Phase 3 clinical study of the Avastin® biosimilar HLX04 (recombinant humanised anti-VEGF monoclonal antibody injection) developed by the Group for the treatment of metastatic colorectal cancer (mCRC) has completed and the trial has met the pre-defined primary endpoint. Currently, the Group is preparing for submitting the NDA for its non-squamous non-small cell lung cancer indications and metastatic colorectal cancer indications to the NMPA.

2. *Continuous and Efficient Advancement on Clinical Research Products*

As of the Latest Practicable Date, the Group has established a highly efficient and experienced global clinical development team to actively promote the clinical research of multiple candidate drugs in multiple locations around the world, and achieved promising progress. HLX10 (PD-1) is the core innovative mAb in the Group's product pipeline. As of today, HLX10 (PD-1) has been successively approved for clinical trials in the United States, Taiwan, China and mainland China. While actively promoting the clinical development of HLX10 (PD-1), the Group is also actively implementing the differentiated strategy of "Global + Combo". With HLX10 (PD-1) as the core, and combining with other pharmaceutical products to increase its global presence, clinical trials are being conducted simultaneously in multiple countries and regions worldwide. As of the Latest Practicable Date, "HLX10 + chemotherapy" is used to treat locally advanced/metastatic esophageal squamous cell carcinoma, locally advanced or metastatic squamous non-small cell lung cancer, previously untreated extensive-stage small cell lung cancer, neoadjuvant/adjuvant treatment of gastric cancer, and advanced cervical cancer that five phase 2/3 clinical trials have all completed the first-in-patient dosing in mainland China. The "HLX10 + HLX04" Phase 2 clinical trial for the treatment of advanced hepatocellular carcinoma and the Phase 3 clinical trial for the treatment of non-squamous non-small cell lung cancer were both completed in mainland China. In March 2020, the first patient dosing in mainland China was completed in a Phase 2 clinical trial of HLX10 (PD-1) in combination with albumin-bound paclitaxel for the treatment of advanced cervical cancer (CC) patients who have failed to respond to the first-line standard chemotherapy. In April 2020, the first-in-patient dosing in Turkey was completed in a Phase 3 clinical trial to compare HLX10 (PD-1) in combination with chemotherapy (carboplatin nab-paclitaxel) against chemotherapy (carboplatin nab-paclitaxel) as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC). In the same month, the first patient dosing in Turkey was completed in a Phase 3 clinical trial of HLX10 (PD-1) or placebo in combination with chemotherapy (Carboplatin-Etoposide) in previously untreated patients with extensive-stage small cell lung cancer (ES-SCLC). In July 2020, the first patient dosing in mainland China was completed in a Phase 2 clinical trial of HLX10 (PD-1) in combination with recombinant anti-EGFR humanized monoclonal antibody injection (HLX07) for the treatment of recurrent or metastatic head and neck squamous cell carcinoma.

The Group has also promoted clinical research on a number of other products in an orderly manner: As of the Latest Practicable Date, the innovative anti-PD-L1 mAb HLX20 is in the phase 1 clinical trial in Australia, which is expected to be combined with other products to develop tumour immunotherapy, and to be widely used in the treatment of solid tumours. In March 2020, the first patient dosing in Taiwan, China was completed in a Phase 1 clinical trial of HLX55 monoclonal antibody for injection ("HLX55") for the treatment of advanced solid tumours refractory to standard therapy. In March 2020, recombinant humanised anti-EGFR monoclonal antibody injection ("HLX07") has demonstrated its good safety and tolerability in a prospective, open-labelled, dose-escalation Phase 1 clinical trial designed to assess it in the treatment for metastatic or recurrent epithelial tumours refractory to standard therapy, and the relevant clinical study report has been finished. As of today, the improved innovative anti-EGFR mAb HLX07 is in the phase 1b/2 clinical trial process and is expected to be used in the treatment for nasopharyngeal cancer, colorectal cancer and other solid tumour indications.

3. *Accelerating the Development of Multiple Pre-clinical Research Projects*

The Group accelerated the development of the pre-clinical research pipeline simultaneously. In January 2020, the investigational new drug application (IND) of ipilimumab biosimilar HLX13 (recombinant anti-CTLA-4 fully humanised monoclonal antibody injection) was accepted by the NMPA, whose indications include: (i) unresectable or metastatic melanoma, (ii) advanced renal cell carcinoma, (iii) microsatellite instability-high or mismatch repair-deficient metastatic colorectal cancer, and (iv) adjuvant treatment of melanoma. These investigational new drug application (IND) was approved by the NMPA in April 2020. In January 2020, the investigational new drug application (IND) of Pertuzumab biosimilar HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection) was approved by the NMPA, whose indications include metastatic breast cancer and early breast cancer. The product is expected to be combined with HLX02 or chemotherapy in the adjuvant treatment of HER2-positive breast cancer, neoadjuvant therapy, and treatment of HER2-positive metastatic breast cancer. In March 2020, the IND of Denosumab biosimilar HLX14 (recombinant anti-RANKL fully humanised monoclonal antibody injection) was accepted by the NMPA, whose indication is for postmenopausal osteoporosis in women with high fracture risks. This investigational new drug application (IND) was approved by the NMPA in May 2020. In May 2020, the investigational new drug application of anti-Death Receptor 4 (DR4) mAb injection HLX56 for treatment of advanced solid tumours refractory to standard treatment was approved by the Ministry of Health and Welfare of Taiwan.

During the Reporting Period, leveraging its own abundant technology and resources in the field of antibody drugs, the Group also actively promoted the cooperative development of fully human antibody drugs for COVID-19. In May 2020, the Company entered into a cooperation agreement with Sanyou Biopharmaceuticals Co., Ltd. and Shanghai ZJ Bio-Tech Co., Ltd. in relation to the cooperation to develop fully human antibody drug for COVID-19 for the monotherapy or combination treatment of COVID-19. With the assistance of the Partners, the Company shall be responsible for the completion of the construction of cell lines and cell banks, pharmacological and pharmacokinetic studies, pharmacodynamics evaluation, drug prescription and process research, pilot production and inspection, quality research and safety evaluation of fully human antibody drugs for COVID-19, and the investigational new drug (IND) application in China and/or other countries and regions based on the IND application strategy and market demand as agreed by the Company and the Partners.

