



上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. *

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

(Stock Code: 1349)

INTERIM REPORT

For the six months ended 30 June 2023

* *For identification purpose only*

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Five years financial data highlights

Results

	2023 RMB'000	Unaudited Six months ended 30 June			2019 RMB'000
		2022 RMB'000	2021 RMB'000	2020 RMB'000	
Revenue	522,828	271,260	399,037	235,615	390,693
Profit/(Loss) before income tax	63,433	(61,189)	66,787	27,997	93,412
Income tax expense	5,172	25,169	(1,717)	1,368	(8,340)
Profit/(Loss) for the period	68,605	(36,021)	65,069	29,365	85,072
Profit attributable to:					
Shareholders of the Company	68,438	(35,975)	65,485	29,079	91,720
Non-controlling interests	167	(46)	(416)	286	(6,648)
Total comprehensive income for the period	68,497	(36,727)	69,017	29,416	85,078
Total comprehensive income attributable to:					
Shareholders of the Company	68,330	(36,680)	69,433	29,130	91,726
Non-controlling interests	167	(46)	(416)	286	(6,648)
EBITDA/(Loss)	97,858	(28,081)	96,615	58,240	127,809
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	RMB 0.0665	RMB (0.0346)	RMB 0.0628	RMB 0.0310	RMB 0.0994

Assets and liabilities

	Unaudited 30 June 2023 RMB'000	Audited 31 December			2019 RMB'000
	2022 RMB'000	2021 RMB'000	2020 RMB'000		
Total assets	3,031,013	2,976,007	2,781,172	2,500,701	1,564,824
Total liabilities	(716,038)	(722,986)	(591,582)	(492,211)	(631,676)
	2,314,975	2,253,021	2,189,590	2,008,490	933,148
Capital and reserves attributable to:					
Shareholders of the Company	2,318,889	2,257,102	2,192,946	2,010,931	931,525
Non-controlling interests	(3,914)	(4,081)	(3,356)	(2,441)	1,623
	2,314,975	2,253,021	2,189,590	2,008,490	933,148

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (continued)

(I) Five years financial data highlights (continued)

The Company adopted the China Accounting Standards for Business Enterprises to prepare its overseas financial statements since 24 February 2020 and made relevant adjustments on its interim consolidated financial statements for the six months ended 30 June 2019 according to China Accounting Standards for Business Enterprises. The key financial data of the Company for the six months ended 30 June 2023 (the "Reporting Period") are as follows.

(II) Key accounting data

Unit: RMB

Key accounting data	Reporting Period (January to June 2023)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Revenue	522,827,706	271,259,675	92.74
Net profit attributable to shareholders of the listed company	68,437,509	-35,974,546	Not applicable
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	54,905,403	-45,618,524	Not applicable
Net cash flows from operating activities	-108,754,157	59,366,826	-283.19
	As at the end of the Reporting Period (30 June 2023)	As at the end of last year	Change as Compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	2,318,889,032	2,257,102,217	2.74
Total assets	3,031,013,175	2,976,007,272	1.85

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (continued)

(III) Key financial indicators

Key financial indicators	Reporting Period (January to June 2023)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.07	-0.03	Not applicable
Diluted earnings per share (RMB per share)	0.07	-0.03	Not applicable
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.05	-0.04	Not applicable
Weighted average rate of return on net assets (%)	2.98	-1.62	increased by 4.60 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	2.40	-2.06	increased by 4.46 percentage point
Proportion of R&D investment in operating revenue (%)	22.68	39.39	decreased by 16.71 percentage point

Description of key accounting data and financial indicators

The financial statements in this interim report of the Company were prepared in accordance with the China Accounting Standards for Business Enterprises and related requirements issued by the Ministry of Finance of the PRC and it is unaudited. Unless otherwise specified, the currency referred to in this interim report for accounting purpose is RMB.

During the Reporting Period, the external factors gradually being stabilized, the sales volume and terminal use of the medical products of the Group have gradually recovered so that sales of major products of the Group rebounded, which caused a significant increase in revenue compared with the same period of last year. During the Reporting Period, the Company's operating revenue realized RMB523 million, increased by 92.74% compared with the same period of 2022, resulting a corresponding improvement in other relevant financial data.

Key Financial Indicators of the Company

II. DIFFERENCES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Not applicable.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	Amount	Explanations (if applicable)
Gains or losses from disposal of non-current assets	1,473,451	
Government grants recognized through profit or loss for the period (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity according to a certain standard)	4,020,809	
In addition to the effective hedging business related to the Company's normal business operations, the profit and loss of fair value changes arising from the holding of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment	10,276,135	It's mainly the interest accrued from the structured deposits of the Company.
Other non-operating income and expenses other than the above items	150,429	
Effect on income tax	2,360,526	
Effect on minority interests	28,192	
Total	13,532,106	

For items of non-recurring gains and losses defined by the Company in accordance with the definition of Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gain or Loss and items that define non-recurring gains and losses enumerated in Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gain or Loss as recurring gains and losses, the reasons should be explained.

Not applicable.

IV. DESCRIPTION OF PERFORMANCE INDICATORS OF NON ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

Not applicable.

Management Discussion and Analysis

I. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD

The Group is mainly engaged in innovative research and development, production and marketing of biomedicine. Since its establishment, with the ultimate goal to stay as an innovator and a leader in the bio-pharmaceutical industry, the Group has committed to exploring unmet needs and deficiencies of clinical and patients treatment as well as developing novel and more effective treatments/medicines, so as to realize our mission that "The More We Explore, the Healthier Human Beings Will Be".

(I) Basic information of the Group's industry

1. Overview of the development of China's pharmaceutical industry

The pharmaceutical industry is an important part of China's national economy, and also a strategic emerging industry that is related to the national economy and people's livelihood, economic development and national security. The pharmaceutical industry has the characteristics of weak periodicity, high investment, high risk, high technical barriers and strict supervision. With the continuous growth of China's economy, the continuous improvement of people's living standards, the increasingly prominent problem of population aging, the growing demand for medical care, and the deepening of the reform of the medical and health system, the pharmaceutical industry has achieved rapid development in recent years. At the same time, the entire pharmaceutical industry is also facing huge challenges as the development environment and competition situation of the domestic pharmaceutical industry are still complicated, policies such as pharmaceutical research and development and medical security are facing major adjustments, centralized procurement of drugs has become normalized and institutionalized, the homogenization competition in the biopharmaceutical industry is serious, the costs of research and development, manpower, production and other costs are rising rapidly. According to IQVIA data, the global pharmaceutical market is expected to grow at a compound annual growth rate ("CAGR") of 3-6% from 2023 to 2027, with the total market size reaching approximately US\$1.9 trillion. With the steady development of China's economy in recent years, the increasing investment in national health insurance and the increasing health awareness of the population, the scale of China's pharmaceutical market is also continuing to grow. According to the Frost & Sullivan report, the overall China pharmaceutical market grew at a CAGR of 3.70% from 2016 to 2020, and the total size of the China pharmaceutical market reached US\$221.4 billion in 2020, and is expected to reach US\$349.8 billion by 2025, and may reach US\$457.4 billion by 2030.

2. Current situation of dermatology medicine industry in China

At present, the incidence rate of skin diseases increases, and the factors causing such diseases are evolving. Dermatitis is a common and frequently occurring disease in medical science, which is characterized by a wide range of patients, large number of syndromes and long treatment time. In recent years, the number of patients with skin diseases continues to grow, and their age is becoming younger and younger. Due to the repeated skin diseases, delayed treatment and high treatment costs, skin diseases bring great disadvantages to the rehabilitation of patients. According to WHO data, the number of people suffering from skin diseases in the world is about 420 million, of which there are about 150 million patients with skin diseases in China. According to the data released by the National Health Commission, the total number of visits to dermatology hospitals in China in 2021 was about 9.256 million, representing an increase of 2.67 million compared with 2013. With the continuous improvement of Chinese residents' health awareness and consumption ability, the market demand for extensive skin disease treatment and care is growing. According to Frost & Sullivan data, the scale of China's extensive skin disease treatment and care market increased from RMB300.4 billion to RMB471.8 billion in 2017-2021, with an annual compound growth rate of 11.95%. It is expected that China's skin disease drug sales will still maintain a certain scale of growth in the future.

Management Discussion and Analysis

I. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD (continued)

(I) Basic information of the Group's industry (continued)

2. Current situation of dermatology medicine industry in China (continued)

- The treatment of condyloma acuminata

Condyloma acuminata, also known as genital warts or venereal warts, is a sexually transmitted disease caused by human papillomavirus (HPV) infection, belonging to the category of skin and venereal diseases. Up to now, more than 200 types of HPV have been discovered, which mainly infect epithelium. Human beings are the only host of such virus. There are over 30 types of viruses that cause condyloma acuminata, Hpv-6,11,16,18 are the main viruses. The purpose of the treatment of condyloma acuminata is to remove the wart and reduce or prevent recurrence as much as possible. The treatment of Condyloma acuminata in mainly includes drug therapy, physical therapy and photodynamic therapy. Among them, the representatives of drug therapy are 0.5% podophyllotoxin tincture (ointment), 5% imiquimod cream, 80%-90% trichloroacetic acid (TCA) or dichloroacetic acid (BCA), interferon and fluorouracil; the representatives of physical therapy are surgical treatment, cryotherapy, laser therapy, electrocautery; photodynamic therapy refers to 5-aminolevulinic acid (ALA) combined with photodynamic therapy.

- The treatment of port wine stains ("PWS")

PWS is a common congenital vascular malformation characterized by ectatic capillaries in the papillary layer of the dermis. The visible manifestation of this disorder is usually relatively flat patches composing of expanded capillaries that rarely swell up. The lesions tend to become darker and thicker with time and rarely fade away during the patient's life. PWS may occur on anywhere of the body; chance of its appearance on face and neck is reported to be about 75%~80%, and the incidence rate among infants is about 0.3~0.4%. There used to be no effective treatment. Before age 40, over 65% of patients without timely treatment will face the situation of thicken and modular lesions causing great negative effect to the patients' appearance and severe emotional depression.

3. Current situation of China's antineoplastic drug industry

Malignant tumor is one of the most serious diseases threatening human health and social development. Among all kinds of diseases, the mortality rate of malignant tumors is the second highest, only second to cardiovascular and cerebrovascular diseases. On 22 March 2023, the National Cancer Centre (NCC) released the latest national cancer statistics. The results show that lung cancer, stomach cancer, liver cancer, colorectal cancer and breast cancer are the malignant tumours with the highest incidence rate in China, accounting for 57.27% of all new cancer cases. There were about 4.06 million new cancer cases in China, of which 2.23 million were males, with lung cancer being the most common; and 1.83 million were females, with breast cancer being the most common. Although with the continuous development of medical technology, cancer treatment methods with surgery, radiotherapy and chemotherapy as the main methods have made great progress. However, due to the complexity of the pathogenesis of cancer and the great difficulty of treatment, it will remain one of the difficulties and hotspots in the field of cancer treatment today to find efficient and low-toxicity anticancer drugs. According to IQVIA data, it is estimated that by 2027, with the accelerated growth of newly marketed drugs and some biologically similar drugs, the global cancer expenditure will reach US \$370 billion.

Management Discussion and Analysis

I. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD (continued)

(I) Basic information of the Group's industry (continued)

3. Current situation of China's antineoplastic drug industry (continued)

– Current situation of anthracycline antineoplastic drug industry

Anthracyclines are anti-tumor antibiotics, which are chemical matters produced by microorganisms with antitumor activity. It is widely used. Even today, when new therapies such as targeted therapy and immunotherapy continue to appear, it is still the basic treatment for many solid tumors and malignant tumors of the hematolymph system. Anthracycline drugs include daunorubicin (DNR), doxorubicin (ADM), epirubicin (EPI), pirarubicin (THP), mitoxantrone (MIT) and carborubicin and liposomal doxorubicin. Doxorubicin ranks first in the market share of anthracycline anticancer drugs in China. Doxorubicin is commonly used in the treatment of malignant lymphoma, acute leukemia and breast cancer. It has a wide anti-tumor spectrum and good curative effect, but its toxicity is also serious. In addition to myelosuppression, gastrointestinal toxicity and alopecia, doxorubicin can cause serious cardiotoxicity and is a dose limiting drug. When the cumulative dose is large, it can cause myocardial damage and even heart failure, which greatly limits the clinical application of doxorubicin.

Liposomes are widely studied and have the most promising future of particle targeted drug carrier. So far, scholars have carried out a lot of basic research in this field. It is found that liposomes have a wide range of application value in the fields of anti-cancer and antimicrobial drugs, such as immunization and clinical diagnosis. Compared with traditional doxorubicin liposomes, pegylated doxorubicin liposomes have the characteristics of long action time, low cardiac toxicity and good tumor targeting. It not only has satisfactory curative effect on lymphoma, Kaposi's sarcoma, multiple myeloma, gynecological tumor, breast cancer and other tumors, but also can effectively improve the related adverse reactions, significantly reduce cardiac toxicity and improve the treatment index.

(II) The main business income of the Group mainly comes from the sales revenue of the Company's pharmaceutical products. The main products of the Group includes:

– Dermatology Products

i) Aminolevulinic Acid Hydrochloride Topical Powder (艾拉®, ALA)

ALA, first in class drug, the first photodynamic drug for the treatment of condyloma acuminata in the world. As the first commercialization project of the Group, it has become the preferred choice in the clinical therapy after many years of marketing. Compared with traditional therapy, the ALA photodynamic therapy has remarkably reduced the recurrence rate of condyloma acuminata, solving a clinical problem and filling in the vacancy of condyloma acuminata treatment in special parts on the body (urinary canal, anal canal and cervix) internationally. The therapy of ALA combined with photodynamic technology initiated by the Company was recorded in the textbook of Dermatovenerology and relevant clinical treatment guidance from 2013. The latest ninth edition of Dermatovenerology adds the new application of the aforementioned therapy on the acne treatment.

ALA (艾拉®) was launched in the market in 2007. As the first photodynamic drug in China, ALA can selectively spread and accumulate in condyloma acuminatum cells, and kill them together with specific wavelength light and energy, which does not result in adverse effects on surrounding normal tissues at the same time. Due to the feature of this therapy, ALA also has effects on the treatment of subclinical infection and latent infection. Compared with traditional therapy, the therapy of ALA combined with photodynamic technology, filled in the blanks in the treatment of urethral orifice condyloma acuminata. In addition, our therapy has the advantages such as better tolerance of patient, higher safety, no scar formation, and much lower adverse reaction rate and recurrence rate comparing with previous average level.

Management Discussion and Analysis

I. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD (continued)

(II) *The main business income of the Group mainly comes from the sales revenue of the Company's pharmaceutical products. The main products of the Group includes: (continued)*

– *Dermatology Products (continued)*

ii) Hemoporfin For Injection (复美达®, FuMeiDa)

FuMeiDa, the first photodynamic drug for the treatment of PWS in the world, is a new drug with new drug target, new compound and new indication, and entered into the market in 2017. After injection into the blood, Hemoporfin spreads quickly to the surrounding tissues and tends to distribute specifically in vascular endothelial cells. It would selectively damage the photosensitizer-rich vascular endothelium by the use of laser or LEDs with certain wavelength. The dilated and abnormal capillaries in the lesions of patients will be cleared by photodynamic reaction and further effects of coagulation system. PWS had no good treatment before. As one of the second generation photosensitizer, compared with traditional therapies, Hemoporfin is featured by stable chemical structure, lower photosensitization, rapider metabolism, shorter light-avoidance period requirement, more uniform to treat, higher cure rate, lower incidence of scar formation and lower recurrence rate. The excellent efficacy of the drug in the market and the high cure rate compared to the traditional laser treatment rejoice the clinicians and researchers. The latest ninth edition of Dermatovenerology adds Hemoporfin developed by the Group as new photosensitizer for the treatment of PWS.

– *Anti Tumor Products*

i) Long Circulating Doxorubicin Hydrochloride Liposome Injection (里葆多®, LIBOd®)

LIBOd® for the treatment of tumors, was launched to market in August 2009. The drug is a new doxorubicin formula which adopts the advanced stealth liposomal encapsulation technology and has passive targeting characteristics. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and remarkably lowering the effects of cardiac toxicity, myelosuppression and hair-loss. According to the statistics from the www.menet.com.cn, the sales of doxorubicin hydrochloride liposome injection at the terminal of urban public medical institutions in China was approximately RMB2.6 billion in 2018, and exceeded RMB4.4 billion in 2022, with cumulative sales growth of 69.23% over five years.

II. CORE TECHNOLOGY AND R&D PROGRESS

1. *Core technology, advance level and changes during the Reporting Period*

Since the establishment, the Company has always adhered to the R&D philosophy that based on unmet clinical needs and deficiencies in clinical research, the decisive factor in innovative drug project R&D evaluation is whether a project can reflect unique clinical treatment effect. In addition, the Company also selects products with technical barriers for industrialization. On the premise of meeting clinical needs, the Company will try to realize differentiated competition, utilize R&D resources and production capacity effectively and maximize economic benefits.

Based on the above R&D philosophy, the Company has formed the genetic engineering technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform and has appropriately focused strategically on two technical fields, namely, photodynamic drugs and antibody-conjugated drugs, which forms R&D features with competitive advantages. The Company's core technologies are obtained by independent research and development.

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

1. Core technology, advance level and changes during the Reporting Period (continued)

(1) Genetic Engineering Technical Platform

The Company has been based on genetic engineering technology since its establishment, and has successively developed cytokines, fusion proteins, monoclonal antibodies, antibody coupled drugs products for unmet clinical needs, and established relevant technical platforms. In the early years, the Company transferred a number of genetic engineering technologies, which contributed the revenue for the development of the Company. With the continuous expansion of the Company, the industrialization of genetic engineering technical drugs has a feasible foundation. In the future, the Company will continue to strengthen the research and accelerate the registration of genetic engineering technical platform projects that have entered clinical practice, and strive to realize the industrialization of gene drugs as soon as possible.

ADC is an important research and development direction and commercial choice of the Company's genetic engineering technical platform. Possessing the powerful lethality of small molecular drugs and targeting property of monoclonal antibodies, ADC has become a hot item in the research and development of targeted tumor therapy over the past decade. In recent years, the Company have built a new linker-drug platform ("BB05 Platform") in respect of small molecule. This laid the foundation for the Group's subsequent development of Me-better or innovative ADCs.

We have the research and development capabilities in development of biologics agents, small molecules and ADC linkage, and the experience of successfully advancing the candidate drugs from clinical to clinical trials. With the completion of the construction of the antibody coupling drug workshop of Taizhou, ADC medicine will become an important product group of the Group.

Under this technical platform, the clinical trial phase I of the Group's first ADC, the Anti-CD30 antibody-conjugated DM1 Injection for the treatment of tumors, was undergoing during the Reporting Period. The clinical trial phase I of the Trop2-SN38 directed antibody drug conjugate (also known as "FDA018 antibody drug conjugate for injection") for the treatment of advanced malignant tumors was undergoing during the Reporting Period. The investigational new drug application for Phase I clinical trial of Her2-BB05 directed antibody drug conjugate (also known as "FDA022 antibody drug conjugate for injection") for the treatment of metastatic breast cancer and metastatic gastric cancer has carried out phase I clinical study during the Reporting Period and the first patient has been enrolled in the study in January 2023. The investigational new drug application for Phase I clinical trial of Trop2 directed antibody drug conjugate ("Trop2-BB05 ADC", also known as "FZ-AD004 antibody drug conjugate for injection") for the treatment of solid tumors such as lung cancer and triple negative breast cancer was accepted in January 2023 and the Company received the approval for Phase I clinical trial in April 2023; The first patient has recently been successfully enrolled in the phase I clinical study. The preclinical research of DLL3 directed antibody drug conjugate ("DLL3-BB05 ADC") mainly for the treatment of small cell lung cancer, which has completed preclinical proof-of-concept during the Reporting Period and will apply for clinical treatment as soon as possible.

(2) Photodynamic Technical Platform

The scientific exploration of photodynamic therapy began at the beginning of the 20th century. In the late 1970s, photodynamic therapy began to be used in clinical practice. The first photosensitive drug was approved for sales in 1993. Based on the unique therapeutic value of photodynamic therapy in some precancerous lesions and non-tumor diseases that can not be treated or intervened, and in the absence of unified scientific standard in the world, the Company established a prospective photodynamic technical platform in year 1999.

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

1. Core technology, advance level and changes during the Reporting Period (continued)

(2) Photodynamic Technical Platform (continued)

The Group is a leader in the development of international photodynamic drugs. The drug indications developed and under development include condyloma acuminata, Port Wine Stains ("PWS"), Actinic Keratosis ("AK"), cervical intraepithelial neoplasia, glioma, bladder cancer and moderate and severe acne. Photodynamic drugs are a representative and unique product line of the Group to discover disease patterns and formulate treatment rules. We will continue to build on its feature of "one drug, several indications" and "a new scalpel for clinical treatment"; and will design special therapy for some precancerous lesions which cannot be treated or intervened for the moment.

The Company's photodynamic technology is in the world's leading level. The Company has continued to expand the drug research and development based on the photodynamic technical platform for many years, and photodynamic drugs are one of the Company's important product groups. The main photodynamic drugs of the Company are ALA for condyloma acuminata and FuMeiDa for PWS. The research projects mainly include the US phase II clinical trial for Hemoporfin, and indication expansion for ALA, etc.

As the first commercialization project of the Group, the therapy of Aminolevulinic Acid Hydrochloride combined with photodynamic technology (the brand name of ALA, 艾拉®) for the treatment of condyloma acuminata obtained positive market response after it was launched for sale. It has become the clinical drug of choice. To expand the application to new indications of this drug is one of the key R&D projects of the Group.