The following table demonstrates the product development plans and results of the Group from the beginning of 2020 to the Latest Practicable Date:

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
Commercialised product		
HLX01 (漢利康)	– In April 2020, addition of 2,000L drug substance production scale and 2,000L production equipment was approved by the NMPA – In April 2020, the addition of 500mg/50ml/vial to the original specification of 100mg/10ml/vial was approved by the NMPA – In July 2020, supplemental applications for two new indications were approved by the NMPA	

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
HLX02 trastuzumab injection (trade name in mainland China: 漢曲優; EU trade name: Zercepac®)	– In April 2020, Xuhui Facility's drug substance (DS) and drug product (DP) line for HLX02 trastuzumab (EU trade name: Zercepac®) injection were passed the GMP inspection by the EU – In July 2020, the MAA of HLX02 trastuzumab (EU trade name: Zercepac®) has been officially approved by the European Commission (EC) – In July 2020, Xuhui Facility's drug substance (DS) south line and drug product (DP) No. 1 line for HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) were passed the on-site inspection conducted by the Shanghai Medical Products Administration – In August 2020, the NDA of HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) was approved by the NMPA	– In March 2020, the Company entered into an exclusive licence agreement with Mabxience, granting it the exclusive licence for the development and commercialisation of HLX02 trastuzumab injection for oncology treatment in Argentina, Uruguay and Paraguay – In June 2020, the Company entered into an Amendment to the License Agreement with Accord in respect of HLX02 trastuzumab injection (EU trade name: Zercepac®). On the basis of the License Agreement entered into by both parties for HLX02 trastuzumab injection (EU trade name: Zercepac®) in June 2018, the Amended Agreement is made in respect of the new specifications and the corresponding milestone payment arrangement no more than USD3.08 million, and the adjustment in the royalties of HLX02.

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
Products with near-term commercial visibility		
HLX03 (adalimumab)	– In January 2019, NDA of HLX03 (adalimumab) was accepted by the NMPA and is currently in the priority review process	
HLX04 (bevacizumab)	– In August 2020, Phase 3 clinical trial of HLX04 (bevacizumab) for the metastatic colorectal cancer indication was completed in mainland China. We are currently preparing for submitting the NDA for its treatment of non-squamous non-small cell lung cancer and metastatic colorectal cancer to the NMPA	
HLX01 (漢利康)	– Phase 3 clinical trial of rheumatoid arthritis indication completed the enrollment of patients	
Products under clinical studies being continuously and efficiently promoted		
HLX10 (innovative anti-PD-1 mAb)	– Phase 2 clinical trial in progress (chronic hepatitis B; unresectable or metastatic microsatellite instability-high or mismatch repair-deficient solid tumours that fails to respond to the standard therapy)	

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
HLX10+HLX04	– Phase 3 clinical trial in progress (metastatic non-squamous non-small cell lung cancer) – Phase 2 clinical trial in progress (advanced hepatocellular carcinoma)	
HLX10+HLX07	– In July 2020, phase 2 clinical study for the treatment of recurrent or metastatic head and neck squamous cell carcinoma (HNSCC) completed the first patient dosing in mainland China	
HLX10+ chemotherapy	– Five Phase 2/3 clinical trials ongoing (locally advanced/metastatic esophageal squamous cell carcinoma, extensive-stage small cell lung cancer, gastric cancer, locally advanced or metastatic squamous non-small cell lung cancer, advanced cervical cancer)	
HLX55 (innovative anti-c-MET mAb)	– In March 2020, phase 1 clinical study completed the first patient dosing in Taiwan, China	
HLX07 (improved innovative anti-EGFR mAb)	– Phase 1b/2 clinical trial in progress in mainland China	– In March 2020, the recombinant humanised anti-EGFR monoclonal antibody injection (HLX07) has demonstrated its good safety and tolerability in a prospective, open-labelled, dose-escalation Phase 1 clinical trial designed to assess it in the treatment for metastatic or recurrent epithelial tumours refractory to standard therapy, and the relevant clinical study report has been finished.

Name of product (reference drugs/ targets)	Progress as of the Latest Practicable Date	Other recognitions
Applications for clinical trials of the pre-clinical research project accelerated		
HLX13 (ipilimumab)	– In April 2020, IND was approved by the NMPA	
HLX11 (pertuzumab)	– In January 2020, IND was approved by the NMPA	
HLX14 (denosumab)	– In May 2020, IND was approved by the NMPA	
HLX56 (anti-DR4 mAb)	– In May 2020, the clinical trial for the treatment of advanced solid tumours refractory to standard therapy has been approved by the Ministry of Health and Welfare of Taiwan	

(II) Forward-looking Production Capacity Layout with High Cost-efficiency

In order to meet the expected demand for the gradual marketing of candidate drugs in the Group's product pipelines, the Group has formulated a phase-based capacity planning for the product development cycle, gradually improved and enhanced large-scale production capacity based on a sound quality management system, and maintained high quality standards while expanding production capacity and improving cost-efficiency. Meanwhile, the Group has established a quality control system that complies with international quality standards, covering the entire life cycle from project development to material management, product production, quality control, product supply chain management, and product follow-up after marketing, which lays a solid foundation for the commercialisation in multiple jurisdictions and regions.

As of the end of the Reporting Period, the Group has established Xuhui Facility, a biopharmaceutical production facility in Shanghai Caohejing Hi-Tech Park, which covers a total area of approximately 11,000 square metres. Xuhui Facility and its supporting quality management system have passed a number of on-site inspections and/or audits by EU qualified person and international business partners, which can meet the Group's short-term production needs. In April 2020, the Group received two Certificates of GMP Compliance of a Manufacturer from Poland's Chief Pharmaceutical Inspector ("**GMP Certificate**"). The Company's drug substance (DS) and drug product (DP) line for HLX02 trastuzumab injection (EU trade name: Zercepac®) at Xuhui Facility passed the Good Manufacturing Practice (GMP) certification by the EU. In July 2020, the Group received the "Notification of the Results of the On-site Inspection of Pharmaceutical Production Base" (《藥品生產現場檢查結果告知書》) issued by Shanghai Medical Products Administration, notifying that the drug substance (DS) south line and drug product (DP) No. 1 line for HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) at Xuhui Facility have successfully passed the on-site inspection by Shanghai Medical Products Administration. As of the Latest Practicable Date, the Xuhui Facility has completed the filing of production approval for new key equipment of four 2,000L bioreactors to Shanghai Medical Products Administration. The Company's overall commercial production capacity has been further increased to 20,000L. To further improve the capacity plan, the Group also commenced the construction of the manufacturing facility at Guangfu Lin Road (the "**Songjiang First Plant**") at Songjian District of Shanghai. The planned production capacity of the Songjiang First Plant was 24,000L including formulation filling line, which was the preparation for the Group's estimated production needs before Songjiang Second Plant was built and put in operation. Songjiang First Plant has conducted GMP production for clinical samples in the drug substance workshop from May 2020, and has built four 2,000L bioreactors. During the Reporting Period, in order to promote the development and industrialisation of continuous flow technology, the Group invested in the construction of continuous production pilot workshop at Songjiang First Plant, and completed relevant design and procurement of key equipment. In compliance with long-term production capacity planning, Songjiang Second Plant with a total planning area of 200 mu has also commenced construction in 2019 and is still under construction. As of the Latest Practicable Date, the pile foundation engineering operation of Songjiang Second Plant Phase 1 project, as well as the structure of the main production building were completed. The subsequent phases of construction will be gradually commenced in accordance with the Group's strategies.

(III) Advanced Commercialisation Strategy and Layout

Based on the mission of “to improve patients’ lives by timely providing them with quality and affordable protein therapeutics through technical innovation and operational excellence”, the Group continues to explore efficient business operation models with the purpose of improving the accessibility and affordability of biopharmaceuticals, implementing a commercialisation strategy of “focusing on product portfolio, production capacity and commercial operations, to be the biomedical leader in China”. The Group’s commercialisation team comprises five major segments: marketing, channel management, pricing and market access, domestic sales, and strategic planning, with a complete organisational structure and a clear division of responsibilities. It is expected to effectively promote the Group’s commercialisation and achieve a stable growth of sales scale.

- ***Commercialisation planning for HLX01 漢利康 (products treating haematological tumours)***

As the first domestic biosimilar in the strict sense, HLX01 漢利康 was successfully approved for marketing in 2019, which marked the start of exploitation of the domestic biosimilar market. After the launch of HLX01 漢利康, Jiangsu Fosun Pharmaceutical Sales Co., Ltd. (“**Jiangsu Fosun**”), a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“**Fosun Pharma**”) (controlling shareholder of the Company) is responsible for the drug’s commercial sales in mainland China. Jiangsu Fosun has a professional academic promotion team for key hospitals and a mixed-line sales team for the broader market. All members of two teams passed the technical training and assessment in related professional fields, with solid medical knowledge and communication skills.

In the first half of 2020, inclusion of HLX01 漢利康 into the procurement platform of medical insurance system in each province of mainland China has progressed smoothly, as of the end of June 2020, 29 out of 30 provinces in mainland China have approved HLX01 漢利康’s inclusion into the medical insurance procurement platform, and 26 provinces have completed official platform/filed procurement, laying the foundation for subsequent commercial sales of HLX01 漢利康.

From the beginning of 2020 to now, HLX01 漢利康 made a significant progress in the aspects of registration and approval. In April 2020, applications for the addition of 2,000L production scale and 2,000L drug substance production equipment and new 500mg/50ml/vial specifications were approved by the NMPA. In July 2020, supplemental applications for two new indications of HLX01 漢利康, including (1) the monotherapy maintenance therapy after complete or partial response under rituximab in combination with chemotherapy for patients with initially-treated follicular lymphoma; (2) fludarabine and cyclophosphamide (FC) combination therapy for patients with previously-untreated or relapsed/refractory chronic lymphocytic leukaemia (CLL), were approved by the NMPA. The Group will also promote the approval for HLX01 漢利康 in treating the rheumatoid arthritis indication. Increased production scale and production equipment, as well as new specifications and indications, will provide a strong guarantee of HLX01 (漢利康) production capacity, benefit a wider range of patients, and realise drug usages with more affordable price via combinations among different scales.

- ***Commercialisation planning for HLX02 漢曲優 (products treating breast cancer and gastric cancer)***

Being committed to providing quality and affordable innovative biopharmaceuticals to patients worldwide, the Group's products mainly focus on the field of oncology treatment, and this part of the product is planned to be promoted in mainland China by a self-built commercialisation team of the Group.

HLX02 trastuzumab injection is the core tumour product of the Group. HLX02 漢曲優 is also the first product whose sales and promotion in mainland China will be led by the Group's self-built commercialisation team. In order to successfully conduct the commercialisation of HLX02 漢曲優, the Group has devised a commercialisation strategy and established a core commercialisation management team. The commercialisation team comprises five major segments, namely marketing, channel management, pricing and market access, domestic sales and strategic planning. As of the end of the Reporting Period, the Group has established a commercial team of 310 people for the Chinese market, of which the core management team is composed of more than 100 experts with extensive industry experiences. The Group will continue to actively expand the coverage of each segment based on the admission progress of the product in various regions, and facilitate the construction of the marketing segment in an orderly manner based on its plans, aiming to cover more than 260 cities in the six major sales regions of the Country.

- ***Commercialisation planning for HLX03 products (products treating autoimmune diseases)***

According to the cooperation agreement signed between the Company and Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd. ("**Jiangsu Wanbang**"), a subsidiary of Fosun Pharma, Jiangsu Wanbang will be responsible for the drug's commercial sales in China after the product launch of HLX03, and it has a large-scale professional autoimmune rheumatic business department and a mixed-line sales team for more markets, which are equipped with professional communication skills and medical knowledge as well as the experience in successful commercialisation of 優立通 (febuxostat tablets) in the field of rheumatism treatment. In order to improve the standardised medical services for patients with rheumatism in mainland China, an online management system for patients with rheumatism was set up on the internet hospital of Jiangsu Wanbang Cloud Health Technology Co., Ltd.* (江蘇萬邦雲健康科技有限公司) (a subsidiary of Jiangsu Wanbang) in the first half of 2020. Meanwhile, to coordinate the launch of HLX03 products, the sales team of Jiangsu Fosun have also further optimised and improved the dedicated sales team's level of professionalism.

* for identification purpose only

(IV) Results of Internationalised Layout

Based on the internationalised positioning set at the Group's establishment and the long-term internationalisation strategy, the Group actively implements a comprehensive internationalised R&D and operation strategies, and promotes the smooth development of commercialisation of products in the international market. With the feature of "global linkage, integrated innovation" as the product development concept, the Group possesses R&D laboratories in China Shanghai, China Taipei, and USA California, and the three R&D centres collaborate closely to ensure highly productive and cost-effective R&D processes to jointly create a diverse and complete technology platform and strong independent R&D capabilities, laying a solid foundation for the Group's internationalisation strategy and entering the international market.