FuMeiDa (the brand name of Hemoporfin for injection), the first photodynamic drug for the treatment of PWS in the world, is a new drug with new drug target, new compound and new indication. PWS is a common congenital vascular malformation characterized by ectatic capillaries in the papillary layer of the dermis. The lesions tend to become darker and thicker with time and rarely fade away for life. PWS occurs in anywhere on the body and particularly in face and neck and is reported about 0.3~0.4% incidence of infants worldwide. Before age 40, over 65% of patients without treatment will face the situation of thicken and modular lesions cause great emotional depression. FuMeiDa launched to market in 2017 and clinical trial phase IV is under way. The Group has also started the overseas registration of Hemoporfin. Based on the large number of good real data of clinical treatment in China as well as patented technologies continuously discovered and developed in treatment to improve curative effect and reduce side effects of FuMeiDa, we have reason to expect that once it is successfully listed in the United States, Hemoporfin will help patients around the world change their life and lay the foundation for the innovative development model adhered to by the Group.

The therapy of ALA combined with photodynamic technology initiated by the Company was recorded in the textbook of Dermatovenerology from 2013 and the latest ninth edition of Dermatovenerology adds the new application of the aforementioned therapy on the acne treatment. The therapy of ALA combined with photodynamic technology was also recorded in the "Condyloma Acuminata Diagnosis and Treatment Guidelines (2014)" and "Condyloma Acuminata Treatment Expert Consensus (2017)" issued by the Chinese Medical Association.

In the future, the Group will continue to work on the further exploration and optimization of photodynamic therapy schemes. From the perspective of clinical actual needs, the Group will make the best use of the unique advantages of photodynamic therapy different from traditional treatment methods, and develop new photodynamic drugs or new photodynamic combined therapy schemes. In consideration of the clinical recognition function of photodynamic drugs for tumors and other special lesions, following the ongoing project of aminolevulinic acid photodynamic therapy for glioma, we will expand the corresponding possibility of the application of ALA fluorescence guidance technology in clinical surgery in the short term. Among them, the project of visual guidance for bladder cancer surgery is undergoing preclinical research.

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

1. Core technology, advance level and changes during the Reporting Period (continued)

(2) Photodynamic Technical Platform (continued)

Under this technical platform, the projects in research of the Group during the Reporting Period include Aminolevulinic Acid Hydrochloride used for the treatment of CIN infected by HPV ("CIN"), which is currently in phase IIc clinical research; and the application Aminolevulinic Acid Hydrochloride used for the treatment of moderate and severe acne, which is under phase II clinical research. The surgical visualisation of Aminolevulinic acid hydrochloride photodynamic of glioma, bladder cancer and lymphoma has fundamentally completed preclinical research and the Company will apply for clinical application as soon as possible. Aminolevulinic acid hydrochloride photodynamic for treatment of actinic keratosis ("AK", known as photoliner keratosis, solar keratosis and senile keratosis) is under phase II clinical research.

(3) Nano Technical Platform

Nano preparation can not only improve the water solubility and bioavailability of the drug, but also use its EPR effect to target delivery of anti-tumor drugs to achieve effect enhancement and toxicity reduction. There are many technical barriers in the research and development of nano drug: 1) the structure of liposomal formulation is complex and there are few drugs launched into the market, so it is difficult to form a complete technical system; 2) lacking of high-quality excipients, the threshold and the expenses for the development of new lipids is relatively high; 3) lacking production facilities as the application technology and production process of liposomes are quite different due to the differences in design; the production facilities need to be customized; 4) the steps of liposomes preparation are complex, and there are many quality control points. It is difficult to maintain the quality consistency. The Company started the research and development of liposome drugs under the context of pure fundamental research and lack of industrial application of liposome drugs in China and gradually established a nanotechnical platform.

Under this technical platform, LIBOd[®] for the treatment of tumors was launched to market in 2009. According to the requirements of relevant PRC laws and regulations, the Company has received the Acceptance Notice (《受理通知書》) of the quality and efficacy consistency evaluation of generic drugs for chemical injection (the "Consistency Evaluation") during the Reporting Period issued by the National Medical Products Administration of the PRC (the "NMPA"). The Consistency Evaluation application for Doxorubicin Hydrochloride Liposome Injection (LIBOd[®]) (specifications: 10ml:20mg) has been accepted.

(4) Oral Solid Preparation Technical Platform

Although the Company has successfully realized the industrialization of several drugs after years of research and development, there are still problems such as long industrialization cycle and much empty window period. In recent years, based on the strategic consideration of the long-term development, the Company has established the oral solid preparation technical platform on which various new drugs and generic drugs with specific clinical value are being developed, so as to shorten the period of industrialization projects. Small molecule targeted drugs and special oral preparations are the research fields of new drugs with high attention nowadays. The Company is developing several new drugs and generic drugs with unique clinical therapeutic value. Oral solid preparation technology will be one of the basic technology platforms for the long-term development of the Company.

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

1. Core technology, advance level and changes during the Reporting Period (continued)

(4) Oral Solid Preparation Technical Platform (continued)

Under this technical platform, the carzodopa controlled-release tablet project (WD-1603) of the Company for the treatment of early Parkinson's disease has completed the phase II clinical research. The project adopts the UGI-Pump® under the associate of the Group, Shanghai Handu Pharmaceutical Technology Co., Limited ("Shanghai Handu") patented technology platform which can prolong the retention time of levodopa dosage form in the upper gastrointestinal tract, and continuously and stably release the drug during the retention time, so as to obtain a stable blood drug concentration, delay the process of Parkinson's disease to a great extent and reduce the adverse reactions caused by the drug. The Company will promote the phase III clinical research of this project as soon as possible. Obeticholic acid (奧貝膽酸) for the treatment of hepatobiliary disease of the Group has obtained a relevant invention patent in mainland China and its bioequivalence study has been completed and the confirmatory clinical study is under way. It is a generic drug of a medicine developed in the US and listed worldwide for the treatment of primary biliary cirrhosis (PBC). Such drug has a large market in China which is a country with high incidence of hepatobiliary disease.

National Science and Technology Awards

Not applicable

Awards on "Little Giants" 、 "Champion In Manufacturing Industry"

Not applicable

According to the announcement of the Shanghai Municipal Commission of Economy and Informatization, the Company was successfully selected into the list of Shanghai "Specialized, Refinement, Differential and Innovation" (專精特新) Enterprises from 2021 to 2023.

2. R&D achievements obtained during the Reporting Period

In January 2023, the first patient has been successfully enrolled in the phase I clinical study of the Trop2-BB05 directed antibody drug conjugate (also known as "FDA022 antibody drug conjugate for injection") for the treatment of advanced solid tumors.

In January 2023, the investigational new drug application for phase I clinical trial of Trop2-BB05 antibody drug conjugate (also known as "FZ-AD004 antibody drug conjugate for injection") for the treatment of advanced solid tumors has been accepted and the Company received the approval for Phase I clinical trial in April 2023; The first patient has recently been successfully enrolled in the phase I clinical study.

List of intellectual property rights acquired during the Reporting Period

	Newly acquired during the Reporting Period		Cumulative quantity	
	No. of applications	No. of grant	No. of applications	No. of grant
Invention Patents	16	3	127	37
Utility Model Patent	9	–	46	37
Design Patent	–	–	5	5
Software copyright	–	–	26	26
Others	–	–	–	–
Total	25	3	204	105

Note: No. of applications excluded the number of abandoned applications and expired applications.

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

3. R&D investment

Unit: RMB

	Reporting Period (January to June 2023)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Expended R&D investment for the period	117,953,593	102,559,780	15.01
Capitalized R&D investment for the period	637,260	4,285,057	-85.13
Total R&D investment	118,590,853	106,844,837	10.99
Portion of R&D investment to the operating revenue (%)	22.68	39.39	decreased by 16.71 percentage point
Portion of Capitalized R&D investment (%)	0.54	4.01	decreased by 3.47 percentage point

Reasons for significant changes in total R&D investment compared with the last year

Not applicable

Reasons for the substantial change in the proportion of Capitalized R&D investment and its rationality

Not applicable

4. Research Projects

Unit: RMB0'000

No.	Project Name	Estimated Total Investment Amount	Investment Amount in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
1	Research related to Hemoporfin	23,000.00	840.47	8,277.42	Clinical trial phase II in USA	Successfully start clinical trial phase II; enter of Hemoporfin product into the US market by successful registration with the US Food and Drug Administration (the "FDA"), thereby achieving the target of internationalization of the Company's core products, increase new profit growth points for the Company and increase its overall business scale, constant profitability and overall competitiveness.	International leading level	PWS

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

4. Research Projects (continued)

No.	Project Name	Estimated Total Investment Amount	Investment Amount in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
2	Research related to antibody drug conjugate	35,000.00	5,050.27	28,661.19	<p>The first patient for Phase I clinical trial of FDA022 antibody drug conjugate for injection capsule (also known as "Her2-BB05 directed antibody drug conjugate") for the treatment of advanced malignant tumor has been successfully enrolled in the study.</p> <p>The application for Phase I clinical trial of Trop2-BB05 directed antibody drug conjugate has been accepted. Please refer to "Management Discussion and Analysis" - "III. Analysis of Core Competitiveness for the Reporting Period" - "1. Analysis of Core Competitiveness".</p>	Complete some of the relevant pre-clinical study of antibody coupling related projects as soon as possible in a short time, submit the clinical application and start Phase I clinical research as soon as possible.	International advanced level	Antitumor

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

4. Research Projects (continued)

No.	Project Name	Estimated Total Investment Amount	Investment Amount in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
3	Research related to aminolevulinic acid	16,500.00	2,488.20	12,633.90	For more details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "1. Analysis of Core Competitiveness".	The focus of the research is to invest in the Company's research and development platforms for its core technologies, so as to expand its research and development channels, increase its overall competitiveness, strengthen its sustainable development ability in the biomedical domain, with an ultimate aim of achieving the industrialization of ongoing projects.	For treatment of cervical diseases infected by HPV, and acne: International leading level; Surgical visualization of brain gliomas, bladder cancer and lymphoma: International advanced level	Cervical diseases infected by HPV, acne, surgical visualization of brain gliomas, bladder cancer and lymphoma
4	Research related to doxorubicin liposome	4,000.00	63.73	4,063.45	Same as above	Same as above	International advanced level	Antitumor
5	JAK1 inhibitor	25,000.00	657.07	7,255.50	Same as above	Same as above	International advanced level	Rheumatoid arthritis, atopic dermatitis
6	Other research	-	2,759.35	27,696.10	Same as above	Same as above	/	Hepatobiliary diseases, infantile hemangioma and exploratory research
Total /		103,500.00	11,859.09	88,587.56	/	/	/	/

Notes:

1. The Investment Amount in the Current Period includes the expensed amount and capitalized amount of R&D investment during the Reporting Period;
2. The Target to Be Achieved is the short-term target planned by the Group, which will be updated according to the progress of the research and development project and the corresponding budget amount will be adjusted at the same time.

Management Discussion and Analysis

II. CORE TECHNOLOGY AND R&D PROGRESS (continued)

5. R&D personnel

	Basic information	
	For the Reporting Period	For the corresponding period of last year
Number of R & D personnel (person)	173	151
The proportion of R&D personnel in the total number of employees of the Company (%)	18.99	18.48
Total amount of salary of R&D personnel (RMB)	34,364,501	22,976,081
Average amount of salary of R & D personnel (RMB)	198,639	152,159

Education structure	Education level	
	Number (person)	Proportion (%)
Doctor	7	4.05
Master	67	38.73
Bachelor	81	46.82
Below Bachelor degree	18	10.40
Total	173	100.00

Age range	Age structure	
	Number (person)	Proportion (%)
50 and above	7	4.05
40-49	26	15.03
30-39	74	42.77
20-29	66	38.15
Total	173	100.00

6. Other Explanations

Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

1. Analysis of core competitiveness

Thanks to strong support to pharmaceutical companies from the National Guideline on Emerging Sectors of Strategic Importance during the 13th Five-Year Plan Period, as a pharmaceutical enterprise focusing on new drug research and development, the Group has adhered to choosing the projects that can meet the unmet needs and deficiencies of clinical and patients treatment since establishment, and the evaluation system of project progress depends on whether specific accomplishment of treatment will be achieved. The Group is seeking a balanced development in the conflict between "me-too" and "first in class". At present, the products launched or under development of the Group have shown positive prospect and characteristics of less affected by changes of policies. The effort and strategies adopted by the Company over the years have laid a solid foundation and generated a driving force for the Group's development under the new policy environment.

Management Discussion and Analysis

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD (continued)

1. Analysis of core competitiveness (continued)

(1) Advantages of R&D Innovation

Technical Platform	Technical field	Project Name	Registration type	Proposed Indications	Progress	Comparison with Industry Technical Level
Genetic Engineering Platform	ADC engineering	CD30-DM1 ADC (F0002)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International leading level: new compound
		Trop2-SN38 ADC (F0024)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International advanced level
		Her2-BB05 ADC (F0034)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International advanced level
		Trop2-BB05 ADC (F0040)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International advanced level
		DLL3-BB05 ADC (F0041)	Class 1 therapeutic biological products	Tumors	Pre-clinical study	International advanced level
Photodynamic Technology Platform	Photodynamic technology	Hemoporfin (海姆泊芬) (T0004/F0026)	Class 1 innovative chemical drug		Clinical trial phase IV	International leading level: new compound and new indication.
			505(b)(1)	PWS	Clinical trial phase II in the U.S	
		Aminolevulinic acid – CIN (F0005)	Class 2.4 improved new drug	Cervical diseases infected by HPV	Clinical trial phase II	International leading level: new indication.
		Aminolevulinic acid – Acne (F0014)	Class 2.4 improved new drug	Acne	Clinical trial phase II	International leading level: new indication.
		Aminolevulinic acid – AK (F0037)	Class 2.2 improved new drug	Actinic keratosis	Clinical trial phase II	International advanced level
		Aminolevulinic acid – brain gliomas (F0009)	Class 3 generic drug	Surgical visualisation of Brain gliomas	Pre-clinical study	International advanced level
		Aminolevulinic acid – lymphoma (F0044)	Class 3 generic drug	Surgical visualisation of Lymphoma	Pre-clinical study	International advanced level
		Aminolevulinic acid – bladder cancer (F0045)	Class 3 generic drug	Surgical visualisation of Bladder cancer	Pre-clinical study	International advanced level
Nano Technology Platform	Nano technology	Doxorubicin liposome (鹽酸多柔比星脂質體) (F0033)	Class 6 generic drug	Tumors	In the process of domestic bioequivalence evaluation research and registration	International advanced level

Management Discussion and Analysis

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD (continued)

1. Analysis of core competitiveness (continued)

(1) Advantages of R&D Innovation (continued)

Technical Platform	Technical field	Project Name	Registration type	Proposed Indications	Progress	Comparison with Industry Technical Level
Oral Solid Preparation Technology Platform	Osmotic pump technology	Carzodopa controlled-release tablet (WD-1603)	Class 2.2 improved new drug	Early Parkinson's disease	Clinical trial phase II	International advanced level
	Small molecular targeting drugs	FZJ-003 oral preparation – AD (F0042)	Class 1 innovative chemical drug	Atopic dermatitis	Clinical trial phase II	International advanced level
		FZJ-003 oral preparation – UC (F0043)	Class 1 innovative chemical drug	Ulcerative colitis	Clinical trial phase II	International advanced level
		FZJ-003 oral preparation – RA (F0025)	Class 1 innovative chemical drug	Rheumatoid arthritis	Clinical trial phase I	International advanced level
		FZJ-003 gel – AD (F0039)	Class 1 innovative chemical drug	Atopic dermatitis	Clinical trial phase I	International advanced level
Drugs with patents or technical barriers	Obeticholic acid (F0019)	Class 3 generic drug	Hepatobiliary disease Autoimmune diseases	Confirmatory clinical study	International advanced level	
Other		Timolol maleate cream (F0038)	Class 2.2 improved new drug	Infantile hemangioma	Clinical trial phase I	International advanced level

(2) Advantages of Technology Platform

Please refer to "Management Discussion and Analysis" – "II. Core Technology and R&D Progress" – "1. Core technology, advance level and changes during the Reporting Period".

(3) Advantages of Promotion

The Group continues to regard academic promotion as its primary marketing method. The Company has used the diversified network platform channels public communication platform to form a mature network service system such as academic exchanges among dermatology clinicians, sharing of clinical case and standardized practice videos, and a Q&A platform between doctors and patients, etc. In addition, the Company plans to take advantage of doctor resources on the platform to develop a new sales mode to solve some commonly seen problems in current marketing environment and some commonly seen difficulties for patients in hospital.

Management Discussion and Analysis

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD (continued)

1. Analysis of core competitiveness (continued)

(4) Advantages of Product Quality Control

The Group has formulated complete production management and quality control rules and regulations which follow the cGMP standards of China as well as refer to cGMP requirements and guidelines of FDA in US and EMA in Europe. Quality control is an important part of pharmaceutical production activities. The Group's quality management system mainly includes quality control laboratory control, data analysis and quality review, corrective and preventive measures (CAPA), etc.

In order to implement the quality management system, the Group has developed a quality document management system including standard management procedures, standard operating procedures, standard technical procedures and standard operation records, and established corresponding cGMP data management procedures, which cover both paper data and electronic data to ensure data integrity. At the same time, the Group also develops a quality risk management process and systematically applies it to all aspects of quality control. In order to ensure the stability and consistency of product quality, the Company also carries out continuous verification of various production processes. In addition, the Group's production personnel should be fully trained before assuming their posts, and each employee should be trained, assessed and proven qualified according to the post requirements.

A series of management standards and operating procedures established by the Group have realized the standardization, routinization and institutionalization of all production steps under the high standard cGMP management requirements.

(5) Advantages of Management and Technical Team

The advanced business philosophy and incentive system of the Group attracted a large number of technical personnel to join, forming a mature R&D technology team, which is the cornerstone of the Group's core technology platform. The long-term stability of the Group's core management provides important support for the sustainable and stable development of the enterprise. The stable and efficient core technical team has laid the foundation for the long-term development of the Group.

2. Events that seriously affect the Company's core competitiveness during the Reporting Period, impact analysis and countermeasures

Not applicable.

IV. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

During the Reporting Period, there were no significant changes in the business model of the Group, the sales model and price of three major products, the composition of major customers and suppliers, or tax policies.

During the Reporting Period, the external factors gradually being stabilized, the sales volume and demand for terminal use of the medical products of the Group have gradually recovered so that sales of major products of the Group rebounded. The revenue of the Company was RMB522,827,706 representing an increase of 92.74% as compared with that of the same period of last year. ALA(艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOD®, which is indicated for the treatment of tumor, and FuMeiDa, which is indicated for PWS, are three major products of the Group, together contributed 99.83% of the sales revenue of pharmaceutical and diagnostic products by the Group.

Management Discussion and Analysis

IV. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS (continued)

In respect of R&D, the Group adheres to the genetic technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Group has committed to developing new clinical indications for selected drugs and developing new medicines and innovative treatments to tackle selected diseases and has appropriately focused strategically on two technological fields, namely, opto-dynamic drugs and antibody-conjugated drugs, so as to form R&D features with competitive advantages. During the Reporting Period, the Group's innovative research and development areas mainly focused on photodynamic drugs for skin diseases, tumors, CIN, antibody drug conjugate for tumors, and sustained and controlled-release drugs for the comprehensive treatment of Parkinson's disease. Me-too drugs include small molecular targeting drugs for autoimmune diseases and tumors and other drugs with patents or technological barriers.

For details of other operating conditions of the Company during the Reporting Period, please refer to the section headed "Management Discussion and Analysis" – "VI. OPERATION RESULT FOR THE REPORTING PERIOD".

Major changes in the Company's operation during the Reporting Period, as well as events that have a significant impact on the Company's operation and are expected to have a significant impact in the future

Not applicable.

V. RISK FACTORS

(I) Risks in core competitiveness

1. Risk in relation to new drug development

The long-term competitiveness of the Company depends on the successful research and development of new products and their subsequent industrialization and market promotion. According to the relevant provisions of China's Drug Registration Measures and other laws and regulations, the drug registration shall be subject to pre-clinical research, clinical trial filing, clinical trial, production approval and other stages, which shall be approved by the drug regulatory department under the State Council, and the drug registration approval shall be issued before the production of the drug. The whole process from R&D to launch to the market can take a decade or more, with high costs and uncertainties for the result. At present, many of the Company's products are in the stage of pre-clinical research and clinical trial, which are mainly innovative drugs. If the products under research fail to be developed successfully or the new products fail to pass the registration and approval, the initial investment will be at loss, and the Company's future product planning and future growth potential will also be affected.

2. Risk in relation to core technical staff loss

The Company's core technical personnel is an important part of the Company's core competitiveness, and also the basis and key for the survival and development of the Company. Whether the Company can maintain the stability of the technical staff team and constantly attract outstanding talents to join in is related to whether the Company can continue to maintain its technological leading edge in the industry, as well as the stability and durability of research and development, production and service. If the salary level offered by the Company is not competitive compared with the industry competitors, the core technical personnel incentive mechanism can not implement, or human resources control and internal promotion system is not effectively implemented, the Company's core technical personnel will drain, and thus having an adverse impact on the Company's core competitive ability and sustainable profitability.