At the same time, the Group is proactively carrying out its global commercialisation layout. Prior to the products to be approved for marketing, it has reached strategic commercialisation cooperation with some of the world's leading pharmaceutical companies in order to rapidly occupy the global market share through the partners' existing capabilities and resources. As of the Latest Practicable Date, the Group has signed commercial cooperation agreements with international pharmaceutical companies such as Accord, Cipla Limited, Biosidus S.A., Jacobson Medical (Hong Kong) Limited, KG Bio, Farma De Colombia and Mabxience in respect of a number of core products of the Company, with many foreign authorisations covering more than 90 countries and regions worldwide. In March 2020, the Company entered into an exclusive license agreement with Mabxience to grant it an exclusive license for the development and commercialisation of HLX02 products for oncology treatment in Argentina, Uruguay and Paraguay, and the Company will receive an upfront payment of USD250,000 and milestone payments not exceeding USD500,000. In June 2020, the Company entered into amendments to the License Agreement with Accord in respect of HLX02 (trastuzumab injection) on the basis of the License Agreement in relation to HLX02 (trastuzumab injection) entered into by both parties in June 2018, making decisions on the new specifications for HLX02 and the corresponding milestone payment arrangements not exceeding USD3.08 million, royalty adjustments (increase from 13.5%-25% of profits of net sales as agreed in the original license agreement to 15%-26.5%), etc.

In April 2020, the Group's drug substance (DS) line and drug product (DP) line for HLX02 trastuzumab injection (EU trade name: Zercepac®) at Xuhui Facility passed the Good Manufacturing Practice (GMP) certification by the EU. In July 2020, the Marketing Authorisation Application (MAA) for HLX02 trastuzumab injection (EU trade name: Zercepac®) applied by the Group and its business partner Accord was duly approved by the European Commission (EC), making HLX02 (trastuzumab injection) the first biosimilar made by Chinese institution which has been approved for launching in the EU.

WARNING STATEMENT WITH REFERENCE TO THE REQUIREMENTS UNDER RULE 18A.05 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORE PRODUCTS.

II. BUSINESS OUTLOOK FOR THE SECOND HALF OF THE YEAR

In 2020, the Group will further expand its biopharmaceutical product portfolio covering oncology, auto immune diseases and more fields, capitalise the achieved first-entrant advantages to further advance the implementation of the Group's internationalisation strategy, improve the production base construction, expand production capacity and accelerate the commercialisation of more high-quality biological products to benefit more patients worldwide.

(I) CAPITALISE ON FIRST-ENTRANT ADVANTAGES AND ACCELERATE THE LAUNCH OF COMMERCIAL SALES

As one of the leading domestic biopharmaceutical companies, the Group actively responds to national calls and complies with national pharmaceutical reforms to provide patients with high-quality and affordable biopharmaceuticals. Meanwhile, the Group has clearly established a comprehensive and efficient business operation model in five major segments including marketing, channel management, pricing and market access, domestic sales and strategic planning with patient-centric, and continue to promote the successful commercialisation of more products, so as to improve the accessibility and affordability of biopharmaceuticals. Given the low development risk and identified market potential of biosimilars, the Group will continue to accelerate the domestic commercialisation of multiple biosimilar products in the pipeline. HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) was approved for launching by the NMPA in August 2020. HLX03 is expected to be approved for launching in the second half of 2020 or the first half of 2021 and to become the main driving factor other than HLX01 漢利康 and HLX02 trastuzumab injection (EU trade name: Zercepac®) for the Group's short-term revenue growth.

HLX02 trastuzumab injection (trade name in mainland China: 漢曲優) is the core tumour product whose sales promotion in mainland China will be led by the Group's self-built commercialisation team. In order to successfully commercialise it in China, the Group will continue to strengthen market access capacity-building, promote the rapid landing of national health insurance, and will plan to cover about 1,500 hospitals at all levels nationwide in the second half of 2020. In the second half of 2020, the Group also plans to actively cooperate with relevant corporations in fields such as medical big data, HER2 testing, innovative payment, and patient education to build a treatment ecosystem for HER2-positive patients. Nonetheless, the Group will actively explore the huge potential of the county market in the PRC and gradually realise the grand vision of "not leaving a HER2-positive patient behind".

In the second half of 2020, the Group will continue to strengthen the sales landing of HLX01 漢利康, capitalise the first-entrant advantages, and maintain close work with Jiangsu Fosun to focus on the continued growth of HLX01 漢利康 in the field of haematological tumours. With the releasing production capacity resulting from the approval of 2,000L production scale, and the successful approval of two new indications of HLX01 漢利康, it is expected to promote the continuous growth of the sales scale of HLX01 漢利康 and the gradual reduction of production costs, further enhancing its market competitiveness.

Meanwhile, the Group will continue its cooperation with Jiangsu Wanbang to carry out preparation for sales of HLX03, and make full use of Jiangsu Wanbang's successful commercialisation experience in the field of rheumatology treatment product 優立通 (febuxostat tablets) to further improve the online management system for patients with rheumatism, build an Internet platform "Youxue Hospital" (優學醫院), and manage those patients in advance, implementing the concept construction before the product launch, and fully preparing for the future commercialisation of HLX03.

(II) MAINTAIN HIGH-QUALITY STANDARDS AND EFFICIENTLY PLAN PRODUCTION CAPACITY CONSTRUCTION AND UTILISATION

The Group will further improve the production system construction in accordance with the product R&D and launching plan, complete the production base construction and increase production capacity to provide strong guarantees for the successive commercial sales of products while achieving efficient utilisation of production capacity. The Group's Xuhui Facility plans to continually improve production efficiency through a series of lean management and process optimisation initiatives to reduce production costs. At the same time, the Group will continue to focus on the development and industrialisation of continuous flow technology in the second half of the year, with a view to ensure productivity and quality in large-scale commercial production of future products. In 2019, the Group has started construction of Songjiang First Plant to prepare for the estimated capacity demand before the Songjiang Second Plant was put into operation. The planned production capacity of the Songjiang First Plant was 24,000L, including formulation filling line. The drug substance workshop has started the GMP production of clinical samples since May 2020, and is expected to complete validation of commercial production during 2020. In order to achieve long-term capacity planning, the Group will continue to promote construction of the Songjiang Second Plant for enhancing the overall production capacity of the Group. The structure of the Songjiang Second Plant Phase 1 project main production building is completed and will be put into trial production and conduct related verification work in 2021. Upon completion of construction, the Songjiang Second Plant will become the Group's base for R&D, pilot production and production of mAb biopharmaceutical drugs. This will further enhance the Group's market competitiveness in core business area, and satisfy the commercialised production demand for biosimilar and bio-innovative drugs of the Group.

(III) ACTIVELY PROMOTE R&D OF INNOVATIVE DRUGS BASED ON OUR EXTENSIVE PIPELINE

The Group will fully utilise the globally integrated independent development platform, keep up with the international trend, continue to expand and enrich the product target layout, optimise the development platform of bi-specific antibodies, and create a high-quality and affordable innovative product pipeline. In the second half of 2020, the Group will actively carry out and promote the development of innovative drugs based on the existing extensive product pipelines and mature R&D platforms. NDAs for the Group's self-developed core product innovative drug HLX10 (PD-1) are planned to be submitted to the NMPA in 2021, the New Drug Application (NDA) for bevacizumab biosimilar HLX04 is expected to be submitted recently. Meanwhile, clinical trials of combined immunotherapy of tumours with HLX10 (PD-1) as the core, for indications such as recurrent or metastatic HNSCC and metastatic colorectal cancer, are also planned to be further advanced in the second half of 2020.

While rapidly advancing the progress of clinical trials of candidate drugs in the pipeline, the Group will also continue to effectively and efficiently promote the preclinical R&D process of products under development, and accelerate the deployment of HLX26 innovative anti-LAG3 mAb, HLX23 innovative anti-CD73 mAb, HLX15 daratumumab biosimilar and other products in the global registration and approval of multiple products, and then carry out clinical research programs. At present, the Group's mAb product pipeline has extensively covered tumour-specific targets (such as EGFR, HER2 and c-Met), anti-angiogenesis targets (such as VEGF and VEGFR2) and tumour immunotherapeutic targets (such as PD-1, PD-L1, CTLA-4, LAG3, TIGIT and CD73) and during the development, the Group has accumulated a wealth of research data and practical experience on the target biological pathways and antibody interactions as well as the relationship between antibody structure and pharmacodynamics. Synthesising such data and experience, and relying on the Group's comprehensive bi-specific antibody development platform, newly optimised phage library of humanised monoclonal antibody and strong clinical trial advancing capabilities, it is expected to make important breakthroughs in the R&D of bi-specific antibodies containing PD-1, PD-L1, EGFR and HER2 targets.

As of the Latest Practicable Date, HLX71, the Group's self-developed ACE2-Fc fusion proteins product against COVID-19, and HLX70, developed anti-S1 fully human monoclonal neutralising antibody in cooperation with Sanyou Biopharmaceuticals Co., Ltd. and Shanghai ZJ Bio-Tech Co., Ltd., both of which were approved as a project under the "Public Safety Risk Prevention and Control and Emergency Response Technology and Equipment (公共安全風險防控與應急技術裝備)" of the key R&D program of China, and it is expected to submit its IND in the second half of 2020. On this basis, the Group will also continue to explore the feasibility of HLX71+HLX70 combination, and is expected to play an active role in the prevention and treatment of COVID-19 through the synergy between HLX71 and HLX70.

The Group will continue to capitalise on its international resources and advantages, further establish differentiated R&D pipelines to expand and optimise existing product pipelines, and further promote the R&D of the Group's innovative drugs.

(IV) MAINTAIN EFFICIENT OPERATIONS AND FURTHER PROMOTE THE IMPLEMENTATION OF INTERNATIONALISATION STRATEGIES

In the second half of 2020, the Group will continue to maintain the efficient operation of multiple R&D centres around the world and leverage the unique advantages of each centre: the California R&D centre in the United States continues to lead the application of cutting-edge technologies and expand the layout of differentiated targets; the Taipei R&D centre has rapidly promoted the development of animal experiments for innovative products and the development of the Phase 1 of clinical research based on the established animal experiment model. The Shanghai R&D centre has continued to improve the production process, formulation development and other process development to achieve product process optimisation.

In the second half of 2020, the Group will also continue to propel the international commercialisation of its products, actively promote the commercial cooperation for products, and promote the global registration and clinical research of multiple projects. As of the Latest Practicable Date, the Group's drug substance (DS) line and drug product (DP) line for HLX02 trastuzumab injection (EU trade name: Zercepac[®]) at Xuhui Facility have passed the Good Manufacturing Practice (GMP) certification by the EU. The Marketing Authorisation Application (MAA) for HLX02 trastuzumab injection (EU trade name: Zercepac[®]) submitted by a business partner of the Group for the treatment of HER2-positive early-stage breast cancer, HER2-positive metastatic breast cancer and untreated HER2-positive metastatic adenocarcinoma of the stomach/gastroesophageal junction has been approved by European Commission (EC). The Group will continue to collaborate with Accord, our cooperative partner, in actively proceeding with the commercialisation for HLX02 trastuzumab injection (EU trade name: Zercepac[®]) in the EU. Meanwhile, the Group will continue to seek potential strategic cooperation with more international partners through business development, and will further promote core products into a broader international market through these international strategic partners, in particular for the entry to emerging markets with significant unfulfilled medical needs for affordable pharmaceutical products, to benefit patients overseas while actively searching for potential targets in order to make the Group's product pipeline more extensive.

III. FINANCIAL REVIEW

(I) REVENUE

The Group began the commercialisation of HLX01 (漢利康) in China in May 2019. Prior to that, the Group did not commercialise any products and therefore did not generate revenue from the sale of products. The total revenue of the Group for the six months ended 30 June 2020 was approximately RMB110.4 million, representing an increase of approximately RMB93.4 million as compared with that for the six months ended 30 June 2019, which was mainly from the sales growth of the commercialisation of the Group's core product. According to the cooperation arrangement with Fosun Pharmaceutical Industrial Development, Fosun Pharmaceutical Industrial Development fully reimbursed the related expenditures incurred for clinical trials of HLX01 (漢利康) conducted by the Group after the signing of relevant cooperation agreement. After the commercialisation of HLX01 (漢利康), the Group was responsible for the production and the supply of HLX01 (漢利康) to Fosun Pharmaceutical Industrial Development in China, and shared a portion of the profit with Fosun Pharma Industrial Development from the sales in China pursuant to the contract. For the six months ended 30 June 2020, primarily through the profit sharing arrangements under the cooperation agreement with Fosun Pharmaceutical Industrial Development, the Group achieved a total sales revenue of HLX01 (漢利康) of RMB95.8 million, and realised licensing income of RMB5.2 million. We intend to further raise public awareness of HLX01 (漢利康) by ramping up our marketing and sales efforts. We also plan to market our drug products through our commercialisation partners under well-established strategies.

On 25 September 2019, the Group entered into a cooperative R&D and commercialisation agreement with KG Bio on HLX10 (the Group's bio-innovative drug with original and exclusive patents and technical knowledge). For the six months ended 30 June 2020, the Group recognised the revenue from R&D services of approximately RMB9.2 million.