Management Discussion and Analysis

V. RISK FACTORS (continued)

(II) Risk in operation

1. Risk in relation to relatively limited product types

During the Reporting Period, the product types of the Group are relatively limited. Three main products of the Group, ALA, LIBOd® and FuMeiDa account for a large proportion of the total sales revenue. The decline in the revenue of the above leading products will have an adverse impact on the future operation and financial situation of the Group, if they are impacted by competitive products, suffer from significant policy impact, product quality and intellectual property issues so that the Company cannot maintain the sales volume and pricing level of the leading products, or failure of timely launch of alternative new products.

(III) Risk in financial

1. Foreign exchange risk

The Group mainly operates in the domestic market. Except for the Hong Kong dollar proceeds from the placing of shares, the operating results and the financial position of the Group will not be substantially affected by the movement in exchange rates.

(IV) Risk in industry

1. Risk in drug price reduction

Drug pricing policy formulation and implementation and the control of the overall drug price level were implemented by the National Development and Reform Commission. On 5 May 2015, the National Development and Reform Commission, the Health and Family Planning Commission, the Ministry of Human Resources and Social Security and other departments jointly issued the Notice about the Opinions of Promoting the Reform of Drug Prices, from 1 June 2015, drugs other than the narcotic drugs and the psychotropic drugs of category I no longer adopted government-designated pricing. Such notice aimed to improve the mechanism of the drug purchase, give play to the role of health care insurance in drug fees controlling, and actual transaction prices of the drugs are mainly determined by the market competition. Although such notice terminated the role of the Pricing Section of the National Development and Reform Commission to set highest drug retail price, but drug prices are still limited by many factors, including the clinical demand, doctors familiarity with the drugs, health insurance payment standard, national or local government public bidding mechanism and third-party payment standard, including commercial insurance, etc., the future drug price forming mechanism could be further reformed, and the final pattern remains uncertain.

In recent years, with national drug price negotiations, medical insurance directory adjustment, evaluation of consistency and the relaxation of large-quantity procurement policy, some of the drug's terminal bidding procurement prices gradually decline, pharmaceutical companies are facing increasingly fierce competition. The Company may face risk of drug prices reduction, thus causing a potential negative impact on the income of drugs of the Company.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD

REVIEW

During the Reporting Period, there were no significant changes in the Group's business model, the sales model and price of three major products of the Group, composition of major customers and suppliers, and tax policies.

In respect of R&D, the Group adheres to the genetic technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Group has committed to developing new clinical indications for selected drugs and developing new medicines and innovative treatments to tackle selected diseases and has appropriately focused strategically on two technological fields, namely, opto-dynamic drugs and antibody-conjugated drugs, so as to form R&D features with competitive advantages. During the Reporting Period, the Group's innovative R&D areas mainly focused on photodynamic drugs for skin diseases, tumors and precancerous lesions, antibody-drug conjugates for tumors and slow-release and controlled-release drugs for all-round treatment of Parkinson's disease, Me-too drugs such as small molecular targeting drugs for autoimmune diseases and tumors and other drugs with patents or technical barriers. During the Reporting Period, with an overall consideration of research resources, risks and R&D cycle, the Group has continually focused on drug development on tumors, dermatological and self-immunological diseases, expanding and strengthening the number and progress of commercialized drugs. Given that R&D on innovative drugs faces significant risks and challenges, the Group adopts more prudent and conservative capitalized policy on R&D expenses and will try to make the medium and long-term plans of R&D in view of actual financial position. For details of major projects of the Group during the Reporting Period, please refer to "III. Analysis of Core Competitiveness for the Reporting Period" in "Management Discussion and Analysis".

In respect of operation and commercialization, the major products of the Company are ALA and FuMeiDa on photodynamic technical platform and LIBOd[®] on nano technical platform. During the Reporting Period, the external factors gradually being stabilized, the demand for the sales volume and terminal use of the medical products of the Group have gradually recovered so that sales of major products of the Group rebounded. The revenue during the Reporting Period was increased by 92.74% as compared with that of the same period of last year. ALA(艾拉[®]), which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOd[®], which is indicated for the treatment of tumor, and FuMeiDa, which is indicated for PWS, are three major products of the Group, and together contributed 99.83% of the sales revenue of pharmaceutical and diagnostic products by the Group. For details of major projects of the Group during the Reporting Period, please refer to the section headed "IV. Discussion and Analysis on Business Operations" in "Management Discussion and Analysis".

FUTURE PROSPECTS

As a pharmaceutical enterprise focusing on new drug research and development, the Group has adhered to choosing projects that can meet the unfulfilled needs and deficiencies of clinical and patient treatment. The evaluation system of project progress depends on whether specific accomplishment of treatment will be achieved.

At present, the Group's products launched and under development have shown positive prospect and characteristics of less affected by changes of policies. The effort and strategies adopted by the Company over the years have laid a solid foundation and generated a driving force for the Group's development under the new policy environment. As long as we strengthen our research capability in the fields where we have leading positions, continually expand new clinical indications, adhere to the projects worth spending time on, gradually apply for international drug registration, and strengthen target management and responsibility, our products will bring real value to the therapeutic field while demonstrating the Group's value in future.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

FUTURE PROSPECTS (continued)

The Group's operating strategy is to do a good job of domestic academic promotion of listed products, so that products can be applied among more patients. When conditions are ripe, international (mainly European and the United States) registration of listed products should be carried out as soon as possible to benefit more patients and obtain greater therapeutic value and commercial benefits. Secondly, China has joined the ICH Organization, which lays the foundation for the internationalization of research. Therefore, the medium and long-term research projects being developed by the Group must be able to register at home and abroad (such as the United States) in order to achieve the goal of the internationalization of the long-term development of the Group. Finally, we need to pay close attention to the selection and development of external investment projects, in order to balance the short-term and long-term development plans of the Group, and ultimately achieve the goal of the development of the Group and the realization of shareholders' benefit.

During the Reporting Period, the Group's R&D areas mainly focused on antibody-drug conjugates for tumors, photodynamic drugs for skin diseases and CIN, small molecular targeting drugs for autoimmune diseases and tumors, and nano drugs for tumors, and other generic drugs with patents or technological barriers. In the future, we will continue to focus on and devote time and resources to the research and development of the above-mentioned fields and projects. Meanwhile, since 2021, we have also entered into the field of slow-release drugs for neurological diseases.

The Group has been expanding the drugs development based on photodynamic technical platform. Photodynamic drugs have become the most important product line of the Group. We will continue to build on its feature of "one drug, several indications" and turn it into a new scalpel for clinical treatment; according to the treatment principle of photodynamic drugs, the Company will design special therapy for some precancerous lesions which cannot be treated or intervened for the moment. The Group is commencing further research on molecular mechanism and their mode of action in order to discover new photodynamic compound to improve the efficacy and overcome the defects. Meanwhile, we have planned to apply for the international registrations for the launched drugs, which will lay a solid foundation for the commercialization development of the Group.

The Group have the research and development capabilities in development of biologics agents, small molecules and ADC linkage, and the experience of successfully advancing the candidate drugs from clinical to clinical trials. With the completion of the construction of the antibody coupling drug workshop of Taizhou, ADC medicine will become an important product group of the Group.

The subsidiary of the Company, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* (泰州復旦張江藥業有限公司) ("Taizhou Fudan-Zhangjiang") has constructed several production lines for the material and injection of Hemoporfin and advance Industrialization preparation for obeticholic acid under development. To fully exploit the capacity of these production lines before further new self-developed innovative drugs obtaining production approval, the Group will choose several generic drugs which can be produced with FuMeiDa on the same production line and planned to submit the application of registration. One of the first generic drugs, parecoxib sodium for injection (the brand name of "Parecoxib Sodium for Injection"), was approved for sale. Meanwhile, Based on the strategic planning and business development needs, the construction of phase II pharmaceutical production base project ("the construction of phase II pharmaceutical production base project") for Taizhou Fudan-Zhangjiang plans to occupy approximately 44 acres, has an estimated total building area of approximately 42,000 square meters, and plans to construct several lines including antibody drug conjugate production line and other auxiliary facilities progressively. During the Reporting Period, the construction of antibody drug conjugate production line was completed and began trial operation. On 30 June 2023, a trial production launch ceremony was held for the ADC project, which laid a solid foundation for the steady advancement of the Group's antibody conjugated drug development strategy.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) ANALYSIS OF MAIN BUSINESSES

1. Analysis on changes in relevant items of the financial statements

Unit: RMB

Items	Amount For the Reporting Period	Amount for the corresponding period of last year	Change (%)
Revenue	522,827,706	271,259,675	92.74
Cost of sales	41,577,068	28,143,633	47.73
Selling expenses	249,225,184	133,572,711	86.58
General and administrative expenses	27,454,732	34,953,733	-21.45
Finance costs	-428,551	-1,849,709	-76.83
Research and development expenses	117,953,593	102,559,780	15.01
Net cash flows generated from operating activities	-108,754,157	59,366,826	-283.19
Net cash flows generated from investing activities	-8,708,195	-48,710,288	-82.12
Net cash flows generated from financing activities	59,158,213	-13,068,930	Not applicable

Reasons for changes in revenue: It is mainly due to the external factors gradually being stabilized, the sales volume and terminal use of the medical products of the Group have gradually recovered so that sales of major products of the Group rebounded, which caused a significant increase in revenue as compared to the same period of last year, resulting a corresponding improvement in other relevant financial data.

Reasons for changes in costs of sales: It is mainly due to the rebounded sales, which increased in line with sales growth.

Reasons for changes in selling expenses: It is mainly due to the rebounded sales, which increased in line with sales growth.

Reasons for changes in general and administrative expenses: It is mainly due to the difference of share-based payment expenses between two years.

Reasons for changes in finance costs: It is mainly due to the payment of interest on bank loans.

Reasons for changes in R&D expense: The Group has consistently adopted a more conservative and prudent capitalization policy for research and development projects, whereby only research and development projects that are technically feasible, have a clear future purpose, are subject to largely controllable risks and are likely to have future economic benefits are capitalized. Therefore, the vast majority of the Group's expenditure on research and development projects in progress is recognized as expenses when incurred. Changes in the Group's research and development expenses during the Reporting Period were attributable to the stable and normal progress of the research and development projects.

Reasons for changes in net cash flows generated from operating activities: It is mainly due to the prolongation of the payable payment cycle to the second half of the previous year as a result of the impact of the external factors during the same period at last year.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) ANALYSIS OF MAIN BUSINESSES (continued)

1. Analysis on changes in relevant items of the financial statements (continued)

Reasons for changes in net cash flows generated from investing activities: It is mainly due to the maturity of time deposits purchased during the Reporting Period.

Reasons for changes in net cash flows generated from financing activities: It is mainly due to the attribution receipt of subscriptions for the Class II Restricted Share Incentive Scheme from the Company's employees during the Reporting Period.

2. Detailed explanations on significant changes in the business type, the composition of profits or the source of profits of the Company

Not applicable.

(II) Explanation on significant changes in profit resulting from non-core businesses

Not applicable.

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: RMB

Accounts	Amount as at 30 June 2023	Percentage of amount as at 30 June 2023 to total asset (%)	Amount as at 31 December 2022	Percentage of amount as at 31 December 2022 to total asset (%)	Change ratio of the amount as at 30 June 2023 to that as at 31 December 2021 (%)	Description
Notes receivables	100,099,391	3.30	172,740,246	5.80	-42.05	The changes in notes receivables were mainly due to the maturity of bills on collection during the Reporting Period.
Advances to suppliers	8,945,678	0.30	17,987,140	0.60	-50.27	The changes in advances to suppliers were mainly due to the decrease in prepayments for materials and services purchased during the Reporting Period.
Non-current assets to be recovered within one year	-	-	33,320,625	1.12	-100.00	The changes in non-current assets to be recovered within one year were mainly due to the maturity of time deposits purchased during the Reporting Period.
Other current assets	8,682,885	0.29	4,057,218	0.14	114.01	The changes in other current assets were mainly due to the increase in unallowed input tax at the end of the period.
Other equity instruments	366,679	0.01	604,241	0.02	-39.32	The changes in other equity instruments were mainly due to the changes in Kintara's fair value as measured by the share price at the end of the Reporting Period compared to 31 December 2022.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) ANALYSIS ON ASSETS AND LIABILITIES (continued)

1. Assets and liabilities (continued)

Unit: RMB

Accounts	Amount as at 30 June 2023	Percentage of amount as at 30 June 2023 to total asset (%)	Amount as at 31 December 2022	Percentage of amount as at 31 December 2022 to total asset (%)	Change ratio of the amount as at 30 June 2023 to that as at 31 December 2021 (%)	Description
Construction in progress	169,079,236	5.58	122,371,274	4.11	38.17	The changes in construction in progress were mainly due to the construction of the Taizhou Fudan-Zhangjiang Phase II pharmaceutical production base was steadily advancing.
Other non-current assets	100,508,934	3.32	57,624,200	1.94	74.42	The changes in other non-current assets were mainly due to the increase in advances for the procurement of production and R&D equipment.

(i) Liquidity and financial resources

The Group generally finances its operations and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"), proceeds from H share placing and issue of A shares on STAR Market, grants from the municipal government authorities and commercial loans.

As at 30 June 2023, the Group had cash and cash equivalents of RMB1,231,128,499.

Being consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 30 June 2023 and 31 December 2022, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

The Group adopts a conservative treasury policy in cash and financial management. To achieve better risk control and to minimize the finance costs, the Group's treasury activities are centralized. The Group's liquidity and financing arrangements are reviewed regularly.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) ANALYSIS ON ASSETS AND LIABILITIES (continued)

1. Assets and liabilities (continued)

(ii) Banking borrowings

As at 30 June 2023, the balance of short-term bank loans obtained by the Group amounted to RMB100 million which includes:

On 18 October 2022, the unsecured bank borrowing of approximately RMB37.88 million was taken by the Company, with an interest rate 2.7% per annum. The borrowing was due for repayment on 17 October 2023;

On 10 November 2022, the unsecured bank borrowing of approximately RMB46.65 million was taken by the Company, with an interest rate 2.7% per annum. The borrowing was due for repayment on 9 November 2023; and

On 5 December 2022, the unsecured bank borrowing of approximately RMB15.47 million was taken by the Company, with an interest rate 2.7% per annum. The borrowing was due for repayment on 4 December 2023.

(iii) Foreign exchange exposure and hedging

The Group mainly operates in the domestic market. The operating results and the financial position of the Group will not be substantially affected by the movement in exchange rates. The Group did not enter into any financial instruments for hedging purposes or engaged in any investment which is hedged by currency borrowings during the Reporting Period.

(iv) Charge on assets

For the six months ended 30 June 2023, the Group had no charge on assets.

(v) Future plans for material investments or capital assets

Based on the industrialization process planning for the R&D projects of the Group, as approved and authorized by the Board on 11 August 2021, Taizhou Fudan-Zhangjiang will participate in the bidding process for the adjacent plot of the existing plant in Taizhou Park and go through the relevant procedures, so as to timely build a new production workshop to meet future production needs. The construction of phase II pharmaceutical production base project plans to occupy approximately 44 acres, has an estimated total building area of approximately 42,000 square meters, and plans to construct several lines including antibody drug conjugate production line, solid preparation production line, injection preparation line, and other auxiliary facilities. The total initial investment of the Project is RMB600 million (including the bidding payment for land use right at a price of RMB12.65 million). The Company will use its self-owned fund to invest in the Project. During the Reporting Period, the construction of antibody drug conjugate production line was completed and began trial operation. On 30 June 2023, a trial production launch ceremony was held for the ADC project, which laid a solid foundation for the steady advancement of the Group's antibody conjugated drug development strategy.

Saved as disclosed above, the Group had no other future material capital expenditure plan for the moment.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) ANALYSIS ON ASSETS AND LIABILITIES (continued)

1. Assets and liabilities (continued)

(vi) Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil).

(vii) Contingent liabilities

As at 30 June 2023, the Directors were not aware of any material contingent liabilities of the Group.

2. Foreign assets

1) Size of Assets

Among them: foreign assets RMB3,968,720, accounting for 0.13% of the total assets.

2) Description of foreign assets

Not applicable.

3. Major assets restriction at the end of the Reporting Period

Not applicable.

4. Other explanations

Not applicable.

(IV) Analysis of investment

1. Overall analysis on external equities investment

As at 30 June 2023, the net book value of the Group's long-term equity investments amounted to RMB299.34 million, of which its interest in Shanghai Handu amounted to approximately RMB234.79 million, representing approximately 8% of the Group's total assets. For further information in relation to the investment in Shanghai Handu, please refer to the section headed "(VI) Analysis on Companies Controlled or Invested by the Company" below.

Save and except for the investment in Shanghai Handu, during the Reporting Period, the Group did not have other significant external equities investment with a value of 5% or more of the Group's total assets.

(1) Significant equity investment

Save as disclosed above, during the Reporting Period, the Group did not have any other significant equities investment

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(IV) Analysis of investment (continued)

1. Overall analysis on external equities investment (continued)

(2) Significant non-equity investment

During the Reporting Period, the Group did not have any significant non-equity investment or other investments.

(3) Financial assets measured at fair value

Unit: RMB

Asset category	At the beginning of the Reporting Period	Profit and loss from changes in fair value during the Reporting Period	Accumulated fair value changes recognized in equity	Impairment provision during the Reporting Period	Purchase amount during the Reporting Period	Sale/redemption amount during the Reporting Period	Other changes	At the end of the Reporting Period
Stock	604,241	-237,562	-13,408,121	-	-	-	-	366,679
Total	604,241	-237,562	-13,408,121	-	-	-	-	366,679

In 2017, Fernovelty Holding, a subsidiary of the Company, entered into the subscription agreement with Adgero to purchase ordinary shares and warrants. On 9 June 2020, Adgero Biopharmaceuticals Holdings, Inc (“Adgero”) entered into an Agreement and Plan of Merger and Reorganization with DelMar Phamarceuticals, Inc (Nasdaq Code: DPMI · “DelMar”) and its wholly owned subsidiary, and Adgero will become a wholly-owned subsidiary of DelMar after the merger. After the reorganization, the new company applied to change its name to “Kintara Therapeutics, Inc” (NASDAQ Code: KTRA, “Kintara”). The equity held by the Group will be converted into the equity of Kintara in accordance with the agreed proportion. The Group holds 12,592 ordinary shares of Adgero as at 30 June 2023. Based on the Kintara closing price on the date of completion of the acquisition, the fair value of the equity instruments held by the Company in Kintara is RMB366,679.

(V) DISPOSAL OF MAJOR ASSETS AND EQUITIES

During the Reporting Period, the Group did not undertake any material acquisitions or disposals of any major assets, subsidiaries, associates and joint venture.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(VI) ANALYSIS ON COMPANIES CONTROLLED OR INVESTED BY THE COMPANY

No.	Company Name	Main Business	Registered Capital	Equity Ratio	Total Assets (RMB)	Net Assets (RMB)	Revenue (RMB)	Net Profit (RMB)
1	Taizhou Fudan-Zhangjiang	Production for the material and injection of Hemoporfin	100,000,000	100.00%	565,336,994	402,531,757	72,756,845	14,787,447
2	Fernovelty Holding	Drug development and overseas medical projects investment	HKD10,000 (Equity)	100.00%	3,968,720	3,968,720	-	6,510
3	Tracing Bio-technology Co., Ltd	R&D, production and sales of medical diagnostic products	24,800,000	84.68%	4,980,608	-25,540,731	4,777,679	1,091,605
4	Shanghai Handu ^{Note2}	development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment.	USD 10,478,666	39.57%	572,438,362	567,371,650	-	-16,229,908
5	Changzhou BVCF Investment Management Partnership (Limited Liability Partnership)	Investment in early drug research and development	201,000,000	29.85%	211,675,024	204,758,788	-	-3,365,652

Notes:

1. The above financial data are unaudited;
2. The above financial data of Shanghai Handu are prepared on the basis of continuous measurement of the fair value of identifiable net assets at the date of investment.

(VII) The structural entity controlled by the Company

Not applicable.

VII. OTHER DISCLOSURES

Subscription of wealth management products and structured deposit products

On 5 January 2023, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB200 million with maturity period of 26 days and 25 days respectively by using its temporary idle proceeds from the public issuance of A shares.

On 6 January 2023, The Company entered into the Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with maturity period of 84 days by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB150 million with maturity period of 84 days by using its temporary idle proceeds from the public issuance of A shares.

On 3 February 2023, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB190 million with maturity period of 147 days and 146 days respectively by using its temporary idle proceeds from the public issuance of A shares.

Management Discussion and Analysis

VII. OTHER DISCLOSURES (continued)

Subscription of wealth management products and structured deposit products (continued)

On 6 April 2023, The Company entered into the Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB150 million with maturity period of 85 days by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB150 million with maturity period of 85 days by using its temporary idle proceeds from the public issuance of A shares.

On 2 June 2023, the Company entered into two structured deposit products agreements with the Industrial and Commercial Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB150 million with maturity period of 27 days by using its self-owned idle funds generated from daily operation.

The Company's subscription of the wealth management product and structured deposit products by reasonable and effective use of certain portion of its temporary idle funds (including proceeds from the public issuance of A shares) is beneficial for enhancing the overall capital gain of the Group, which is consistent with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned wealth management product and structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) are of the view that the above-mentioned subscription of wealth management product and structured deposit products agreements with Ping An Bank and Bank of China are made on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated on 5 January 2023, 6 January 2023, 3 February 2023, 6 April 2023 and 2 June 2023.

All of the above structured deposit products have been redeemed at maturity and the actual returns are consistent with the expected range of returns disclosed in the announcements and there is no material deviation from the disclosure in the announcement.

During the Reporting Period, the total income received by the Company by maintaining all wealth management products and structured deposit products was RMB10.28 million.

Company's Governance

I. GENERAL MEETING

Meeting session	Date of convening	Query index on designated website for publishing resolution	Disclosure date of publication of the resolutions	Resolutions
2023 First Extraordinary General Meeting, 2023 First Class Meeting of Holders of H Shares, 2023 First Class Meeting of Holders of A Shares ("Meetings of Holders")	30 May 2023	www.hkex.com.hk www.sse.com.cn	30 May 2023 31 May 2023	Except the special resolution "To consider and approve the amendments to the Articles of Association" was not duly passed at the 2023 First Class Meeting of Holders of H Shares, none of the other resolutions was vetoed or amended and no new resolution has been submitted for voting and approval at the Meetings.
2022 Annual General Meeting	30 May 2023	www.hkex.com.hk www.sse.com.cn	30 May 2023 31 May 2023	None of the resolutions was vetoed or amended and no new resolution has been submitted for voting and approval at the 2022 General Meeting.

Shareholders of preferred shares whose voting rights are restored request to convene an extraordinary general meeting of shareholders

Not applicable.

Resolutions considered and approved on 2023 First Extraordinary General Meeting:

- 1) To consider and approve the entering into of the Sales and Distribution Agreement dated 30 March 2023 between the Company and Shanghai Pharmaceuticals, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2026 be and are hereby approved, confirmed and ratified; and any one of the directors of the Company be and is hereby authorized to do, approve and transact all such acts and things as the director may in his/her absolute discretion consider necessary or desirable in connection therewith;
- 2) To consider and approve the amendments to the Articles of Association;
- 3) To consider and approve the amendments to the rules of procedure for the general meeting;
- 4) To consider and approve the amendments to the rules of procedure for the board of directors;
- 5) To consider and approve the amendments to the rules of procedure for the supervisory committee.

Company's Governance

I. GENERAL MEETING (continued)

Resolutions considered and approved on 2023 First Class Meeting of Holders of A Shares:

- 1) To consider and approve the amendments to the Articles of Association;
- 2) To consider and approve the amendments to the rules of procedure for the general meeting;
- 3) To consider and approve the amendments to the rules of procedure for the board of directors;
- 4) To consider and approve the amendments to the rules of procedure for the supervisory committee.

Resolutions considered and approved on 2023 First Class Meeting of Holders of H Shares:

- 1) To consider and approve the amendments to the rules of procedure for the board of directors;
- 2) To consider and approve the amendments to the rules of procedure for the supervisory committee.

Resolutions considered and approved on 2022 Annual General Meeting:

- 1) To consider and approve the (work) report of the Board for 2022;
- 2) To consider and approve the (work) report of the Supervisory Committee for 2022;
- 3) To consider and approve the annual reports for 2022;
- 4) To consider and approve financial analysis report for 2022;
- 5) To consider and approve the proposed profits distribution plan and the final dividend distribution plan for 2022, and to authorise the Board to distribute such final dividend to the Shareholders;
- 6) To consider and approve the appointment of auditors (domestic and overseas) and domestic internal control auditor, and authorise the Board to fix their remunerations for 2023;
- 7) To consider and approve the remuneration of the Directors and Supervisors for 2022 and the relevant proposal for 2023;
- 8) To consider and approve the utilisation of part of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital;
- 9) To consider and approve the next three-year (2023-2025) shareholders' dividend return plan;
- 10) To consider and approve the liability insurance for directors, supervisors and senior management;
- 11) To consider and approve the re-election and election of the following candidates as the executive Directors of the eighth session of the Board:
 - 11.1) To consider and approve the re-election of Mr. Zhao Da Jun as an executive Director; and
 - 11.2) To consider and approve the election of Ms. Xue Yan as an executive Director.

Company's Governance

I. GENERAL MEETING (continued)

Resolutions considered and approved on 2022 Annual General Meeting: (continued)

- 12) To consider and approve the re-election of the following candidates as the non-executive Directors of the eighth session of the Board:
 - 12.1) To consider and approve the re-election of Mr. Shen Bo as a non-executive Director; and
 - 12.2) To consider and approve the re-election of Ms. Yu Xiao Yang as a non-executive Director.
- 13) To consider and approve the election of the following candidates as the independent non-executive Directors of the eighth session of the Board:
 - 13.1) To consider and approve the election of Mr. Wang Hong Guang as an independent non-executive Director;
 - 13.2) To consider and approve the election of Mr. Lam Siu Wing as an independent non-executive Director; and
 - 13.3) To consider and approve the election of Mr. Xu Pei Long as an independent non-executive Director.
- 14) To consider and approve the re-election and election of the following candidates as the Supervisors of the eighth session of the Supervisory Committee:
 - 14.1) To consider and approve the re-election of Mr. Huang Jian as an external Supervisor; and
 - 14.2) To consider and approve the election of Mr. Zhou Ai Guo as a shareholder representative Supervisor.
- 15) To consider and approve the granting to the Board a general mandate to issue A Shares.

FANGDA PARTNERS, the PRC legal adviser of the Company, considers that the convening and convening procedures of above meetings are in compliance with the relevant requirements of the laws, administrative regulations and the Articles of Association; the eligibility of the attendees and the convener, the voting procedures and poll results of the Meetings are legal and valid.

II. CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE TECHNICIANS

1. After considered and approved at the 19th meeting of the seventh session of the Board of Directors and the 18th meeting of the seventh session of the Board of Supervisors held on 27 March 2023, the Company has completed the nomination process for candidates for Directors of the eighth session of the Board of Directors and non-employee representative supervisors of the Supervisory Board. For more details, please refer to the Company's announcement dated 27 March 2023.

Company's Governance

II. CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE TECHNICIANS (continued)

2. The Company held the 2022 Annual General Meeting on 30 May 2023, electing the eighth session of the Board of Directors and non-employee representative supervisors of the eighth session of the Board of Supervisors. Together with an employee representative supervisor elected at the Company's employee representative meeting held on 29 May 2023, they formed the eighth session of the Board of Directors and Supervisors of the Company. On the same day, the Company held the first (temporary) meeting of the eighth session of the Board of Directors and the first (temporary) meeting of the eighth session of the Board of Supervisors, elected the chairman of the Board of Directors, special committee members of the Board of Directors, and chairman of the board of supervisors, and appointed senior management personnel of the Company. For more details, please refer to the Company's announcements dated 29 May 2023 and 30 May 2023.
3. Mr. Wang Hai Bo, Mr. Su Yong, and Mr. Gan Yi Min, who were the core technicians of the Company, are no longer recognized as core technicians due to retirement. Based on the employment resumes of Ms. Li Xiao Wen, Ms. Yu Dai Qing, Mr. Chen Yu, and Mr. Yang Tong, as well as their participation in the Company's core technology research and development and contributions to business development, the Company has added Ms. Li Xiao Wen, Ms. Yu Dai Qing, Mr. Chen Yu, and Mr. Yang Tong as core technicians after research by the Company's management. For more details, please refer to the Company's overseas regulatory announcement dated 2 June 2023.

Description of identification of core technicians of the Company

When identifying core technicians, the Company comprehensively considers the professional background, scientific research ability and other factors of the relevant personnel, as follows:

- 1) The degree of relevance of academic background to the Company's main business;
- 2) Professional qualifications, work experience and the relevance of job positions and R&D projects;
- 3) Main scientific research achievements;
- 4) Contribution to the Company's research and development;
- 5) In principle, it is limited to the main person in charge in key positions related to R&D.

III. PLAN FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

(I) The interim proposed profit distribution plan or plan for the conversion of capital reserve fund into share capital for the half year

Whether to allocate or convert to increment	No
Bonus share for every 10 shares (shares)	Not applicable
Dividend for every 10 shares (yuan) (tax inclusive)	Not applicable
Conversion into share capital for every 10 shares (shares)	Not applicable
Explanation on profit distribution plan or plan for the conversion of capital reserve fund into share capital	Not applicable

Company's Governance

IV. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT

(I) Relevant Incentives Disclosed in the Announcements Without Subsequent Development or Change During Implementation

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity, the Board on 6 April 2021 approved the resolutions in relation to the proposed adoption of the 2021 restricted incentive scheme of the Company (the "Incentive Scheme") and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the specific mandate. "Restricted Share(s)" mean A Share(s) to be granted to the participants (the "Participants") by the Company on such conditions and at the grant price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed after satisfying with the attribution conditions. The Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the specific mandate were approved by the Shareholders at the AGM, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders held on 27 May 2021.

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants. The total number of Restricted Shares granted to the Participants under the Restricted Shares Incentive Scheme were 38,000,000. On 22 July 2021, the Company made the first grant under the Incentive Scheme (the "First Grant"), whereby the Company granted 32,770,000 Restricted Shares and the number of Participants under the First Grant was 258. On 26 May 2022, the Company made the reserved grant under the Incentive Scheme (the "Reserved Grant"), whereby the Company granted 5,230,000 Restricted Shares and the number of Participants under the Reserved Grant was 125. As at 31 December 2022, all Restricted Shares under the Incentive Scheme had been granted. There has been no Restricted Shares available to be granted under the Incentive Scheme as at 1 January 2023 and 30 June 2023.

On 27 April 2023, the Board of Directors and the Board of Supervisors considered and approved resolution about "adjustment to the Grant Price of Incentive Scheme", "cancellation of part of the unvested Restricted Shares under the Incentive Scheme" and "first attribution of the Restricted Shares under the Incentive Scheme upon fulfilment of the attribution conditions" at the 21st (temporary) meeting of the seventh session of the Board of Directors and the 20th (temporary) meeting of the seventh session of the Board of Supervisors. On 12 May 2023, the Company completed share registration procedure and issued 7,572,100 A Shares pursuant to the first attribution of the First Grant under the Incentive Scheme. The number of Shares which might be issued upon the exercise of the granted Restricted Shares as at 1 January 2023 and 30 June 2023 were 38,000,000 A Shares and 15,723,000 A Shares, representing 3.69% and 1.52% of the total number of A Shares in issued on 1 January 2023 and 30 June 2023, respectively. There was no service provider sub-limit under the Incentive Scheme.

The closing price of A Shares on 21 July 2021 on Shanghai Stock Exchange, which is the trading day before the date of the First Grant, is RMB16.73 per A Share and the closing price of A Shares on 25 May 2022 on Shanghai Stock Exchange, which is the trading day before the date of the Reserved Grant, is RMB9.34 per A Share. The closing price of the A Shares on 11 May 2023, which is the date before the attribution of the Restricted Shares on 12 May 2023, was RMB9.35.

Company's Governance

IV. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT (continued)

(I) Relevant Incentives Disclosed in the Announcements Without Subsequent Development or Change During Implementation (continued)

The allocation of the Restricted Shares granted under the Incentive Scheme is set out in the table below:

Name	Categories	Grant date	Grant price (RMB)	Attribution period	Number of Restricted Shares as at 1 January 2023	Number of Restricted Shares granted during the Reporting Period	Actual Attributed during the Reporting Period	Lapsed during the Reporting Period (Note 3)	Canceled during the Reporting Period	Number of Restricted Shares as at 30 June 2023
1. Directors and Chief Executives										
Wang Hai Bo	Executive Director, General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	(Note 1)	1,000,000	-	-	(1,000,000)	-	-
Su Yong	Executive Director, Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	(Note 1)	1,200,000	-	360,000	(360,000)	-	480,000
Zhao Da Jun	Executive Director, General Manager (appointed on 30 May 2023)	22 Jul 2021	8.83	(Note 1)	1,200,000	-	360,000	(360,000)	-	480,000
Li Jun	Deputy General Manager	22 Jul 2021	8.83	(Note 1)	1,100,000	-	330,000	(330,000)	-	440,000
Yang Xiao Lin	Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	(Note 1)	1,200,000	-	360,000	(360,000)	-	480,000
Gan Yi Min	Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	(Note 1)	1,200,000	-	-	(720,000)	-	480,000
Xue Yan	Executive Director, Deputy General Manager, Company Secretary (appointed on 30 May 2023)	22 Jul 2021	8.83	(Note 1)	1,100,000	-	330,000	(330,000)	-	440,000
Sub Total					<u>8,000,000</u>	<u>-</u>	<u>1,740,000</u>	<u>(3,460,000)</u>	<u>-</u>	<u>2,800,000</u>
2. Other Participants										
251 Participants	Employees of the Group	22 Jul 2021	8.83	(Note 1)	24,770,000	-	5,832,100	(8,629,900)	-	10,308,000
125 Participants	Employees of the Group	26 May 2022	8.83	(Note 2)	5,230,000	-	-	(2,615,000)	-	2,615,000
Sub Total					<u>30,000,000</u>	<u>-</u>	<u>5,832,100</u>	<u>(11,244,900)</u>	<u>-</u>	<u>12,923,000</u>
Total					<u>38,000,000</u>	<u>-</u>	<u>7,572,100</u>	<u>(14,704,900)</u>	<u>-</u>	<u>15,723,000</u>

Note 1: The attribution arrangements of the First Grant made on 22 July 2021 are as follows:

Company's Governance

IV. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT (continued)

(I) *Relevant Incentives Disclosed in the Announcements Without Subsequent Development or Change During Implementation (continued)*

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant	30%
Second tranche	From the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant	30%
Third tranche	From the first trading day 36 months after the First Grant to the last trading day within 48 months after the First Grant	40%

Note 2: The attribution arrangements of these Reserved Grant made on 26 May 2022 are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant	50%
Second tranche	From the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant	50%

Note 3: 14,704,900 Restricted Shares lapsed due to performance assessment objectives not being satisfied or the Participants leaving their position or voluntary abandonment.

Company's Governance

IV. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT (continued)

(I) Relevant Incentives Disclosed in the Announcements Without Subsequent Development or Change During Implementation (continued)

The performance assessment objectives under the Incentive Scheme in relation to the First Grant are set out below:

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB1.04 billion; Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB1 billion; Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB1 billion; Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Third tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

Company's Governance

IV. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT (continued)

(I) *Relevant Incentives Disclosed in the Announcements Without Subsequent Development or Change During Implementation (continued)*

Attribution arrangements of the Reserved Grant under the Incentive Scheme are as follows:

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

For more details, please refer to the Company's announcements dated 6 April 2021 and 22 July 2021, the supplementary circular dated 7 May 2021, the overseas regulatory announcement dated 26 May 2022, 27 April 2023 and 12 May 2023 and the next day disclosure report dated 12 May 2023.

Company's Governance

IV. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT (continued)

(II) *Incentives Not Disclosed in the Announcements or with Subsequent Development*

Description of Incentives

Not applicable.

Other Information

Not applicable.

Employee Stock Ownership Plan

Not applicable.

Other Incentives

Not applicable.

V. OTHERS

i) Audit committee

The audit committee of the Company (the "Audit Committee") is responsible for reviewing the financial reporting, monitoring risk management, reviewing internal control systems and corporate governance issues and making relevant recommendations to the Board. The members of the eighth session of the Audit Committee were elected and re-elected on the General Meeting on 30 May 2023. The Audit Committee comprises two independent non-executive Directors and one non-executive Director who are Mr. Lam Siu Wing, Mr. Wang Hong Guang and Mr. Shen Bo. Mr. Lam Siu Wing was appointed as the chairman of the Audit Committee.

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's unaudited interim results for the six months ended 30 June 2023 before proposing to the Board for approval.

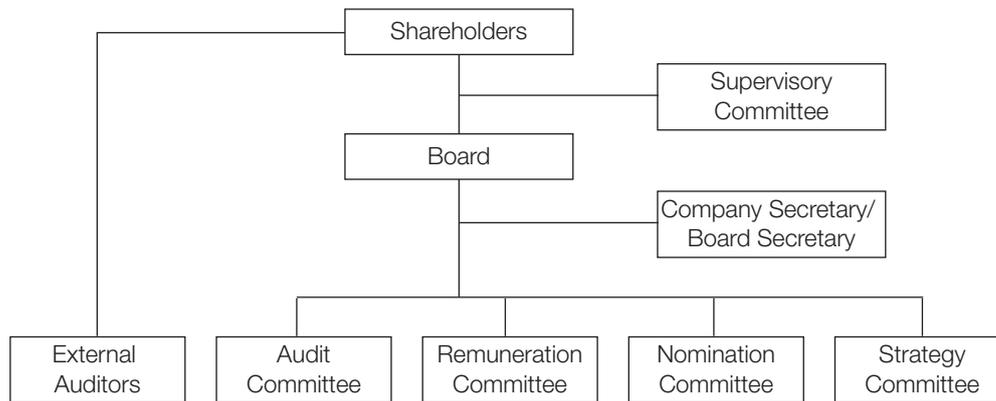
The unaudited financial results of the Group for the Reporting Period and this interim report have not been reviewed or audited by the auditor of the Company but have been reviewed by the Audit Committee of the Company, which is of the opinion that the preparation of such statements complies with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

Company's Governance

V. OTHERS (continued)

ii) Corporate governance practice

The Company's corporate governance structure is as follows:



The Company's corporate governance code includes but is not limited to the following documents:

- a) Articles of Association;
- b) Rules of Procedure for the general meeting;
- c) Rules of Procedure for the Board of Directors;
- d) Rules of Procedure for the Audit Committee;
- e) Rules of Procedure for the Remuneration Committee;
- f) Rules of Procedure for the Nomination Committee;
- g) Rules of Procedure for the Strategy Committee;
- h) Rules of Procedure for the Supervisory Committee;
- i) Regulations for Directors, Supervisors and Senior Managers in relation to Holding and Transacting the Shares of the Company;
- j) Regulations for Information Disclosure;
- k) Regulations for Inside Information;
- l) Regulations for Internal Control Management;
- m) Rules and Regulations for Related/Connected Transaction;
- n) Other daily management documents of the Company.

The Audit Committee and the Board have reviewed the documents relating to corporate governance policies adopted by the Company and considered that it had complied with most of the principles and codes set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

Company's Governance

V. OTHERS (continued)

ii) Corporate governance practice (continued)

During the Reporting Period, the Company has complied with all application Code provisions under the Code, except for Code provision C.2.1. Major aspects which deviate from the provisions as set out in the Code are as follows:

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhao Da Jun holds the positions of the chairman and the general manager (chief executive). Although the Articles of Association contains specific requirements on the responsibilities of the chairman and the general manager (chief executive), such being the responsibilities of managing the operation of the Board and managing the daily operation of the Company, respectively, the two positions are still taken by one person. Considering that the scale of the Company is relatively small with its businesses mainly focused in the areas of research, production and sales of innovative drugs, and for the sake of management efficiency, the Board takes the view that the positions of chairman and chief executive being taken by one person is beneficial for the Company's development at the present stage. Along with the development of the Company, the Board will consider to segregate duties of the chairman and the chief executive.

iii) Code of Conduct regarding Securities Transactions by Directors

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in the Model Code for securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

iv) Independent non-executive Directors

During the Reporting Period, the Company has fully complied with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules in relation to independent non-executive Directors.

v) Employees and salaries

As at 30 June 2023, the Group had a total of 911 employees, as compared to 817 employees as at 30 June 2022. Staff costs including Directors' remuneration for the six months ended 30 June 2023 were RMB116,719,641, compared with RMB83,322,505 for the same period in 2022. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group. The Company also provides relevant trainings to the employees from time to time.

vi) Purchase, sale or redemption of listed securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT

Whether an environmental protection mechanism has been established Yes
Investments in environmental protection during the Reporting Period (unit:10,000 RMB) 103.97

(I) Description of the environment protection work performed by the Company and its significant subsidiaries which are key pollutant discharging units announced by the national environmental protection authorities

Not applicable.

(II) Environmental information of companies other than key pollutant discharging units

1. *Administrative punishment for environmental problems*

Not applicable.

2. *Other environmental information referring to that disclosed by key pollutant discharging units*

The Group continuously improves design, uses clean energy and resources, adopts advanced technologies and equipment, improves management and comprehensive utilisation in production, by which pollutions are reduced from the source, resources are used more efficiently, and generations and emissions of pollutants in production and services are reduced or avoided. The Group formulated Environmental Protection Management Regulation to guarantee the practical implementation of normalised measures and provide a basis for emission management. Wastewater, exhaust gas, greenhouse gas, solid waste etc. consist of most of the pollutant discharge in the Group. In accordance with national standards, local standards and biopharmaceutical discharge standards, the Group invites qualified institutions to monitor waste water and gas emissions. The Group has established environmental emergency response plans and emergency response flows for various discharges. In the Reporting Period, the Group did not commit violations related to emissions.

The pollutants generated in the production process will be strictly treated in strict accordance with relevant environmental protection laws and regulations. The main measures taken are as follows:

- 1) **Effluents treatment:** Industrial effluents and domestic sewage from drug development and production consist of most of the wastewater in the Group. Environmental Pollution Prevention Regulations and Standard Operation Regulation of Effluent Comprehensive Treatment Equipment are developed to strictly control effluent emissions and comprehensively treat the effluents. Sewage is discharged into the municipal sewer system after being treated and reaching the discharge standards. In accordance with the Discharge Standard of Pollutants for Biopharmaceutical Industry, the Group adopts primary treatment to effluents which cannot be directly discharged and accepts monitoring from time to time by relevant authorities.
- 2) **Exhaust gas treatment:** Exhaust gas from drug development and production consists of most of the gas emissions in the Group. In accordance with Industrial gas Emissions Standard of Shanghai, the Group developed Standard Operation Procedures of Air Emission Treatment Equipment to regulate and control operation of gas treatment equipment to make the gas emissions reach relevant standard.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT (continued)

(II) Environmental information of companies other than key pollutant discharging units (continued)

2. *Other environmental information referring to that disclosed by key pollutant discharging units (continued)*

- 3) Wastes treatment: Hazardous and non-hazardous wastes are produced from drug research and production by various departments in the Group. The Group has registered with Solid Waste Management Information System in Shanghai and Taizhou to monitor the treatment of wastes, and conducted strict management over wastes as per Regulations on Treatment and Management of Industrial Wastes and Regulations on Management of Wastes. The Group requires departments to fill in the Application Form for Industrial Waste Treatment which requires material name, packing specification, chemical property, component, content, amount, waste form and reason. The form is checked and archived by designated management personnel. After being approved and signed by leader of competent authority, wastes are stored in specified waste storage room or neutralisation tank. The Group entrusts professional institutions which have Shanghai Hazardous Wastes Disposal Permit and hazardous treatment qualification certificate to treat hazardous wastes. These institution Non-hazardous wastes are collected and treated by municipal sanitation department.