(II) COST OF SALES

The Group's cost of sales primarily represents reagents and consumables, employee compensation, outsourcing expenses, utilities expenses and depreciation and amortisation. For the six months ended 30 June 2020, the Group recorded cost of sales of RMB58.4 million, representing an increase of approximately RMB47.1 million as compared with that for the six months ended 30 June 2019, which was due to the production cost of HLX01 (漢利康).

(III) GROSS PROFIT

For the six months ended 30 June 2020, the Group recorded a gross profit of RMB52.0 million, representing an increase of approximately RMB46.3 million as compared with that for the six months ended 30 June 2019, with an increase rate of 812.3%, mainly because the Group received the NDA approval for HLX01 (漢利康) in mainland China in February 2019.

(IV) OTHER INCOME AND GAINS

Other income and gains of the Group mainly included bank interest income and government grants income. Government grants included (1) government grants for capital expenditure in relation to the purchase of machinery and equipment (recognised over the useful life of the relevant assets); (2) incentives for R&D activities and interest support as well as other supports (recognised after satisfying certain conditions promulgated by the government).

For the six months ended 30 June 2020, the Group recognised other income and gains of approximately RMB34.3 million.

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Government grants	15,785	2,452
Exchange gains	10,227	–
Interest income	7,763	8,813
Others	479	81
Total	34,254	11,346

(V) R&D EXPENDITURE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Expensed R&D expenses		
R&D employee salaries	121,901	70,131
Clinical trials	93,523	18,375
Reagents and consumables	64,377	34,016
Depreciation and amortisation	33,240	23,782
Share-based compensation	24,270	33,829
Outsourcing fees	17,244	22,119
Utilities	7,287	2,001
Consulting expense	5,636	5,741
Others	25,497	15,164
Total expensed R&D expenses	392,975	225,158
Capitalised R&D expenses		
Clinical trials	219,010	187,068
R&D employee salaries	66,983	40,918
Reagents and consumables	30,887	20,067
Share-based compensation	19,917	14,735
Outsourcing fees	14,159	9,183
Utilities	7,715	2,378
Depreciation and amortisation	2,526	16,106
Others	2,732	12,898
Total capitalised R&D expenses	363,929	303,353

For the six months ended 30 June 2020, the Group recognised R&D expenditure of approximately RMB756.9 million, representing an increase of approximately RMB228.4 million or approximately 43.2% as compared with approximately RMB528.5 million for the six months ended 30 June 2019. The increase in our total research and development expenditure was mainly due to (1) the increases in clinical trial expenditure and costs of pre-clinical studies in line with our expanding pipeline and progress of R&D activities; (2) the increases in the number of R&D employees and their salaries; and (3) the continuous development of overall progress of clinical trials as anticipated.

(VI) ADMINISTRATIVE EXPENSES

Administrative expenses mainly included administrative staff costs, office administrative expenses, depreciation and amortisation, etc.

For the six months ended 30 June 2020, the Group recognised administrative expenses of approximately RMB63.2 million as compared to that of RMB66.1 million for the six months ended 30 June 2019. Administrative expenses of the Group was mainly derived from (1) the salaries of administrative employees as required by the expansion of the Company's operations and development; (2) office administrative expenses in conjunction with business development; and (3) other consultation fees.

(VII) SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses mainly included salaries and other expenses as well as promotional activity expenses.

For the six months ended 30 June 2020, the Group recognised selling and distribution expenses of approximately RMB56.6 million as compared to those of approximately RMB12.9 million for the six months ended 30 June 2019. Such increase was mainly due to the expanding commercial activities during the Reporting Period to establish a business operation team ahead of the upcoming formal launch of HLX02.

(VIII) OTHER EXPENSES

For the six months ended 30 June 2020, the Group recognised other expenses of approximately RMB4.5 million, representing a decrease of RMB4.0 million as compared to those of RMB8.5 million for the six months ended 30 June 2019. Other expenses were mainly related to the donation to various charitable organizations during the Reporting Period.

(IX) INCOME TAX EXPENSE

For the six months ended 30 June 2020 and 2019, the Group did not incur any income tax expenses.

(X) LOSS FOR THE PERIOD

In view of the above, the Group's loss increased by RMB131.1 million from RMB316.9 million for the six months ended 30 June 2019 to RMB448.0 million for the six months ended 30 June 2020.

(XI) LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2020, the cash and cash equivalents of the Group were RMB1,146.4 million, mainly denominated in Renminbi, United States Dollars, New Taiwan Dollars and Euro, where such decrease was mainly due to various expenses arising from the production and R&D and clinical activities. As of 30 June 2020, the current assets of the Group amounted to RMB1,671.5 million, including cash and cash equivalents of RMB1,146.4 million, pledged deposits of RMB9.3 million, inventories of RMB165.0 million, trade receivables of RMB85.9 million, and prepayments, other receivables and other assets of RMB264.9 million. As of 30 June 2020, the current liabilities of the Group were RMB946.2 million, mainly included trade and bills payables of RMB221.1 million, other payables and accruals of RMB274.6 million and interest-bearing bank and other borrowings of RMB418.2 million.

(XII) INVENTORIES

Inventories of the Group increased from approximately RMB129.9 million as of 31 December 2019 to approximately RMB165.0 million as of 30 June 2020, mainly due to the increased purchases of raw materials and consumables in order to facilitate the commercialised production and clinical trials.

(XIII) TRADE RECEIVABLES

As of 30 June 2020 and 31 December 2019, trade receivables from customer contracts were RMB85.9 million and RMB29.8 million, mainly due to the increase in trade receivables corresponding to the commercialisation of HLX01 (漢利康). There were no changes in accounting estimates or material assumptions made in both periods.

(XIV) INTEREST-BEARING BANK AND OTHER BORROWINGS

As of 30 June 2020, borrowings from bank and other institutions of the Group (excluding lease liabilities) were RMB403.4 million. The Group incurred new borrowings for the following reasons: ongoing clinical research trials and pre-clinical research for drug candidates, commercialisation of HLX01 (漢利康) and normal operating expenses. The Group's borrowings were mainly denominated in RMB.

Such borrowings bear interest at fixed annual interest rates. There was no material influence of seasonality on the Group's borrowing needs.

(XV) MATURITY STRUCTURE OF OUTSTANDING DEBTS

The following table sets forth the maturity structure of outstanding debts as at 30 June 2020 and 31 December 2019. Of which, lease liabilities were initially recognised upon the adoption of IFRS 16 – Leases on 1 January 2017.