3. *Reasons for non-disclosure of other environmental information*

Not applicable.

(III) Description of the subsequent progress or changes in the disclosure of environmental information during the Reporting Period

Not applicable.

(IV) Relevant information conducive to protecting ecology, preventing pollution and fulfilling environmental responsibilities

In accordance with the Energy Conservation Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations, the Group always pays much attention to environmental protection. A leadership team for environmental protection management has been set up to work with department heads and form a sound management network. The list of the team members is updated every year.

Adopting the vision for environmental and social sustainable development, the Group strives to prevent pollution, actively promote energy conservation and emission reduction and protect ecological diversity, thus to build an environment-friendly society. To continuously improve the Group's environmental management, we set five-year environmental targets regarding emissions, waste, energy and water resources with 2020 as the base year.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT (continued)

(V) Measures and effects taken to reduce carbon emissions and their effects during the Reporting Period

Adoption of carbon reduction measures	Yes
Reduction of carbon dioxide equivalent emissions (in tons)	117.651
Types of carbon reduction measures (e.g., use of clean energy for power generation, use of carbon-reducing technologies in production processes, development and production of new products that contribute to carbon reduction, etc.)	Clean energy generation, improving energy efficiency in production processes, increasing raw materials utilization, recycling of excess heat.

The Group motivates departments to save energy through an energy-conservation performance management system. Historical data and the actual production conditions are considered to set energy-conservation target for departments. Department heads should develop energy conservation target for their department according to the Group's energy conservation target. Departments of using production resources should improve utilisation of raw materials, take measures to reduce unqualified product rate, gradually reduce resources used for unit product, promote regular statistics and analysis on resources loss, make solutions and decide the agenda and responsible person. Resource consumption in departments is monitored and measured regularly. Reason analysis should be conducted for the projects which do not complete energy conservation plan. Relevant measures should be made and the implementation of the measures should be supervised and examined. The Group seasonally adjusts the high electricity consumption equipment such as air conditioner in clean plant to reduce load. After energy-conservation reconstruction, warm water generated in heat source of water equipment, such as heat exchange of cooling water in distilled water machine and pure steam generator, is used as boiler makeup water. This could recycle boiler water, reduce cooling water discharge, cut down boiler heat consumption, save energy and reduce emissions.

II. ACHIEVEMENTS IN CONSOLIDATING AND EXPANDING POVERTY ALLEVIATION, TACKLING KEY PROBLEMS AND RURAL REVITALIZATION

Not applicable.

Significant Events

I. THE PERFORMANCE OF UNDERTAKINGS

(I) Undertakings during or carried forward to the Reporting Period by the Company's actual controller, shareholders, related parties, acquirers and the Company and other relevant parties

During the application process of A-share issuance, the undertakings of the shareholders, related parties, the Company and other related parties during the Reporting Period or up to the Reporting Period are listed in the section "Significant Events" of the interim report of the Company dated 25 August 2022, which includes the types, contents and duration of undertakings. As at 30 June 2023, in addition to the undertakings that have been fulfilled, the above undertakings have not changed, and all related parties have complied with the relevant disclosed undertakings.

II. FUNDS MISAPPROPRIATED BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD FOR NON OPERATING CAUSES

Not applicable.

III. ILLEGAL GUARANTEE

Not applicable.

IV. AUDIT OF INTERIM REPORT

The financial information of the Group for the Reporting Period contained in this interim report has not been reviewed or audited by the auditor of the Company.

V. CHANGES AND TREATMENT OF MATTERS RELATED TO NON-STANDARD AUDIT OPINIONS IN THE FINANCIAL REPORT OF THE PREVIOUS YEAR

Not applicable.

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Not applicable.

VII. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group has no material litigations and arbitrations.

VIII. PUNISHMENTS AND RECTIFICATIONS OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER BEING SUSPECTED OF VIOLATING THE LAW AND REGULATION

Not applicable.

IX. STATEMENTS ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Not applicable.

Significant Events

X. SIGNIFICANT RELATED PARTY/CONNECTED TRANSACTIONS

(I) *The related party/connected transactions in relation to daily operations*

1. *Events disclosed in the temporary announcements without subsequent development or changes during implementation*

Overview of events

Query index

Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals

For more details, please refer to the announcement of the Company dated 29 October 2020.

Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals

For more details, please refer to the announcement of the Company dated 30 March 2023 and the circular of the Company dated 12 May 2023.

2. *Events disclosed in the temporary announcements with subsequent development or changes during implementation*

Not applicable.

3. *Events not disclosed in the temporary announcements*

Not applicable.

(II) *Related transactions relating to acquisition and disposal of assets and equity*

1. *Events disclosed in the temporary announcements without subsequent development or changes during implementation*

Not applicable.

2. *Events disclosed in the temporary announcements with subsequent development or changes during implementation*

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

4. *Performance with agreed target shall be disclosed during the Reporting Period*

Not applicable.

Significant Events

X. SIGNIFICANT RELATED PARTY/CONNECTED TRANSACTIONS (continued)

(III) Significant related transactions relating to joint external investment

1. *Events disclosed in the temporary announcements without subsequent development or changes during implementation*
Not applicable.
2. *Events disclosed in the temporary announcements with subsequent development or changes during implementation*
Not applicable.
3. *Events not disclosed in temporary announcements*
Not applicable.

(IV) Claims and liabilities with related parties

1. *Events disclosed in the temporary announcements without subsequent development or changes during implementation*
Not applicable.
2. *Events disclosed in the temporary announcements with subsequent development or changes during implementation*
Not applicable.
3. *Events not disclosed in temporary announcements*
Not applicable.

(V) Financial business between the Company and related financial companies, holding financial companies and related parties

Not applicable.

(VI) Other material related transactions

Not applicable.

(VII) Others

Not applicable.

Significant Events

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing

Not applicable.

2. Major guarantees performed and to be performed during the Reporting Period

Not applicable.

3. Other Material Contracts

Not applicable.

XII. USE OF PROCEEDS

The A Shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020. The total proceeds of the issue of A share are RMB1,074,000,000 and the net proceeds are RMB974,323,900 after deducting the issue fees of RMB99,676,100 of this offering. The net proceeds raised from the issue of A Shares shall be used in accordance with the plan items described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019.

	Budget RMB0'000	Amount utilised during the Reporting Period RMB0'000	Cumulative Amount that has been utilized as at 30 June 2023 RMB0'000	Remaining balance as at 30 June 2023 RMB0'000	Expected timeline of utilization
Investment Projects					
– The Registration Project of Hemoporfin in the United States	23,000.00	592.20	3,999.40	19,000.60	31 December 2025 <i>Note 4</i>
– The Innovative Research and Sustainable Development Project in Relation to Biological Medicine <i>Note 5</i>	24,000.00	4,434.08	24,643.07	-643.07	31 December 2023
– The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhangjiang	18,000.00	–	18,000.00	–	N/A
Over-raised funds <i>Note 6</i>	–	9,600.00	28,800.00	3,632.39	
Interest on raised funds <i>Note 5</i>	–	–	–	4,565.13	
Total	65,000.00	14,626.28	75,442.47	26,555.05	

Significant Events

XII. USE OF PROCEEDS (continued)

Notes:

1. The actual amount of proceeds raised from the issue of A Shares exceeding the needs of the investment projects listed above will be used to supplement the working capital related to the principal business of the Company in accordance with relevant requirements of the CSRC and the Shanghai Stock Exchange ("SSE") and subject to the approval of the Board and the Shareholders' meeting. The Company will disclose relevant updates in due course;
2. The amount that has been utilized included the amount which is used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period;
3. The Company confirms that the use of proceeds from the issue of A share conforms to the disclosure of the supplementary circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A share in strict accordance with the relevant regulations;
4. Due to the impact of the external environment, the progress of the Registration Project of Hemoporphin in the United States delayed. As approved by the Board and the Supervisory Committee on 27 March 2023, the implementation stage of the project was extended for two years to 31 December 2025. The budget remains unchanged and is still expected to be fully utilized as R&D expenses;
5. The cumulative amount of the fund-raising account corresponding to the project the Innovational Research and Sustainable Development Project in Relation to Biological Medicine is RMB248,307,075.73, which consists of fund-raising and net interest income from fund-raising after deduction of handling fee. As at the end of the Reporting Period, the cumulative amount of proceeds utilized for the project was RMB246,430,652.00, with a balance of RMB1,876,423.73, which will continue to be used for the R&D expenses of the project;
6. During the Reporting Period, the Board considered and approved the utilization of RMB96 million of the over subscription proceeds from its A share offering for permanent replenishment of working capital. The proposal has been deliberated and approved at 2022 annual general meeting. The Company will fulfill its internal approval and information disclosure obligations with respect to the use of over-raised funds.

Other information on use of proceeds during the Reporting Period

1. *The preliminary investment and replacement of the raised funds for investment projects.*

Not applicable.

2. *Temporarily supplement the working capital with idle raised funds.*

Not applicable.

3. *Cash management of idle proceeds and investment in related products.*

In order to improve the use efficiency of idle proceeds, the Board of Directors and the Board of Supervisors considered and approved the "Proposal on Using Idle Proceeds for Cash Management" at the 1st (temporary) meeting of the eighth session of the Board of Directors and the 1st (temporary) meeting of the eighth session of the Board of Supervisors, agreeing that the Company may use temporarily idle proceeds of up to RMB350 million (the "Amount") to purchase investment products with high security, good liquidity and guaranteed principal (including but not limited to structured deposits and agreement deposits, call deposits, time deposits, large-denomination certificates of deposit, income certificates, etc.) (the "Use") under the premise that the Use will not affect the normal progress of the Company's proceeds use plan. The valid period of the Use is for 12 months from 20 June 2023 (the "Period"). Within the Amount and the Period, the proceeds can be used on a rolling basis. For details, please refer to the overseas regulatory announcement of the Company dated 30 May 2023. For details of cash management with idle raised funds during the Reporting Period, please refer to "VII. Other Disclosures" in "Management Discussion and Analysis".

Significant Events

XII. USE OF PROCEEDS (continued)

Other information on use of proceeds during the Reporting Period (continued)

4. *Permanently replenish working capital or return bank loans with over subscription proceeds.*

Further to satisfy the Company's working capital requirements, to utilize the proceeds more effectively, to reduce financial cost, to further enhance the Company's profitability and to safeguard the interest of the Company and its shareholders, the Company was approved to utilize RMB96,000,000 of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital by the Board meeting on 27 March 2023. The proposal was also approved by the Shareholders at the 2022 annual general meeting on 30 May 2023. For more details, please refer to the announcement of the Company dated 27 March 2023 and the circular of the Company dated 26 April 2023.

XIII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

There was no significant event happened after 30 June 2023 up to the date of this interim report.

Changes in Ordinary Shares and Particulars of Shareholders

I. THE CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

Unit: Share

	Before the changes		Changes for the period (+, -)			After the changes	
	Number of shares	Percentage (%)	New shares	Others	Subtotal	Number of shares	Percentage (%)
I Shares subject to trading restriction	434,357,902	42.21	-	-434,357,902	-434,357,902	-	-
1. State-owned shares							
2. State-owned legal person shares							
3. Other domestic shares	434,357,902	42.21	-	-434,357,902	-434,357,902	-	-
Of which held by: domestic non-state-owned legal person	296,471,472	28.81	-	-296,471,472	-296,471,472	-	-
Domestic natural persons	137,886,430	13.40	-	-137,886,430	-137,886,430	-	-
4. Foreign ownership							
Of which held by: overseas non-state-owned legal person							
Overseas natural persons							
II Circulating shares not subject to trading restriction	594,642,098	57.79	+7,572,100	+434,357,902	+441,930,002	1,036,572,100	100.00
1. RMB ordinary shares	268,642,098	26.11	+7,572,100	+434,357,902	+441,930,002	710,572,100	68.55
2. Domestic listed foreign shares							
3. Overseas listed foreign shares	326,000,000	31.68	-	-	-	326,000,000	31.45
4. Others							
III Total number of ordinary shares	<u>1,029,000,000</u>	<u>100.00</u>	<u>+7,572,100</u>	<u>-</u>	<u>+7,572,100</u>	<u>1,036,572,100</u>	<u>100.00</u>

Changes in Ordinary Shares and Particulars of Shareholders

I. THE CHANGES IN SHARE CAPITAL (continued)

(I) Table of changes in shares (continued)

2. Description of changes in ordinary shares

On 19 June 2023, some of restricted shares of the Company's initial public offering were listed and put into circulation. The number of restricted shares applied for listing and putting into circulation was 434,357,902 shares, and the restriction period was for a period of 36 months from the date of listing of the shares of the Company's initial public offering on the Shanghai Stock Exchange. For more details, please refer to the overseas regulatory announcement of the Company dated 8 June 2023.

On 12 May 2023, the Company completed share registration procedure and issued 7,572,100 A Shares pursuant to the first attribution of the first grant under the 2021 Restricted Share Incentive Scheme. For more details, please refer to the Company's overseas regulatory announcement dated 12 May 2023 and the next day disclosure report dated 12 May 2023 for details.

3. The impacts of changes in shares on financial indicators such as earnings per share, and net asset per share from the end of the Reporting Period to the disclosure date of the interim report (if any)

Not applicable.

4. Other disclosable contents that the Company deems necessary or the securities regulators require disclosing

Not applicable.

(II) Changes in trade-restricted shares

Name of shareholder	Number of shares subject to trading restriction at the beginning of the Reporting Period	Number of shares released from trading restriction for the Reporting Period	Reason for the trading restriction	Date of release from trading restriction
China New Enterprise Investment	156,892,912	156,892,912	/	19 June 2023
Shanghai Pharmaceuticals Holding Co., Ltd.	139,578,560	139,578,560	/	19 June 2023
Yang Zong Meng	80,000,000	80,000,000	/	19 June 2023
Wang Hai Bo	57,886,430	57,886,430	/	19 June 2023
Total	434,357,902	434,357,902	/	/

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (account)	21,672
Total number of preference shareholders with restored voting rights as at the end of the Reporting Period (account)	Not applicable
Total number of preference shareholders with special voting rights as at the end of the Reporting Period (account)	Not applicable

As at the end of the Reporting Period, the Company had 21,672 Shareholders, including 21,563 A Share Shareholders and 136 registered H Share Shareholders.

Number of depositary receipt holders

Not applicable.

(II) Top 10 shareholders and top 10 shareholders for shares in circulation (or without trade restrictions) and their shareholdings at the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Change of shareholding during the Reporting Period	Shareholdings of the top 10 Shareholders			Number of restricted shares including shares lent by refinancing	Shares pledged or frozen		Nature of shareholder
		Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading restriction		Status of shares	Number of shares	
HKSCC NOMINEES LIMITED ^{Note}	-	228,826,900	22.08	-	-	Unknown	-	Overseas legal person
Shanghai Pharmaceuticals Holding Co., Ltd	-	210,142,560	20.27	-	-	Nil	-	Domestic non-state-owned legal person
China New Enterprise Investment Fund II	-	156,892,912	15.14	-	-	Nil	-	Other
Yang Zong Meng	-	80,000,000	7.72	-	-	Nil	-	Domestic natural person
Wang Hai Bo	-	57,886,430	5.58	-	-	Nil	-	Domestic natural person
Invesco Hong Kong Limited ^{Note}	-	25,971,000	2.51	-	-	Unknown	-	Overseas legal person
Su Yong	+360,000	18,677,860	1.80	-	-	Nil	-	Domestic natural person
Zhao Da Jun	+360,000	15,620,710	1.51	-	-	Nil	-	Domestic natural person
Li Jun	+330,000	9,018,200	0.87	-	-	Nil	-	Domestic natural person
Shanghai Pudong Technology Investment Co., Ltd.	-	6,562,382	0.63	-	-	Nil	-	Domestic non-state-owned legal person

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS (continued)

(II) Top 10 shareholders and top 10 shareholders for shares in circulation (or without trade restrictions) and their shareholdings at the end of the Reporting Period (continued)

Particulars of shareholdings of the top ten Shareholders not subject to trading restriction				
Name of shareholder	Number of circulating shares held not subject to trading restriction	Type and number of shares		
		Type	Number	
HKSCC NOMINEES LIMITED ^{Note}	228,826,900	Overseas listed foreign shares	228,826,900	
Shanghai Pharmaceuticals	210,142,560	Overseas listed foreign shares	70,564,000	
		RMB ordinary shares	139,578,560	
China New Enterprise Investment Fund II	156,892,912	RMB ordinary shares	156,892,912	
Yang Zong Meng	80,000,000	RMB ordinary shares	80,000,000	
Wang Hai Bo	57,886,430	RMB ordinary shares	57,886,430	
Invesco Hong Kong Limited Note	25,971,000	RMB ordinary shares	25,971,000	
Su Yong	18,677,860	RMB ordinary shares	18,677,860	
Zhao Da Jun	15,620,710	RMB ordinary shares	15,620,710	
Li Jun	9,018,200	RMB ordinary shares	9,018,200	
Shanghai Pudong Technology Investment Co., Ltd.	6,562,382	RMB ordinary shares	6,562,382	
Description of special account for repurchase among the top ten Shareholders	Not applicable.			
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders	Not applicable.			
Note on the connected relations or acting in concert arrangements of the above shareholders	The Company is not aware whether the other Shareholders have related party relationship or acting-in-concert arrangement.			
Note on the preference shareholders with voting rights restored and number of shares held	Not applicable.			

Note: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shanghai Pharmaceuticals and 25,971,000 H Shares held by Invesco Hong Kong Limited. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen.

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS (continued)

(II) Top 10 shareholders and top 10 shareholders for shares in circulation (or without trade restrictions) and their shareholdings at the end of the Reporting Period (continued)

Changes in trade-restricted shares

Unit: share

Name of shareholders	Number of trade-restricted shares at the beginning of the Reporting Period	Number of trade-restricted shares having their restriction lifted during the Reporting Period	Number of trade-restricted shares increased during the Reporting Period	Number of trade-restricted shares at the end of the Reporting Period	Reasons for trading restrictions	Date of lifting trading restrictions
China New Enterprise Investment Fund II	156,892,912	156,892,912	0	0	/	2023-06-19
Shanghai Pharmaceuticals	139,578,560	139,578,560	0	0	/	2023-06-19
Yang Zong Meng	80,000,000	80,000,000	0	0	/	2023-06-19
Wang Hai Bo	57,886,430	57,886,430	0	0	/	2023-06-19
Total	434,357,902	434,357,902	0	0	/ /	

Top 10 domestic depositary receipts holders of the Company as at the end of the Reporting Period

Not applicable.

Number of and trade restrictions on Top 10 holders of trade-restricted depositary receipts

Not applicable.

(III) Top 10 Shareholders with Voting Rights as at the End of the Reporting Period

Not applicable.

(IV) Strategic Investors or General Legal Persons becoming Top 10 Shareholders because of the New Share placing/Depositary Receipts

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS (continued)

(V) *Interests and short positions of substantial shareholders in shares and underlying shares of the Company*

So far as the Directors are aware, as at 30 June 2023, the persons other than a Director, Supervisor or chief executive of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”), or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	19.64%	20.27%
	H Shares	70,564,000 (L)			21.65%	
Shanghai Pharmaceuticals	A Shares	139,578,560 (L)	Beneficial owner	Corporate	19.64%	20.27%
	H Shares	70,564,000 (L)			21.65%	
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.08%	15.14%
Yang Zong Meng	A Shares	80,000,000 (L)	Beneficial owner	Personal	11.26%	7.72%
Invesco Hong Kong Limited	H Shares	25,971,000 (L)	Investment manager	Corporate	7.97%	2.51%

Note: The letter “L” stands for long position.

Changes in Ordinary Shares and Particulars of Shareholders

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF

(I) Changes in shareholding of existing and resigned Directors, Supervisors and Senior Management and Core Technicians During the Reporting Period

Unit: Share

Name	Position	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Changes in the shares held during the Reporting Period	Reasons for the changes
Su Yong	Executive Director, Deputy General Manager, Core Technicians (retired)	18,317,860	18,677,860	+360,000	Attribution of restricted stock
Zhao Da Jun	Chairman of the Board of Directors, Executive Director, General Manager	15,260,710	15,620,710	+360,000	Attribution of restricted stock
Xue Yan	Executive Director, Deputy General Manager, Board Secretary, Chief Financial Officer	1,700,000	2,030,000	+330,000	Attribution of restricted stock
Qu Ya Nan	Employee Representative Supervisor	0	39,000	+39,000	Attribution of restricted stock
Li Jun	Deputy General Manager	8,688,200	9,018,200	+330,000	Attribution of restricted stock
Yang Xiao Lin	Deputy General Manager (retired)	1,494,000	1,854,000	+360,000	Attribution of restricted stock
Li Xiao Wen	Deputy General Manager, Core Technicians	0	210,000	+210,000	Attribution of restricted stock
Qin Lei	Deputy General Manager	0	30,000	+30,000	Attribution of restricted stock
Chen Yu	Deputy General Manager, Core Technicians	2,600	182,600	+180,000	Attribution of restricted stock
Zhang Wen Bo	Core Technicians	826,599	1,066,599	+240,000	Attribution of restricted stock
Jiang Jian Ping	Core Technicians	830,000	1,040,000	+210,000	Attribution of restricted stock
Tao Ji Ning	Core Technicians	800,000	872,000	+72,000	Attribution of restricted stock
Yang Tong	Core Technicians	0	40,000	+40,000	Attribution of restricted stock

Notes:

- Ms. Xue, executive Director and a member of the senior management of the Company, held a total of 2,030,000 shares of the Company at the end of the Reporting Period, of which 1,980,000 were A shares and 50,000 were H shares;
- On April 27 2023, the Board of Directors and the Board of Supervisors considered and approved resolution of "Motion Concerning the Compliance with the Attribution Conditions of the First Attribution Period of the Initial Grant Portion of the 2021 Restricted Stock Incentive Scheme" and other relevant resolutions at the 21st (temporary) meeting of the seventh session of the Board of Directors and the 20th (temporary) meeting of the seventh session of the Board of Supervisors. As the conditions to attribution were fulfilled, and it was agreed that the Company would proceed with the attribution to the eligible incentive participants in accordance with the relevant provisions of the Incentive Scheme. On 12 May 2023, the Company completed share registration procedure and issued 7,572,100 A Shares pursuant to the first attribution of the first grant under the 2021 Restricted Share Incentive Scheme;
- At the first meeting of the third session of the Employee Representative Meeting of the Company held on 29 May 2023, the Company considered and approved the "Resolution on the Election of Employee Representative Supervisor for the Eighth session of Supervisory Committee", and agreed to elect Ms. Qu Ya Nan as the Employee Representative Supervisor for the Eighth session of Supervisory Committee of the Company, and that at the time of the attribution of the Restricted Shares, Ms. Qu Ya Nan had not served as the Employee Representative Supervisor of the Company;
- The above number of shares is the number of individual direct shares.

Changes in Ordinary Shares and Particulars of Shareholders

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF (continued)

(II) Equity incentives granted to Directors, Supervisors and Senior Management during the Reporting Period

1. Stock option

Not applicable.

2. Class I restricted stock

Not applicable.

3. Class II restricted stock

Not applicable.

(III) Directors', supervisors' and chief executive's interests in shares of the Company

As at 30 June 2023, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Class of shares	Number of shares held (share)	Capacity	Type of interest	Percentage in respective class of Shares	Percentage in total number of issued shares
Wang Hai Bo ^{Note 2}	Director	A Shares	57,886,430 (L)	Beneficial owner	Personal	8.15%	5.58%
Su Yong ^{Note 2}	Director	A Shares	18,677,860 (L)	Beneficial owner	Personal	2.63%	1.80%
Zhao Da Jun ^{Note 3}	Director	A Shares	15,620,710 (L)	Beneficial owner	Personal	2.20%	1.51%
Xue Yan ^{Note 3}	Director	A Shares	1,980,000 (L)	Beneficial owner	Personal	0.28%	0.19%
		H Shares	50,000 (L)	Beneficial owner	Personal	0.02%	0.00%
Wang Luo Chun ^{Note 2}	Supervisor	A Shares	1,170,000 (L)	Beneficial owner	Personal	0.16%	0.11%
Yu Dai Qing ^{Note 2}	Supervisor	A Shares	664,000 (L)	Beneficial owner	Personal	0.09%	0.06%
Qu Ya Nan ^{Note 3}	Supervisor	A Shares	39,000 (L)	Beneficial owner	Personal	0.01%	0.00%

Notes:

- The letter "L" stands for long position;
- Mr. Wang Hai Bo, Mr. Su Yong, Mr. Wang Luo Chun and Ms. Yu Dai Qing were retired as a Director at the conclusion of the 2022 annual general meeting on 30 May 2023 due to their expiration of terms of office;
- Mr. Zhao Da Jun and Ms. Xue Yan were re-elected and elected as the Directors of the eighth session of the Board at the 2022 annual general meeting on 30 May 2023. Ms. Qu Ya Nan was elected as an employee representative supervisor of the eighth session of Supervisory Committee at the third session of the employee representative meeting on 29 May 2023.

Changes in Ordinary Shares and Particulars of Shareholders

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF (continued)

(IV) Directors' and Supervisor's securities transactions

On 26 April 2019, the Board approved "Regulations for Directors, Supervisors and Senior Managers in relation to Holding and Transacting the Shares of the Company", which came into effect when the A shares of the Company were listed and traded on the STAR Market of the Shanghai Stock Exchange (Before that, the Company implemented the "Code of transactions in the Company's securities", which was passed on 11 August 2009 by the Board). Both codes have terms no less strict than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules. Directors and relevant employees shall comply with this code. A copy of the code is sent to each Director upon his appointment and thereafter, a notification not to deal in the securities of the Company until after the half-year results have been published would be sent to the Directors 60 days immediately preceding the date of the Board meeting in which the annual results will be approved or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and 30 days immediately preceding the date of the Board meeting in which the half-year results will be approved half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Under this code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the delegated directors and receive a dated written acknowledgement before any dealing. When the relevant transactions are completed, the directors shall notify the Company within the designated period and disclose his/her interests.

Securities transactions of Supervisors, senior management and major shareholder of the Company should comply with the codes mentioned above. All the relevant employees, if any, having any price-sensitive information of the Group which is not yet disclosed should also comply with the code for the Directors.

For the six months ended 30 June 2023, all Directors, Supervisors and relevant employees have complied with the relevant requirements. No Directors, Supervisors or relevant employees has been found violating the above regulations in the previous year.

IV. CHANGES IN THE CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Not applicable.

V. IMPLEMENTATION AND CHANGES OF ARRANGEMENTS RELATED TO DEPOSITARY RECEIPTS DURING THE REPORTING PERIOD

Not applicable.

VI. SHARES WITH SPECIAL VOTING RIGHTS

Not applicable.

Particulars of Preference Shares

Not applicable.

Particulars of Corporate Bonds

Not applicable.

I. CORPORATE BONDS, CORPORATE BONDS AND NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

Not applicable.

II. CONVERTIBLE CORPORATE BONDS

Not applicable.

Consolidated Balance Sheet

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	<i>Note</i>	30 June 2023 Consolidated	31 December 2022 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,231,128,499	1,289,302,664
Notes receivables	5(2)	100,099,391	172,740,246
Accounts receivables	5(3)	639,994,182	506,383,690
Advances to suppliers	5(4)	8,945,678	17,987,140
Other receivables	5(5)	4,734,928	4,870,442
Inventories	5(6)	49,545,050	40,526,760
Current portion of non-current assets	5(7)	–	33,320,625
Other current assets	5(8)	8,682,885	4,057,218
Total current assets		<u>2,043,130,613</u>	<u>2,069,188,785</u>
Non-current assets			
Investments in other equity instruments	5(9)	366,679	604,241
Long-term equity investments	5(10)	299,337,942	305,767,001
Fixed assets	5(11)	206,300,209	206,262,520
Construction in progress	5(12)	169,079,236	122,371,274
Right-of-use assets	5(13)	18,833,167	22,876,981
Intangible assets	5(14)	59,504,223	62,321,642
Development costs	5(14)	35,462,997	34,825,737
Goodwill	5(15)	–	–
Long-term prepaid expenses	5(16)	6,932,229	8,261,211
Deferred tax assets	5(17)	91,556,946	85,903,680
Other non-current assets	5(18)	100,508,934	57,624,200
Total non-current assets		<u>987,882,562</u>	<u>906,818,487</u>
TOTAL ASSETS		<u><u>3,031,013,175</u></u>	<u><u>2,976,007,272</u></u>

Consolidated Balance Sheet

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note</i>	30 June 2023 Consolidated	31 December 2022 Consolidated
Current liabilities			
Short-term borrowings	5(20)	100,000,000	101,000,000
Accounts payables	5(21)	8,850,423	7,431,420
Contract liabilities	5(22)	255,193	308,923
Employee benefits payable	5(23)	20,260,191	27,761,585
Taxes payable	5(24)	9,344,214	9,611,771
Other payables	5(25)	527,090,135	518,974,183
Current portion of non-current liabilities	5(27)	8,112,500	8,216,162
Other current liabilities	5(26)	33,176	40,160
		<hr/>	<hr/>
Total current liabilities		673,945,832	673,344,204
Non-current liabilities			
Lease liabilities	5(27)	11,186,478	15,598,764
Deferred income	5(28)	30,905,433	34,042,949
		<hr/>	<hr/>
Total Non-current liabilities		42,091,911	49,641,713
		<hr/>	<hr/>
Total liabilities		716,037,743	722,985,917
Shareholders' equity			
Paid-in capital	5(29)	103,657,210	102,900,000
Capital surplus	5(30)	1,290,268,668	1,225,008,937
Other comprehensive income	5(31)	(5,308,609)	(5,201,021)
Surplus reserve	5(32)	52,150,000	52,150,000
Undistributed profits	5(33)	878,121,763	882,244,301
		<hr/>	<hr/>
Total equity attributable to shareholders' of the Company		2,318,889,032	2,257,102,217
Minority interests		(3,913,600)	(4,080,862)
		<hr/>	<hr/>
Total shareholders' equity		2,314,975,432	2,253,021,355
		<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,031,013,175	2,976,007,272
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Balance Sheet

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	<i>Note</i>	30 June 2023 Company	31 December 2022 Company
Current assets			
Cash at bank and on hand		1,148,276,143	1,187,769,137
Notes receivables	15(1)	100,099,391	171,417,288
Accounts receivables	15(2)	587,737,387	453,992,988
Advances to suppliers		8,627,667	7,339,954
Other receivables	15(3)	104,157,558	72,727,084
Inventories		19,053,662	19,268,923
Current portion of non-current assets		–	33,320,625
Other current liabilities		481,748	–
Total current assets		<u>1,968,433,556</u>	<u>1,945,835,999</u>
Non-current assets			
Long-term equity investments	15(4)	747,382,163	755,137,282
Fixed assets		124,352,851	120,872,439
Right-of-use assets	15(5)	18,833,167	22,743,759
Intangible assets		12,235,291	12,852,169
Development costs		35,462,997	34,825,737
Long-term prepaid expenses		6,189,228	7,724,654
Deferred tax assets		94,587,936	87,848,723
Other non-current assets		10,937,543	12,770,213
Total non-current assets		<u>1,049,981,176</u>	<u>1,054,774,976</u>
TOTAL ASSETS		<u><u>3,018,414,732</u></u>	<u><u>3,000,610,975</u></u>

Company Balance Sheet

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note</i>	30 June 2023 Company	31 December 2022 Company
Current liabilities			
Short-term borrowings		100,000,000	101,000,000
Accounts payables		5,115,984	6,465,403
Contract liabilities		126,619	174,832
Employee benefits payable		20,193,708	25,499,579
Taxes payable		9,179,394	9,441,336
Other payables		469,754,324	482,422,764
Current portion of non-current liabilities	15(6)	8,112,500	8,076,240
Other current liabilities		16,461	22,728
Total current liabilities		612,498,990	633,102,882
Non-current liabilities			
Lease liabilities	15(6)	11,186,478	15,598,764
Deferred income		28,009,183	29,988,199
Total non-current liabilities		39,195,661	45,586,963
Total liabilities		651,694,651	678,689,845
Shareholders' equity			
Paid-in capital		103,657,210	102,900,000
Capital surplus		1,368,459,024	1,303,199,293
Surplus reserve		52,150,000	52,150,000
Undistributed profits		842,453,847	863,671,837
Total shareholders' equity		2,366,720,081	2,321,921,130
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,018,414,732	3,000,610,975

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Income Statement

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Consolidated	For the six months ended 30 June 2022 Consolidated
Revenue	5(34)	522,827,706	271,259,675
Less: Cost of sales	5(34), 5(40)	(41,577,068)	(28,143,633)
Taxes and surcharges	5(35)	(2,271,436)	(2,611,113)
Selling expenses	5(36), 5(40)	(249,225,184)	(133,572,711)
General and administrative expenses	5(37), 5(40)	(27,454,732)	(34,953,733)
R&D expenses	5(38), 5(40)	(117,953,593)	(102,559,780)
Financial expenses – net	5(39)	428,551	1,849,709
Including: Interest expenses		(1,821,983)	(742,393)
Interest income		2,335,387	2,461,712
Add: Other income	5(41)	4,020,809	1,543,602
Investment income	5(42)	2,848,966	5,879,830
Including: Share of losses of associates and joint ventures		(7,427,169)	(3,724,438)
Credit impairment losses	5(43)	(28,554,785)	(40,086,291)
Asset impairment (losses)/reverse	5(44)	(1,280,316)	6,999
Gains on disposals of assets	5(45)	1,473,451	615,680
Operating profit/(losses)		63,282,369	(60,771,766)
Add: Non-operating income	5(46)	424,260	399,685
Less: Non-operating expenses	5(47)	(273,831)	(817,404)
Total profit/(losses)		63,432,798	(61,189,485)
Less: Income tax expenses	5(48)	5,171,973	25,168,603
Net profit/(losses)		68,604,771	(36,020,882)
Classified by continuity of operations			
Net profit/(losses) from continuing operations		68,604,771	(36,020,882)
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		68,437,509	(35,974,546)
Minority interests		167,262	(46,336)

Consolidated Income Statement

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Consolidated	For the six months ended 30 June 2022 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income that will not be reclassified to profit or loss			
Changes in the fair value of investments in other equity instruments		(237,562)	(872,524)
Other comprehensive income that will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		129,974	166,897
		(107,588)	(705,627)
Total comprehensive income/(losses)		68,497,183	(36,726,509)
Attributable to the shareholders of the Company		68,329,921	(36,680,173)
Attributable to minority interests		167,262	(46,336)
		68,497,183	(36,726,509)
Earnings/(losses) per share			
Basic earnings/(losses) per share	5(49)	0.07	(0.03)
Diluted earnings/(losses) per share	5(49)	0.07	(0.03)

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Income Statement

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Company	For the six months ended 30 June 2022 Company
Revenue	15(7)	466,212,239	230,066,478
Less: Cost of sales	15(7)	(30,122,898)	(25,171,194)
Taxes and surcharges		(1,220,148)	(1,609,490)
Selling expenses		(229,654,176)	(118,424,061)
General and administrative expenses		(18,573,462)	(22,156,855)
R&D expenses		(118,933,516)	(103,688,717)
Financial expenses – net		186,872	1,331,317
Including: Interest expenses		(1,821,652)	(734,916)
Interest income		2,084,538	1,927,853
Add: Other income		2,615,063	292,420
Investment income	15(8)	3,337,434	6,063,479
Including: Share of losses of associates and joint ventures		(7,427,169)	(3,724,438)
Credit impairment losses		(28,449,590)	(40,086,291)
Asset impairment losses		(1,406,489)	28,391
Gains on disposals of assets		904,425	449,308
Operating profit/(losses)		44,895,754	(72,905,215)
Add: Non-operating income		405,030	398,585
Less: Non-operating expenses		(216,648)	(806,796)
Total profit/(losses)		45,084,136	(73,313,426)
Less: Income tax expenses		6,257,921	21,750,982
Net profit/(losses)		51,342,057	(51,562,444)
Classified by continuity of operations			
Net profit/(losses) from continuing operations		51,342,057	(51,562,444)
Net profit/(losses) from discontinued operations		–	–
Other comprehensive income/(losses), net of tax		–	–
Total comprehensive income/(losses)		51,342,057	(51,562,444)

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Cash Flow Statement

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Consolidated	For the six months ended 30 June 2022 Consolidated
Cash flows(used in)/from operating activities			
Cash received from sales of goods or rendering of services		429,335,303	404,520,383
Cash received relating to other operating activities	5(50)(a)	9,303,743	12,572,210
Sub-total of cash inflows		438,639,046	417,092,593
Cash paid for goods and services		(360,207,970)	(184,675,671)
Cash paid to and on behalf of employees		(129,186,381)	(122,837,653)
Payments of taxes and surcharges		(10,720,250)	(26,397,759)
Cash paid relating to other operating activities	5(50)(b)	(47,278,602)	(23,814,684)
Sub-total of cash outflows		(547,393,203)	(357,725,767)
Net cash flows (used in)/from operating activities	5(50)(f)	(108,754,157)	59,366,826
Cash flows from/(used in) investing activities			
Net cash received from disposal of fixed assets		1,407,211	482,926
Cash received relating to other investing activities	5(50)(c)	2,123,995,425	2,014,604,268
Sub-total of cash inflows		2,125,402,636	2,015,087,194
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(54,110,831)	(58,797,482)
Cash paid relating to other investing activities	5(50)(d)	(2,080,000,000)	(2,005,000,000)
Sub-total of cash outflows		(2,134,110,831)	(2,063,797,482)
Net cash flows used in investment activities		(8,708,195)	(48,710,288)

Consolidated Cash Flow Statement

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Consolidated	For the six months ended 30 June 2022 Consolidated
Cash flows from/(used in) financing activities			
Cash received from borrowings		<u>66,861,643</u>	–
Sub-total of cash inflows		<u>66,861,643</u>	–
Cash payments for distribution of dividends, profits or interest expenses		<u>(2,705,716)</u>	–
Cash payments relating to other financing activities	5(50)(e)	<u>(4,997,714)</u>	(13,068,930)
Sub-total of cash outflows		<u>(7,703,430)</u>	(13,068,930)
Net cash flows from/(used in) financing activities		<u>59,158,213</u>	(13,068,930)
Effect of foreign exchange rate changes on cash and cash equivalents		<u>129,974</u>	166,897
Net decrease in cash and cash equivalents	5(50)(g)	<u>(58,174,165)</u>	(2,245,495)
Add: Cash and cash equivalents at the beginning of the period	5(50)(g)	<u>1,289,302,664</u>	1,208,880,911
Cash and cash equivalents at the end of the period	5(50)(g)	<u>1,231,128,499</u>	<u>1,206,635,416</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Cash Flow Statement

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Company	For the six months ended 30 June 2022 Company
Cash flows (used in)/from operating activities			
Cash received from sales of goods or rendering of services		357,857,959	335,382,719
Cash received relating to other operating activities		58,986,274	62,368,733
Sub-total of cash inflows		416,844,233	397,751,452
Cash paid for goods and services		(330,367,179)	(177,309,912)
Cash paid to and on behalf of employees		(111,979,019)	(104,496,443)
Payments of taxes and surcharges		(10,014,880)	(24,300,695)
Cash paid relating to other operating activities		(90,058,479)	(74,201,910)
Sub-total of cash outflows		(542,419,557)	(380,308,960)
Net cash flows (used in)/from operating activities		(125,575,324)	17,442,492
Cash flows from/(used in) investing activities			
Net cash received from disposal of fixed assets		904,425	316,556
Cash received relating to other investing activities		1,994,483,893	1,674,787,917
Sub-total of cash inflows		1,995,388,318	1,675,104,473
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(18,604,454)	(12,975,036)
Cash paid relating to other investing activities		(1,950,000,000)	(1,665,000,000)
Sub-total of cash outflows		(1,968,604,454)	(1,677,975,036)
Net cash flows from/(used in) investing activities		26,783,864	(2,870,563)

Company Cash Flow Statement

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2023 Company	For the six months ended 30 June 2022 Company
Cash flows from/(used in) financing activities			
Cash received from borrowings		<u>66,861,643</u>	–
Sub-total of cash inflows		<u>66,861,643</u>	–
Cash payments for distribution of dividends, profits or interest expenses		<u>(2,705,716)</u>	–
Cash payments relating to other financing activities		<u>(4,857,461)</u>	(12,858,552)
Sub-total of cash outflows		<u>(7,563,177)</u>	(12,858,552)
Net cash flows from/(used in) financing activities		<u>59,298,466</u>	(12,858,552)
Effect of foreign exchange rate changes on cash and cash equivalents		–	–
Net (decrease)/increase in cash and cash equivalents		<u>(39,492,994)</u>	1,713,377
Add: Cash and cash equivalents at the beginning of the period		<u>1,187,769,137</u>	1,083,259,371
Cash and cash equivalents at the end of the period		<u><u>1,148,276,143</u></u>	<u><u>1,084,972,748</u></u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statement of Changes in Share Equity

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to equity owners of the Company						Minority interests	Total owners' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserves	Undistributed profits		
Balance at 1 January 2022	104,300,000	1,265,093,686	(40,824,137)	(4,050,820)	52,150,000	816,277,203	(3,355,962)	2,189,589,970
Movements for the six months ended 30 June 2022								
Total comprehensive income								
Net losses	-	-	-	-	-	(35,974,546)	(46,336)	(36,020,882)
Other comprehensive losses	-	-	-	(705,627)	-	-	-	(705,627)
Capital contribution and withdrawal by owners								
Amount of share-based payment included in owners' equity (Note 5(30), Note 6)	-	50,502,749	-	-	-	-	-	50,502,749
Shares repurchase	-	-	(8,699,542)	-	-	-	-	(8,699,542)
Others	(1,400,000)	(48,123,679)	49,523,679	-	-	-	-	-
Profit distribution								
Profit distribution to equity owners	-	-	-	-	-	(72,030,000)	-	(72,030,000)
Balance at 30 June 2022	<u>102,900,000</u>	<u>1,267,472,756</u>	<u>-</u>	<u>(4,756,447)</u>	<u>52,150,000</u>	<u>708,272,657</u>	<u>(3,402,298)</u>	<u>2,122,636,668</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statement of Changes in Share Equity

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to equity owners of the Company					Minority interests	Total shareholders' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
Balance at 1 January 2023	<u>102,900,000</u>	<u>1,225,008,937</u>	<u>(5,201,021)</u>	<u>52,150,000</u>	<u>882,244,301</u>	<u>(4,080,862)</u>	<u>2,253,021,355</u>
Movements for the six months ended 30 June 2023							
Total comprehensive income							
Net profit	-	-	-	-	68,437,509	167,262	68,604,771
Other comprehensive income	-	-	(107,588)	-	-	-	(107,588)
Capital contribution and withdrawal by shareholders							
Capital contribution by shareholders	757,210	66,104,433	-	-	-	-	66,861,643
Amount of share-based payment included in shareholders' equity (Note 5(30), Note 6)	-	(1,842,812)	-	-	-	-	(1,842,812)
Profit distribution							
Profit distribution to shareholders	-	-	-	-	(72,560,047)	-	(72,560,047)
Others	-	998,110	-	-	-	-	998,110
Balance at 30 June 2023	<u>103,657,210</u>	<u>1,290,268,668</u>	<u>(5,308,609)</u>	<u>52,150,000</u>	<u>878,121,763</u>	<u>(3,913,600)</u>	<u>2,314,975,432</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

Item	Paid-in capital	Capital surplus	Less: Treasury stock	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2022	104,300,000	1,343,284,042	(40,824,137)	52,150,000	833,657,205	2,292,567,110
Movements for the six months ended 30 June 2022						
Total comprehensive income						
Net losses	-	-	-	-	(51,562,444)	(51,562,444)
Capital contribution by owners						
Amount of share-based payment included in owners' equity (Note 6)	-	50,502,749	-	-	-	50,502,749
Shares repurchase	-	-	(8,699,542)	-	-	(8,699,542)
Others	(1,400,000)	(48,123,679)	49,523,679	-	-	-
Profit distribution						
Profit distribution to equity owners	-	-	-	-	(72,030,000)	(72,030,000)
Balance at 30 June 2022	<u>102,900,000</u>	<u>1,345,663,112</u>	<u>-</u>	<u>52,150,000</u>	<u>710,064,761</u>	<u>2,210,777,873</u>
Balance at 1 January 2023	102,900,000	1,303,199,293	-	52,150,000	863,671,837	2,321,921,130
Movements for the six months ended 30 June 2023						
Total comprehensive income						
Net profit	-	-	-	-	51,342,057	51,342,057
Capital contribution by shareholders						
Capital contribution by shareholders	757,210	66,104,433	-	-	-	66,861,643
Amount of share-based payments included in shareholders' equity	-	(1,842,812)	-	-	-	(1,842,812)
Profit distribution						
Profit distribution to shareholders	-	-	-	-	(72,560,047)	(72,560,047)
Others	-	998,110	-	-	-	998,110
Balance at 30 June 2023	<u>103,657,210</u>	<u>1,368,459,024</u>	<u>-</u>	<u>52,150,000</u>	<u>842,453,847</u>	<u>2,366,720,081</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhao Dajun

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) was established in the People’s Republic of China (“PRC”) on 11 November 1996 with initial registered capital and paid-in capital of RMB5,295,000.