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Within one year	418,230	278,241
In the second year	71,373	206,418
In the third to fifth year (inclusive)	117,690	96,153
Over five years	78,020	28,577
Total	685,313	609,389

(XVI) COLLATERAL AND PLEDGED ASSETS

As at 30 June 2020, the Group's pledged assets in relation to borrowings including trade receivables and other receivables of RMB9.7 million.

(XVII) KEY FINANCIAL RATIOS

	30 June 2020	31 December 2019
Current ratio ⁽¹⁾ :	176.6%	277.3%
Quick ratio ⁽²⁾ :	159.2%	263.7%
Gearing ratio ⁽³⁾ :	N/A ⁽⁴⁾	N/A ⁽⁴⁾

Notes:

- (1) Current ratio is calculated as current assets divided by current liabilities as of the same day.
- (2) Quick ratio is calculated as current assets minus inventories and then divided by current liabilities as of the same day.
- (3) Gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt, multiplied by 100%. Net debt represents the balance of indebtedness less cash and cash equivalents as at the end of the period.
- (4) The Group did not have a gearing ratio as at 30 June 2020 and 31 December 2019 as the Group's balance of cash and cash equivalents exceeded the Group's total indebtedness on that date.

(XVIII) MATERIAL INVESTMENT

In order to meet the expected market demand of drugs in our pipeline, the Group is currently constructing a new manufacturing facility in Shanghai, the Songjiang Second Plant, to maximise our overall production capacity. Songjiang Second Plant is designed to include the manufacturing equipment, technologies and processes that are substantially the same as those adopted and to be implemented at the Xuhui Facility. The Group expects that following the full operation of Songjiang Second Plant, it will be able to support our global commercialisation needs in the future.

The Company is expected to invest not more than RMB1.72 billion for the construction of the Phase I project of Songjiang Second Plant (first stage and second stage). As at the end of the Reporting Period, the facility is under construction and the subsequent stages of construction will be gradually carried out based on the strategy of the Group. The capital expenditure of the construction of Songjiang Plant will be mainly funded through debt financing.

For details of the Songjiang Second Plant, please refer to the section headed "Business Review for the First Half of the Year-Forward-looking Production Capacity Layout with High Cost-efficiency". Save as disclosed in this announcement, as of 30 June 2020, the Group did not make any significant investments.

(XIX) CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Plant and machinery	45,662	146,439
Construction in progress	65,825	36,143
Electronic equipment	4,796	15,990
Leasehold improvements	66,325	32,686
Total	<u>182,608</u>	<u>231,258</u>

We had capital commitments for plant and machinery contracted but not provided for were of RMB485.1 million as at 30 June 2020. These capital commitments were primarily related to the expenditures expected to be incurred for the purchase of machinery and the renovation of our existing laboratories and buildings.

(XX) CONTINGENT LIABILITIES

As of 30 June 2020, the Group did not have any significant contingent liabilities.

(XXI) MATERIAL ACQUISITIONS AND DISPOSALS

As of 30 June 2020, the Group did not have material acquisitions and disposals.

(XXII) INTERIM DIVIDENDS

The Group did not pay or declare any dividend during the two periods ended 30 June 2020 and 30 June 2019.

IV. RISK MANAGEMENT

(I) FOREIGN EXCHANGE RISK

As of 30 June 2020, the Group is principally engaged in business in the People's Republic of China (the "PRC"), in which most of the transactions are settled in RMB with no significant foreign exchange risk. No financial instrument for hedging foreign exchange risk or other hedging purposes was employed.

(II) EXCHANGE RATE RISK

Currently, the major business operation of the Group is in the PRC and most of the revenue and expenses are settled in RMB, which is the Group's reporting currency. Furthermore, with the acceleration of the Group's development in overseas markets, it is expected that the sales revenue denominated in USD and Euro will increase in the future. Fluctuations in exchange rates may adversely affect the Group's cash flows, revenues, earnings and financial position.

(III) POTENTIAL RISKS

1. *Market Risk*

The biologics market is highly competitive, and the Group's existing commercialised products and products that may be commercialised in the future face competition from pharmaceutical companies around the world on various factors such as treatment indication, drug novelty, drug quality and reputation, breadth of our drug portfolio, manufacturing and distribution capacity, drug price, coverage and depth of customer, consumer behaviour and supply chain relationships. The Group's ability to remain competitive depends to a large extent on our ability to innovate, develop and market new products and technologies that meet market needs in a timely manner to capture market share.

2. *Business And Operational Risk*

The global biologics market is constantly evolving, and the Group invests significant amounts of human and capital resources to develop, enhance or acquire technologies that will allow the Group to enhance the scope and quality of our services. Most of the Group's drug candidates are under development and are in the clinical development stages, and the course of clinical development involves a lengthy and expensive process with uncertainties in various aspects, there can be no assurance from the Group of the development and clinical results. Furthermore, if the clinical development and regulatory approval process of our drug candidates were delayed or terminated, the successful development and commercialisation of the Group's drug candidates in a timely manner maybe adversely affected.

3. *Potential Risks Of COVID-19*

The epidemic of COVID-19 may have potential impacts on the Group's business, including but not limited to the advancement of clinical trials, approval of regulatory registration, procurement of raw materials, and construction progress of production base. The Group will continue to observe the epidemic situation and make all preparations in advance.

V. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the breakdown of our employees by function as at 30 June 2020:

Function	Number of employees
Management and administrative	157
R&D	347
Quality and technical support	223
Manufacturing	347
Clinical medical affairs	245
Commercial Operation	310
Total	1,629

The Group enters into individual employment contracts with our employees setting out terms such as salaries, bonuses, grounds for termination and confidentiality. Employment contracts with our R&D personnel also typically contain a non-competition clause. The Group also provides benefits to our employees as part of their compensation package which we believe is in line with industry norm. For example, PRC-based employees are entitled to social insurance as mandated by the PRC Social Insurance Law, including pension, basic medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. To stay competitive in the market for talents, we have also adopted share award schemes to give incentives to our employees. The Group emphasises on-the-job training as a constant, ongoing objective for the employees. All employees participate in formal training on an annual basis, where the Group focuses on the latest technical developments and updates in regulatory requirements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save for those disclosed in this announcement, no major subsequent event has occurred since the end of the Reporting Period and up to the date of this announcement.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