On 20 October 2000, the registered capital and paid-in capital of the Company was increased from RMB5,295,000 to RMB53,000,000, after successive capital increases and shareholding changes.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability. The registered capital and share capital of the Company were RMB53,000,000, divided into 53,000,000 RMB-denominated ordinary shares, with a par value of RMB1 each.

On 20 January 2002, all shares of the Company were subdivided into 530,000,000 RMB-denominated ordinary shares (“Domestic Shares”) with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 foreign ordinary shares (“H Shares”) of RMB0.10 each of the Company commenced on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). After completion of the issue, the registered capital and share capital of the Company increased to RMB71,000,000, divided into 710,000,000 shares, with a par value of RMB0.10 each.

Upon completion of the the restricted share scheme on 29 June 2012 and the H-share placing on 4 February 2013, the registered capital and share capital of the Company increased to RMB92,300,000, divided into 923,000,000 shares, with a par value of RMB0.10 each.

On 16 December 2013, the Company transferred its H Shares listing from GEM to the Main Board of the Stock Exchange.

On 12 June 2020, the Company completed a placing of 120,000,000 RMB-denominated ordinary A shares with a par value of RMB0.10 each and was listed on the STAR market of Shanghai Stock Exchange on 19 June 2020. After the completion of the issuance, the Company’s registered capital and share capital increased to RMB104,300,000, divided into 1,043,000,000 shares, with a par value of RMB0.10 each.

On 7 June 2022, the Company completed the cancellation procedures of the repurchased 14,000,000 H Shares at the Hong Kong Central Securities Registration Co., Ltd., and the share capital of the Company decreased from 1,043,000,000 shares to 1,029,000,000 shares, with a par value of RMB0.10 each.

On 11 May 2023, pursuant to the restricted share incentive plan to be implemented in 2021, the company issued 7,572,100 ordinary shares (“A Shares”) of RMB0.10 each to 205 incentive recipients who met the vesting conditions. Upon completion of the issuance, the registered capital and share capital of the company changed to RMB103,657,210.

The Company and its subsidiaries (collectively referred as the “Group”) research, develop and sell self-developed bio-pharmaceutical know-how, carry out contracted research for customers, manufacture and sell pharmaceutical and diagnostic products and provide other medical services in the PRC.

Subsidiaries comprised in the consolidated financial statements as of 30 June 2023 are set out in Note 7.

These financial statements are authorised for issue by the Board of Directors of the Company on 10 August 2023.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applies the accounting policies and accounting estimates based on its business operating characteristics, including measurement of financial instruments (Note 2(8)), valuation of inventories (Note 2(9)), depreciation of fixed assets, amortisation of right-of-use assets and amortisation of intangible assets (Note 2(11),(13),(22)), judgments to the criteria for capitalisation of development costs (Note 2(13)), recognition and measurement of revenue (Note 2(18)), etc.

Significant judgements to determine the critical accounting policies and significant assumptions to determine the critical accounting estimates are disclosed in Note 2(25).

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance has come into force since 3 March 2014. Certain disclosures in the financial statements have been included to reflect the requirements under the new Hong Kong Companies Ordinance.

(2) Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2023 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position as at 30 June 2023 and of their financial performance, cash flows and other information for the six months ended 30 June 2023.

(3) Accounting year

The Company’s accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company’s recording currency is Renminbi (RMB). The recording currency of the Company’s subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

(5) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries’ shareholders’ equity and the portion of subsidiaries’ net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to minority interests, and presented separately in the consolidated financial statements under shareholders’ equity, net profits and total comprehensive income respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders’ portion of the opening balance of owners’ equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(8) Financial instruments

A financial instrument refers to any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of financial instrument.

(a) Financial assets

(i) Classification and measurement

The financial assets of the Group are classified on initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: 1) financial assets at amortised cost; 2) financial assets at fair value through OCI; and 3) financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition. In the case of financial assets at fair value through profit or loss, the relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognised. Notes receivables and accounts receivables derived from sales of goods or rendering of services, which do not contain or consider significant financing components are recognised at the amount that the Group is entitled to collect.

Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the issuers' perspective and are measured by the following three ways.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(i) Classification and measurement (continued)

Debt instruments (continued)

Measured at amortised cost

The objective of the Group's business model for managing the financial assets is to collect contractual cash flow, and the contractual cash flow characteristics are consistent with a basic lending arrangement. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in finance income using the effective interest rate method. Such financial assets mainly include cash at bank and on hand, notes receivables, accounts receivables, other receivables. The debt investments with maturity within 1 year (inclusive) since the balance sheet date are presented in current portion of non-current assets; debt investments with maturity within 1 year (inclusive) when they are acquired are presented in other current assets.

Measured at fair value through OCI

The objective of the Group's business model for managing the financial assets are both collecting contractual cash flow and selling financial asset, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through OCI, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets are presented as financing receivables, other debt investments. The debt investments with maturity within 1 year (inclusive) since the balance sheet date are presented in current portion of non-current assets; debt investments with maturity within 1 year (inclusive) when they are acquired are presented in other current assets.

Measured at fair value through profit or loss

Except for the financial assets at amortised cost and financial assets at fair value through OCI, the Group has classified the remaining financial assets as financial assets at fair value through profit or loss. In order to eliminate or significantly reduce accounting mismatch on initial recognition, the Group designates part of financial assets as financial assets at fair value through profit or loss. The assets with maturity more than 1 year and expected to be held for more than 1 year are presented in other non-current financial assets while others are presented in financial assets held for trading.

Equity instruments

Investments in equity instruments over which the Group exerts no control, joint control or significant influence, are presented as financial assets held for trading and measured at fair value through profit or loss. The assets expected to be held for more than 1 year are presented in other non-current financial assets.

In addition, the Group designates part of financial assets which are not held for trading as financial assets at fair value through OCI, presented in other equity instrument investment. The dividend income is recognised in profit or loss.

(ii) Impairment

On the basis of expected credit losses (ECL), the Group recognises impairment of financial assets at amortised cost.

The measurement of expected credit loss reflects the probability-weighted amount of the present value of the difference between contractual cash flows receivable and expected cash flows. Also, the Group consider reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current situation and forecasts of future economic conditions as well as take default risk as the weight when measuring expected credit loss.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(ii) Impairment (continued)

Regarding notes receivables and accounts receivables formed as a result of daily operations such as sales of goods and provision of labour services, regardless of whether there is a significant financing component, the Group will use the expected credit losses throughout its lifetime to measure loss reserves.

Except for the above notes receivables and accounts receivables, the Group assesses the expected credit losses at different phases respectively at each balance sheet date. At Stage 1: in the case that the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance of the financial instrument at an amount equal to 12-month expected credit losses; at Stage 2: in the case that the credit risk on that financial instrument has increased significantly since initial recognition, but a credit impairment has not occurred, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses; at Stage 3: in the case that the impairment loss has incurred since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

For financial instruments with low credit risk as at balance sheet date, the Group assumes the credit risk has not increased significantly since initial recognition, and measures the loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.

For the financial instruments at Stage 1 and 2, interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For the financial instruments at Stage 3, interest income is calculated based on amortised cost (gross carrying amounts less the impairment provision) and the effective interest rate.

When the expected credit loss information could not be assessed at reasonable cost, the Group classifies receivables into multiple groups of receivables. The criteria of classification of groups are based on the credit risk characteristics, as follows:

Group of notes receivables	Bank acceptance notes
Group of accounts receivables	All trade receivables
Group of other receivables 1	Amounts due from subsidiaries
Group of other receivables 2	Amounts due from related parties
Group of other receivables 3	Deposits and guarantees
Group of other receivables 4	Petty cash for employees
Group of other receivables 5	Others

For groups of notes receivables, the Group calculates the expected credit loss by referring to historical credit loss experience, current situation and forecasts of economic conditions and based on the exposure at default and lifetime expected credit loss ratio.

For groups of accounts receivables, the Group calculates the expected credit loss by referring to historical credit loss experience, current situation and forecasts of economic conditions and based on the comparison table between accounts receivables' aging and lifetime expected credit loss ratio.

For groups of other receivables, the Group calculates the expected credit loss by referring to historical credit loss experience, current situation and forecasts of economic conditions and based on default risk exposure and expected credit loss rate over the next 12 months or the entire duration.

The Group recognises provision for losses or reversal of losses in profit or loss for the current period.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(iii) De-recognition

A financial asset is derecognised when any of the following criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; or (2) the financial asset has been transferred and all the risks and rewards of ownership of the financial asset have substantially been transferred to the transferee; or (3) although the Group neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset, the financial asset has been transferred and the Group has not retained control of the financial asset.

On de-recognition of other equity instrument investments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that have been recognised directly in equity, shall be transferred to retained earnings. On de-recognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes has been recognised in OCI, shall be recognised in profit or loss.

(b) Financial liability

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

The financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payables, other payables and borrowings, etc. The financial liabilities are initially measured at fair value exclusive transaction costs and are subsequently measured at effective interest rate method. Financial liabilities with maturities within 1 year (inclusive) are presented in current liabilities. Financial liabilities with maturities more than 1 year but are due within 1 year (inclusive) at the balance sheet date are presented in current portion of non-current liabilities. Others are presented in non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and should maximise the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

(9) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods and turnover materials, and are stated at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

Notes to the Financial Statements

For the six months ended 30 June 2023
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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Inventories (continued)

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion, estimated contract fulfilment costs and expenses necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation method of low value consumables and packaging materials.

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

A subsidiary is the investee over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost, and cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Long-term equity investments (continued)

(b) Subsequent measurement and recognition of related profit and loss (continued)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, OCI, and profit distribution. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment income is recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, joint control and significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(15)).

(e) Disposal part of the equity investment and loss control of the subsidiary

Disposed of the equity investment in the individual financial statements is charged to profit or loss of the current period according to the difference between its carrying amount and actual obtained price. Meanwhile, the residual equity is recognised as long-term equity investment or other related financial assets according to its carrying amount. Relevant accounting treatment, which specifies the conversion from the cost method to the equity method, will be carried out if the residual equity after disposal has material impacts on original subsidiary company.

In the consolidated financial statements, the residual equity is remeasured at fair value at the date of losing control. The difference between sum of the consideration from equity disposal and the fair value of residual equity, and sum of the portion of net assets calculated according to the original shareholding ratio on a continuously basis from the purchase date and goodwill, is charged to investment income of losing control of the current period. Additionally, the changes of other owners' equity and other comprehensive income, relating with the equity investment of the original subsidiary, will transfer to the current profit or loss when losing control. However, other comprehensive income arising from the re-measurement of net liabilities or changes in net assets of the benefit plan by the invested party will all be excluded.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, electronic equipment, office equipment and motor vehicles.

Fixed assets are recognised when the economic benefits associated with them are very likely to flow into the Group and their costs can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	8 to 20 years	0%-10%	4.50% to 12.50%
Machinery and equipment	3 to 10 years	0%-10%	9.00% to 33.33%
Electronic equipment and office equipment	3 to 8 years	0%-10%	11.25% to 33.33%
Motor vehicles	5 to 8 years	0%-10%	11.25% to 20.00%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) When the recoverable amount of a fixed asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2 (15)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. When the recoverable amount of a project under construction is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2 (15)).

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets

Intangible assets include land use rights, proprietary technologies, R&D technology (capitalised development costs of the Group's internal R&D projects) and software, etc., and are measured at cost.

(a) Land use rights

Land use rights acquired, and land use rights acquired by way of payment of land transfer payments are recorded at the actual payment and are amortised on a straight-line basis over a useful life of 47-50 years. Where it is difficult to reasonably allocate the land and building purchase price between the land use right and the building, all of them shall be regarded as fixed assets.

(b) Proprietary technology

Proprietary technology is accounted for at the price actually paid, and is generally amortised on average over the estimated useful life of 5-10 years.

(c) R&D technology

The R&D technology is generally amortised according to the estimated benefit period of 5-10 years from the time when the technology is ready for its intended use.

(d) Software

Software and is generally amortised on average over the estimated useful life of 3-10 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets (continued)

(f) R&D

The expenditure on an internal R&D project is classified into costs on the research phase and costs on the development phase based on its nature and whether there is material uncertainty that the R&D activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development costs that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use. At the end of the period, the Group reviews the capitalised development costs and recognises the development costs of related development projects that no longer meet the capitalisation conditions in the current profit and loss.

(g) Impairment of intangible assets

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount (Note 2 (15)).

(14) Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(15) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, development costs and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(15) Impairment of long-term assets (continued)

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(16) Employee benefits

Employee benefits refer to all forms of remuneration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs and etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which belong to defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(17) Profit distribution

Cash dividend is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(18) Revenue

On the contract start date, the Group evaluates the contract, and identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. Revenue is recognised separately for performance obligations.

When the customer obtains control of the related goods or services, the Group recognises revenue based on the amount of consideration expected to be received. The part of that the Group has obtained unconditional collection rights is recognised as accounts receivables, and the provision for loss of accounts receivables is recognised on the basis of expected credit loss (Note 2 (8)).

Notes to the Financial Statements

For the six months ended 30 June 2023
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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Revenue (continued)

(a) Sales of goods

The Group recognises revenue when delivers the pharmaceutical and diagnostic products to the carrier designated by the customer, or after the customer's acceptance or after control transfer to customer. The credit period granted to customers by the Group is determined based on the characteristics of customers' credit risk, which is consistent with industry practice and there is no significant financing component. The Group's obligations to transfer goods to customers for consideration received or receivable from customers are shown as contract liabilities.

(b) Technology transfer

The revenue from technology transfer is recognised when the contract execution clause is completed and control related to the technology is transferred.

Under the terms of the technology transfer contract, after the purchaser successfully commercialises the transferred technology, the Group can collect additional concessionary revenue or revenue sharing in the future. When the right to receive relevant revenue is established, concession revenue or revenue share will be recognised.

(c) Cooperative development, technical services and labour services

Revenue from the provision of cooperative development, technical services and labour services is recognised during the period of service provision. The Group will recognise the incremental costs incurred in obtaining labour contracts as contract acquisition costs. Contract acquisition costs with an amortisation period of no more than one year are charged to profit or loss of the current period when occurred.

(19) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including financial subsidy and etc.

Government grants are recognised when the grants can be received, and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(20) Deferred income

For the amounts obtained from third parties and subsequent benefit periods, including government, the Company records them into deferred income when obtained, and amortises them into the current profit and loss systematically according to the expected income period.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the deductible temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same taxpayer within the Group and the same taxation authority; and,
- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(22) Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use assets and measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group include buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term.

Notes to the Financial Statements

For the six months ended 30 June 2023
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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Lease (continued)

The Group will account for a separate lease when a change occurs to the lease and the following conditions are met: (1) the change extends the scope of the lease by increasing the right to use one or more of the leased assets; (2) The increased consideration shall be equivalent to the amount of the separate price of the extended portion of the lease as adjusted for the circumstances of the contract.

When the lease change is not accounted for as a separate lease, the Group redetermines the lease period on the effective date of the lease change and uses the revised discount rate to change the lease. The subsequent lease payments are discounted, and the lease liability is remeasured. If the lease change causes the scope to narrow or the lease term is shortened, the Group will correspondingly reduce the carrying amount of the right-of-use assets, and the relevant gains or losses from the partial or complete termination of the lease are included in the current profit and loss. If other lease changes cause the lease liability to be remeasured, the Group adjusts the carrying amount of right-of-use assets accordingly.

(23) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(24) Share-based payments

Share-based payments are divided into equity-settled and cash-settled payments. The restricted share plan executed by the Group is accounted for as equity-settled share-based payments.

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the vesting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and subsequent information at each balance sheet date within the vesting period.

Where the equity-settled share-based payments cannot be exercised in the end, the Group's cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When modifying the terms of share-based payments plan, if the modification increases the fair value of equity instruments granted, the Group recognises incremental services received based on the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the Group modifies the exercisable conditions in a way that is beneficial to the employees, the Group shall conduct accounting according to the revised exercisable conditions; if the Group modifies the exercisable conditions in a way that is not beneficial to the employees, it will not be taken into account in the accounting, unless cancelling part or all of the equity instruments granted. If the Group cancels equity instruments granted, they shall be accounted for as accelerated exercise at the date of cancellation, and the Group shall include immediately the amount that otherwise would have been recognised over the remainder of the vesting period into profit and loss for the current period. Meanwhile the capital surplus shall be recognised.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting judgements

(i) Capitalisation of development costs

The Group's management determines the capitalisation of development costs based on their commercial and technological feasibility. It could change significantly as a result of technological innovations and the change of estimated profit projections.

Management will write off or write down deferred development costs when there are adverse changes in technological innovations or profit projections.

(ii) Government grants

When government grants are recognised, management determines whether they relate to past expenses, future costs or assets based on the nature of the grants and their purpose intended to compensate, and applies relevant accounting policies accordingly.

Government grants relating to costs are deferred, and management determines a proper calculation method and a relevant time period to recognise each of the grants in the consolidated income statement according to the intention of the grants and nature, duration and progression of the related projects so as to match the grants with costs they are intended to compensate. The calculation method and time period are reviewed and adjusted if appropriate, at the end of each balance sheet date.

(b) Critical accounting estimates and key assumptions

The following key accounting estimates and key assumptions are at risk of significant adjustments in the carrying amount of assets and liabilities for the next accounting year:

(i) Useful life of fixed assets

Management of the Group determines the estimated useful lives of fixed assets. This estimate is based on experience with the actual useful lives of fixed assets of similar nature and function. This estimate may change significantly due to technological innovation or competitors taking action against severe industry cycles.

Management will increase the depreciation rate for assets with shorter useful lives than previously estimated, or give up and write off technically obsolete assets, or sell non-essential assets.

(ii) Impairment of receivables

Management of the Group tests the impairment of accounts receivables and other receivables and makes provisions for bad debts. This estimate is based on the customer's credit history and existing market conditions. Management will re-evaluate relevant impairment provisions at each balance sheet date.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements (continued)

(b) Critical accounting estimates and key assumptions (continued)

(iii) Useful life of Intangible assets

The group possesses proprietary technology and research and development expertise primarily used for drug manufacturing. Based on the expected economic benefits, the group estimates the useful life of such proprietary technology and research and development expertise to be generally between 5 to 10 years. However, the actual useful life may be shorter or longer than the management's estimate, depending on the economic benefits that can be derived from the relevant drugs. Regular reviews of the expected economic benefits may result in changes to the useful life of the proprietary technology and research and development expertise, which may lead to changes in amortization in future periods.