During the Reporting Period, the Company has complied with all applicable principles and code provisions as set out in the CG Code.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiries to all of the directors of the Company, all directors of the Company confirmed that they have fully complied with all relevant requirements set out in the Model Code during the Reporting Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board does not recommend an interim dividend for the Reporting Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	3	110,392	17,039
Cost of sales		<u>(58,367)</u>	<u>(11,296)</u>
Gross profit		52,025	5,743
Other income and gains	4	34,254	11,346
Selling and distribution costs		(56,577)	(12,910)
Research and development expenses		(392,975)	(225,158)
Administrative expenses		(63,201)	(66,053)
Impairment losses on financial and contract assets, net		(431)	—
Other expenses		(4,490)	(8,501)
Finance costs	6	<u>(16,587)</u>	<u>(21,397)</u>
LOSS BEFORE TAX	5	(447,982)	(316,930)
Income tax expense	7	<u>—</u>	<u>—</u>
LOSS FOR THE PERIOD		<u>(447,982)</u>	<u>(316,930)</u>
Attributable to:			
Owners of the parent		(447,982)	(316,930)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(447,982)</u>	<u>(316,930)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	9	<u>(0.85)</u>	<u>(0.70)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
30 June 2020

	2020 (Unaudited) <i>RMB'000</i>	2019 (Unaudited) <i>RMB'000</i>
LOSS FOR THE PERIOD	<u>(447,982)</u>	<u>(316,930)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,632</u>	<u>(498)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>1,632</u>	<u>(498)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(446,350)</u>	<u>(317,428)</u>
Attributable to:		
Owners of the parent	(446,350)	(317,428)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>(446,350)</u>	<u>(317,428)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		647,090	500,713
Right-of-use assets		455,476	356,678
Intangible assets		2,503,201	2,175,149
Other non-current assets		258,806	206,578
Total non-current assets		3,864,573	3,239,118
CURRENT ASSETS			
Inventories		165,002	129,871
Trade receivables	10	85,855	29,830
Prepayments, other receivables and other assets		264,875	196,347
Pledged deposits		9,350	3,559
Cash and cash equivalents		1,146,423	2,301,092
Total current assets		1,671,505	2,660,699
CURRENT LIABILITIES			
Trade and bills payables	11	221,113	240,158
Other payables and accruals		274,597	409,199
Contract liabilities		32,287	32,039
Interest-bearing bank and other borrowings		418,230	278,241
Total current liabilities		946,227	959,637
NET CURRENT ASSETS		725,278	1,701,062
TOTAL ASSETS LESS CURRENT LIABILITIES		4,589,851	4,940,180
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		267,083	331,148
Contract liabilities		559,524	572,515
Deferred income		55,169	36,102
Total non-current liabilities		881,776	939,765
Net assets		3,708,075	4,000,415
EQUITY			
Share capital		543,495	543,495
Reserves		3,164,580	3,456,920
Equity attributable to owners of the parent		3,708,075	4,000,415
Total equity		3,708,075	4,000,415

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendment to IFRS 16, the revised standards did not have an impact on the interim condensed consolidated financial information of the Group. The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB81,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to loss for the period ended 30 June 2020.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical R&D, biopharmaceutical service and biopharmaceutical production, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	101,144	17,039
Overseas	9,248	—
	110,392	17,039

The revenue geographical information above is based on the locations of customers.

Seasonality of operations

The Group's operations are not subject to seasonality.

3. REVENUE

An analysis of revenue is as follows:

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<u>Revenue from contracts with customers</u>			
Types of goods or service			
Sales of biopharmaceutical products		95,828	13,327
Licensing revenue		5,199	3,504
Research and development services		9,238	–
Others		127	208
Total revenue from contracts with customers		110,392	17,039
Timing of revenue recognition			
Transferred at a point in time		95,955	13,535
Transferred over time		14,437	3,504
Total revenue from contracts with customers		110,392	17,039

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Government grants		15,785	2,452
Exchange gains		10,227	–
Interest income		7,763	8,813
Others		479	81
		34,254	11,346

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	58,367	11,296
Depreciation of property, plant and equipment*	27,624	16,257
Depreciation of right-of-use assets*	19,985	11,713
Amortisation of intangible assets*	10,106	3,329
Research and development costs:		
Current year expenditure	392,975	225,158
Foreign exchange (gain)/loss, net	(10,227)	7,851
Impairment of trade receivables	431	–
Bank interest income	(7,763)	(8,813)
Loss on disposal of items of property, plants and equipment	118	64

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets, the amortisation of intangible assets are included in “Cost of sales”, “Research and development expenses”, “Selling and distribution expenses” and “Administrative expenses” in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank and other borrowings	9,791	15,479
Interest expense on lease liabilities	6,796	5,918
	16,587	21,397

7. INCOME TAX EXPENSE

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008. The provision for current income tax of Taiwan Henlius, a subsidiary of the Group incorporated in Taiwan, was based on the statutory rate of 20% for the six months ended 30 June 2020.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – China	–	–
Current – Other countries	–	–
Total tax charge for the period	–	–

8. DIVIDENDS

No dividend has been paid or declared by the Company during the Reporting Period.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 524,850,249 (six months ended 30 June 2019: 451,683,053) in issue during the period.

The calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2020, as used in the basic loss per share calculation, and the weighted average number of all dilutive potential ordinary shares into ordinary shares.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	<u><u>(447,982)</u></u>	<u><u>(316,930)</u></u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u><u>524,850,249</u></u>	<u><u>451,683,053</u></u>
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares under the share award scheme	<u><u>–</u></u>	<u><u>–</u></u>
	<u><u>524,850,249</u></u>	<u><u>451,683,053</u></u>

The restricted shares issued under 2018 share award scheme had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share.

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables, based on the invoice date and net of provisions is as follows:

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	85,850	29,830
3 to 6 months	–	–
6 to 9 months	<u>5</u>	<u>–</u>
	<u><u>85,855</u></u>	<u><u>29,830</u></u>

11. TRADE AND BILLS PAYABLES

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

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	219,410	239,957
1 to 2 years	1,685	201
2 to 3 years	<u>18</u>	<u>–</u>
	<u><u>221,113</u></u>	<u><u>240,158</u></u>

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.henlius.com>. The 2020 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders and will be made available on the websites of the Company and the Stock Exchange.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are the key factors for the Group to continue its success in future. Also, the Group wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to create more values for all its shareholders.

On behalf of the Board
Shanghai Henlius Biotech, Inc.
Qiyu CHEN
Chairman

Hong Kong, 24 August 2020

As at the date of this announcement, the board of directors of the Company comprises Dr. Scott Shi-Kau Liu as the executive director, Mr. Qiyu Chen as the chairman and non-executive director, Mr. Yifang Wu, Ms. Xiaohui Guan, Dr. Aimin Hui and Mr. Zihou Yan as the non-executive directors, and Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song as the independent non-executive directors.