(iv) Income tax and deferred income tax assets

There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management estimates that deductible temporary differences and deductible losses will be recognised as deferred income tax assets when they are likely to be offset against taxable income in the future, but the actual application results may be different.

As mentioned in Note 3(1), the Company and some subsidiaries are high-tech enterprises. The validity period of the high-tech enterprise qualification is three years, after which it is necessary to resubmit the application for high-tech enterprise certification to the relevant government department. Based on the historical experience of the re-identification of high-tech enterprises after the expiration of the previous years and the actual situation, the Company and those subsidiaries believe that they can continue to obtain the high-tech enterprise identification in the coming years, and then calculate the tax rate at a preferential tax rate of 15% of the corresponding deferred income tax. If in the future the Company and those subsidiaries fail to obtain re-certification after the expiration of the high-tech enterprise qualification, the income tax will be calculated at the statutory tax rate of 25%, which will affect the confirmed deferred income tax assets, deferred income tax liabilities and income tax expenses.

As for the deductible losses that can be carried forward in future years, the Group shall recognise the corresponding deferred income tax assets within the limit of the taxable income that can be used to deduct the deductible losses in the future period. The taxable income obtained in the future period includes the taxable income that the Group can realise through normal production and operation activities, and the taxable income that will increase when the taxable temporary difference generated in the previous period is reversed in the future period. The Group needs to use estimates and judgments when determining the time and amount of taxable income in the future period. If there is a difference between the actual situation and the estimate, it may lead to adjustments to the carrying amount of deferred income tax assets.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	15% and 16.5%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 6% and 3%
City maintenance and construction tax	The payment amount of VAT	5% and 7%

- (a) In 2020, the Company obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR202031006264), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, STA Shanghai Municipal Tax Service and Shanghai Local Taxation Bureau. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company for the six months ended 30 June 2023 was 15% (for the six months ended 30 June 2022: 15%).

In 2022, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR202231000054), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, STA Shanghai Municipal Tax Service and Shanghai Local Taxation Bureau. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to Tracing Bio-technology for the six months ended 30 June 2023 was 15% (for the six months ended 30 June 2022: 15%). Tracing Bio-technology had no taxable income for the six months ended 30 June 2023 and 2022, thus no income tax expenses were accrued.

In 2021, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), a subsidiary of the Company, obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR202132007432), with a term of validity of three years, jointly issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and STA Jiangsu Provincial Tax Service. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to Taizhou Pharmaceutical for the six months ended 30 June 2023 was 15%. Taizhou Pharmaceutical had no taxable income for the six months ended 30 June 2023 and 2022, thus no income tax expenses were accrued.

Fernovelty (Hong Kong) Holding Co., Limited ("Fernovelty Holding"), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rates regime, where applicable tax rate for taxable profits within HKD2,000,000 is 8.25% while that for taxable profits in excess of HKD2,000,000 is 16.5%. For the six months ended 30 June 2023 and 2022, Fernovelty Holding had no taxable profits, thus no HK profits tax was accrued.

4 SUBSIDIARIES

See Note 7 for details.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS

(1) Cash at bank and on hand

	30 June 2023	31 December 2022
Cash on hand	33,243	44,479
Cash at bank	1,231,095,256	1,289,258,185
Including: cash at bank and on hand overseas	3,602,041	3,465,559
	<u>1,231,128,499</u>	<u>1,289,302,664</u>

As at 30 June 2023 and 31 December 2022, no cash at bank was restricted.

(2) Notes receivables

	30 June 2023	31 December 2022
Bank acceptance notes	100,099,391	172,740,246
Less: Provision for bad debts	—	—
	<u>100,099,391</u>	<u>172,740,246</u>

(a) As at 30 June 2023, the group do not have any mortgage, pledge or other situations.

(b) As at 30 June 2023, notes receivables endorsed or discounted prior to their maturities are as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	<u>12,187,117</u>	<u>6,880,000</u>

(i) For the six months ended 30 June 2023, just an insignificant portion of the bank acceptance notes were endorsed by the Group and met the derecognition conditions, which were classified as financial assets at amortised cost.

(c) All the notes receivables are collected from ordinary operating activities such as sales of goods and rendering of services. The Group recognises provision in accordance with the expected credit losses throughout the lifetime, regardless of whether there is any significant financing component.

As at 30 June 2023 and 31 December 2022, the Group considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debts was made.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables

	30 June 2023	31 December 2022
Accounts receivables	680,857,453	518,749,422
Less: Provision for bad debts	(40,863,271)	(12,365,732)
	<u>639,994,182</u>	<u>506,383,690</u>

The Group's accounts receivables are generated from daily business activities such as the sales of pharmaceutical and diagnostic products, with credit periods of 30-120 days.

As at 30 June 2023 and 31 December 2022, there were no significant accounts receivables from shareholders who held more than 5% (including 5%) of the voting shares of the Company in the Group's accounts receivables.

(a) The ageing analysis of accounts receivables is as follows:

	30 June 2023	31 December 2022
Within 1 year	680,585,853	516,855,117
1 to 2 years	–	1,622,705
Above 3 years	271,600	271,600
	<u>680,857,453</u>	<u>518,749,422</u>

(b) As at 30 June 2023, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

	Account Balance	Provision for bad debts	% of total balance
Total top five accounts receivables	<u>386,624,474</u>	<u>(27,740,271)</u>	<u>56.78%</u>

(c) Provision for bad debts

	31 December 2022	Change amount in the current period			30 June 2023
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	<u>(12,365,732)</u>	<u>(28,497,539)</u>	<u>–</u>	<u>–</u>	<u>(40,863,271)</u>

For the accounts receivables, the Group recognise provision in accordance with the expected credit losses throughout the lifetime, regardless of whether there is any significant financing component.

(i) As at 30 June 2023 and 31 December 2022, the Group did not make provision for bad debts for accounts receivables on an individual basis.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts (continued)

- (ii) As at 30 June 2023, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group – sales receivable:

	30 June 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	287,240,050	–	–
Overdue within 120 days	210,103,284	1.56%	(3,271,633)
Overdue 121 days to 1 year	183,242,519	20.37%	(37,320,038)
Overdue more than 3 years	271,600	100.00%	(271,600)
	<u>680,857,453</u>		<u>(40,863,271)</u>

- (iii) As at 31 December 2022, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group – sales receivable:

	31 December 2022		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	248,647,454	–	–
Overdue within 120 days	227,798,184	0.64%	(1,456,453)
Overdue 121 days to 1 year	40,409,479	22.31%	(9,014,974)
Overdue 1 to 2 years	1,622,705	100.00%	(1,622,705)
Overdue more than 3 years	271,600	100.00%	(271,600)
	<u>518,749,422</u>		<u>(12,365,732)</u>

- (d) For the six months ended 30 June 2023, there were no accounts receivables written off.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(4) Advances to suppliers

(a) *The ageing of advances to suppliers is analysed as follows:*

	30 June 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	8,702,188	97.28%	17,704,339	98.43%
1 to 2 years	243,490	2.72%	282,801	1.57%
	8,945,678	100.00%	17,987,140	100.00%

As at 30 June 2023 and 31 December 2022, there were no significant advances to shareholders who held more than 5% (including 5%) of the voting shares of the Company in the Group's advances to suppliers.

(b) As at 30 June 2023, the top five advances to suppliers based on the balance of the debtors are summarised and analysed as follows:

	Amount	% of total balance
Total top five advances to suppliers	4,574,520	51.14%

(5) Other receivables

	30 June 2023	31 December 2022
Deposits receivable	2,904,001	3,041,175
Petty cash for employees receivable	261,244	425,644
Guarantees receivable	30,379	10,380
Others	1,539,304	1,393,243
	4,734,928	4,870,442
Less: Provision for bad debts	—	—
	4,734,928	4,870,442

As at 30 June 2023 and 31 December 2022, there were no significant other receivables from shareholders who held more than 5% (including 5%) of the voting shares of the Company in the Group's other receivables.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(a) The ageing of other receivables is analysed as follows:

	30 June 2023	31 December 2022
Within 1 year	1,685,577	1,672,094
1 to 2 years	1,012,824	1,034,174
2 to 3 years	678,103	721,298
Above 3 years	1,358,424	1,442,876
	<u>4,734,928</u>	<u>4,870,442</u>

(b) Movements in provision for losses and changes in book balance

(i) As at 30 June 2023, the provision for bad debts of other receivables at Stage 1 are analysed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	2,934,380	-	-
Petty cash for employees	261,244	-	-
Others	1,539,304	-	-
	<u>4,734,928</u>		<u>-</u>

As at 30 June 2023, the Group did not have other receivables at Stage 2.

As at 30 June 2023, the Group did not have other receivables at Stage 3.

(ii) As at 31 December 2022, the provision for bad debts of other receivables at Stage 1 are analysed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	3,051,555	-	-
Petty cash for employees	425,644	-	-
Others	1,393,243	-	-
	<u>4,870,442</u>		<u>-</u>

As at 31 December 2022, the Group did not have other receivables at Stage 2.

As at 31 December 2022, the Group did not have other receivables at Stage 3.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(c) Provision for bad debt

	31 December 2022	Accrual	Reverse	30 June 2023
Provision for bad debts of other receivables	–	(57,246)	57,246	–

(d) As at 30 June 2023, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Company 1	Deposits receivables	1,267,464	Above 3 years	26.77%	–
Company 2	Deposits receivables	572,004	1 to 2 years	12.08%	–
Company 3	Deposits receivables	562,103	2 to 3 years	11.87%	–
Company 4	Others	178,218	Within 1 year	3.76%	–
Company 5	Deposits receivables	169,098	1 to 2 years	3.57%	–
		<u>2,748,887</u>		<u>58.05%</u>	<u>–</u>

(6) Inventories

(a) The inventories are classified as follows:

	30 June 2023			31 December 2022		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	26,839,782	(322,307)	26,517,475	12,267,192	(403,448)	11,863,744
Work in progress	9,376,021	(31,123)	9,344,898	15,973,235	(223,550)	15,749,685
Finished goods	13,094,540	(656,124)	12,438,416	14,518,637	(2,620,317)	11,898,320
Turnover materials	1,244,261	–	1,244,261	1,015,011	–	1,015,011
	<u>50,554,604</u>	<u>(1,009,554)</u>	<u>49,545,050</u>	<u>43,774,075</u>	<u>(3,247,315)</u>	<u>40,526,760</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(6) Inventories (continued)

(b) The provision for decline in the value of inventories is analysed as follows:

	31 December 2022	Accrual	Reverse or write-off	30 June 2023
Raw materials	(403,448)	(80,429)	161,570	(322,307)
Work in progress	(223,550)	(31,123)	223,550	(31,123)
Finished goods	(2,620,317)	(1,168,764)	3,132,957	(656,124)
	<u>(3,247,315)</u>	<u>(1,280,316)</u>	<u>3,518,077</u>	<u>(1,009,554)</u>

(c) The situation of the provision for decline in the value of inventories is listed as follows:

	Specific basis for determining net realisable value	Reasons for reversal or write-off of provision for decline in the value of inventories in the current period
Raw material	Estimated selling price less the estimated costs to completion and estimated costs necessary to make the sale and related taxes	Production and sales/Damaged
Work in progress	Estimated selling price less the estimated costs to completion and estimated costs necessary to make the sale and related taxes	Completion of production and sales
Finished goods	Estimated selling price less the costs to completion and estimated costs necessary to make the sale and related taxes	Sales/Damaged

(7) Current portion of non-current assets

	30 June 2023	31 December 2022
Fixed deposits due within 1 year-principle	–	30,000,000
Fixed deposits due within 1 year-interest	–	3,320,625
	<u>–</u>	<u>33,320,625</u>

(8) Other current assets

	30 June 2023	31 December 2022
Input VAT to be deducted	8,201,137	1,131,642
Prepaid income tax	481,748	2,925,576
	<u>8,682,885</u>	<u>4,057,218</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(9) Investments in other equity instruments

	30 June 2023	31 December 2022
Investments in equity instruments		
Equity of listed companies	<u>366,679</u>	<u>604,241</u>
	30 June 2023	31 December 2022
Kintara Therapeutics, Inc. ("Kintara")		
– Costs	5,623,983	5,623,983
– Accumulated changes in fair value	<u>(5,257,304)</u>	<u>(5,019,742)</u>
	<u>366,679</u>	<u>604,241</u>

The Company held 12,592 common shares of Kintara Therapeutics, Inc. ("Kintara"). Based on the date of completion of the acquisition with the closing price on the day, the fair value of the equity instruments of Kintara held by the Company was RMB5,623,983.

As at 30 June 2023, based on the closing price on the day, the fair value of the equity instruments of Kintara held by the Company was RMB366,679.

(10) Long-term equity investments

	30 June 2023	31 December 2022
Joint ventures (Note 7(2))	64,552,778	65,578,369
Associates (Note 7(2))	<u>235,117,920</u>	<u>240,521,388</u>
	299,670,698	306,099,757
Less: Provision for impairment of long-term equity investments	<u>(332,756)</u>	<u>(332,756)</u>
	<u>299,337,942</u>	<u>305,767,001</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(10) Long-term equity investments (continued)

(a) Joint ventures

	31 December 2022	Increase in investment	Decrease in investment	Share of net gain or loss under equity method	Changes in the current period					30 June 2023	Ending balance of provision for impairment
					Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others		
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF")	65,578,369	-	-	(1,025,591)	-	-	-	-	-	64,552,778	-

As at June 30 2023, the Group's subscribed capital contribution ratio is 29.85%, and the paid-up capital contribution ratio is 30.47%.

(b) Associates

	31 December 2022	Increase in investment	Decrease in investment	Share of net gain or loss under equity method	Changes in the current period					30 June 2023	Ending balance of provision for impairment
					Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others		
Shanghai WD Pharmaceutical Co., Ltd. ("WD Pharmaceutical")	240,188,632	-	-	(6,401,578)	-	998,110	-	-	-	234,785,164	-
Shanghai Lead Discovery Limited Company ("Lead Discovery")	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma Clinic Investment Co., Ltd. ("Derma")	-	-	-	-	-	-	-	-	-	-	-
	240,521,388	-	-	(6,401,578)	-	998,110	-	-	-	235,117,920	(332,756)

The equity related information of the associates of the Group refers to Note 7(2).

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(11) Fixed assets

	Buildings	Machinery and equipments	Electronic equipment and office equipment	Motor vehicles	Total
Cost					
31 December 2022	198,519,184	330,563,010	9,051,063	4,025,746	542,159,003
Increase in the current period					
Purchases	–	23,101,437	392,035	–	23,493,472
Transfer from construction in progress (Note5 (12))	662,199	–	–	–	662,199
Decrease in the current period					
Disposal and scrapping	–	(5,026,594)	–	–	(5,026,594)
30 June 2023	<u>199,181,383</u>	<u>348,637,853</u>	<u>9,443,098</u>	<u>4,025,746</u>	<u>561,288,080</u>
Accumulated depreciation					
31 December 2022	(95,601,675)	(230,137,542)	(6,645,362)	(1,613,195)	(333,997,774)
Increase in the current period					
Accruals	(3,943,728)	(19,333,233)	(414,051)	(199,962)	(23,890,974)
Decrease in the current period					
Disposal and scrapping	–	4,799,586	–	–	4,799,586
30 June 2023	<u>(99,545,403)</u>	<u>(244,671,189)</u>	<u>(7,059,413)</u>	<u>(1,813,157)</u>	<u>(353,089,162)</u>
Provision for impairment					
30 June 2023 and 31 December 2022	–	(1,887,164)	(11,545)	–	(1,898,709)
Carrying amount					
30 June 2023	<u>99,635,980</u>	<u>102,079,500</u>	<u>2,372,140</u>	<u>2,212,589</u>	<u>206,300,209</u>
31 December 2022	<u>102,917,509</u>	<u>98,538,304</u>	<u>2,394,156</u>	<u>2,412,551</u>	<u>206,262,520</u>

For the six months ended 30 June 2023, the amounts of depreciation expenses were RMB23,890,974 (for the six months ended 30 June 2022: RMB23,345,083), of which charged to cost of sales, capitalised development costs, selling expenses, general and administrative expenses and R&D expenses were RMB5,978,657, RMB1,943, RMB7,407,986, RMB1,056,616 and RMB9,445,772 respectively (for the six months ended 30 June 2022: RMB8,487,936, RMB40,651, RMB7,225,636, RMB1,111,966 and RMB6,487,894).

The cost of fixed assets transferred from construction in progress were RMB662,199 (for the six months ended 30 June 2022: Nil).

As at 30 June 2023 and 31 December 2022, the Group had no fixed assets that were temporarily idle and fixed assets that had not completed the property right certificate.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(12) Construction in progress

	30 June 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Taizhou Pharmaceutical production plant construction project – Phase 2	<u>169,079,236</u>	<u>–</u>	<u>169,079,236</u>	<u>122,371,274</u>	<u>–</u>	<u>122,371,274</u>

(i) Movements in significant construction in progress projects

Project name	Budget	31 December 2022	Increase in the current period	30 June 2023	Transfer to fixed assets	Transfer to Long-term prepaid expenses	30 June 2023	% of budget	Project progress	Sources of funds
Taizhou Pharmaceutical production plant construction project – Phase 2	587,350,000	122,371,274	46,707,962	<u>169,079,236</u>	–	–	<u>169,079,236</u>	28.79%	28.79%	Self-owned fund
Preparation workshop renovation project	662,199	–	662,199	<u>(662,199)</u>	–	–	–	100.00%	100.00%	Self-owned fund
Right of Use Asset Renovation Project	252,109	–	252,109	–	(252,109)	–	–	100.00%	100.00%	Self-owned fund
		<u>122,371,274</u>	<u>47,622,270</u>	<u>(662,199)</u>	<u>(252,109)</u>	<u>169,079,236</u>	<u>122,371,274</u>			

As at 30 June 2023 and 31 December 2022, the Group had no impairment of construction in progress.

(13) Right-of-use assets

	Buildings
Cost	
31 December 2022	<u>36,588,338</u>
Increase in the current period	
New lease contracts	423,300
Decrease in the current period	
Lease expiry	(1,751,146)
Lease termination	<u>(582,448)</u>
30 June 2023	<u>34,678,044</u>
Accumulated depreciation	
31 December 2022	<u>(13,711,357)</u>
Increase in the current period	
Accruals	(4,068,597)
Decrease in the current period	
Lease expiry	1,751,146
Lease termination	<u>183,931</u>
30 June 2023	<u>(15,844,877)</u>
Carrying amount	
30 June 2023	<u>18,833,167</u>
31 December 2022	<u>22,876,981</u>

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For the six months ended 30 June 2023
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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(14) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2022	50,403,679	13,843,164	65,824,380	13,309,813	143,381,036
Increase in the current period					
Purchase	–	–	–	246,820	246,820
30 June 2023	<u>50,403,679</u>	<u>13,843,164</u>	<u>65,824,380</u>	<u>13,556,633</u>	<u>143,627,856</u>
Accumulated amortisation					
31 December 2022	(11,541,843)	(8,393,164)	(51,139,209)	(8,171,021)	(79,245,237)
Increase in the current period	(525,607)	–	(1,907,654)	(630,978)	(3,064,239)
30 June 2023	<u>(12,067,450)</u>	<u>(8,393,164)</u>	<u>(53,046,863)</u>	<u>(8,801,999)</u>	<u>(82,309,476)</u>
Provision for impairment					
30 June 2023 and 31 December 2022	–	(450,000)	(1,364,157)	–	(1,814,157)
Carrying amount					
30 June 2023	<u>38,336,229</u>	<u>5,000,000</u>	<u>11,413,360</u>	<u>4,754,634</u>	<u>59,504,223</u>
31 December 2022	<u>38,861,836</u>	<u>5,000,000</u>	<u>13,321,014</u>	<u>5,138,792</u>	<u>62,321,642</u>

For the six months ended 30 June 2023, the amortisation of intangible assets was RMB3,064,239 (for the six months ended 30 June 2022: RMB4,409,592).

The Group's development costs are listed as follows:

	31 December 2022	Increase in the current period	Decrease in the current period		30 June 2023
			Credited to profit or loss	Recognised as intangible assets	
Consistency evaluation of medications	<u>34,825,737</u>	<u>637,260</u>	<u>–</u>	<u>–</u>	<u>35,462,997</u>

For the six months ended 30 June 2023, the Group's total research and development costs were RMB118,590,853 (for the six months ended 30 June 2022: RMB106,844,837), of which RMB117,953,593 (for the six months ended 30 June 2022: RMB102,559,780) was included in profit or loss in the current period, and RMB637,260 (for the six months ended 30 June 2022: RMB4,285,057) was included in the development costs. As at 30 June 2023, the proportion of intangible assets formed by internal R&D to the carrying amount of intangible assets was 19% (as at 31 December 2022: 21%).

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(15) Goodwill

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Goodwill-cost	8,937,000	–	–	8,937,000
Less: Provision for impairment	<u>(8,937,000)</u>	<u>–</u>	<u>–</u>	<u>(8,937,000)</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Goodwill was from the Group's 2015 premium purchase of equity in Shanghai Youni Bio-tech Co., Ltd. ("Youni"). On 30 September 2015, Youni was absorbed by Tracing Bio-technology.

(16) Long-term prepaid expenses

	31 December 2022	Increase in the current period	Transfer to fixed assets (Note 5(12))	Decrease in the current period	30 June 2023
Improvement to right-of-use assets	7,501,716	–	252,109	(1,464,574)	6,289,251
Others	<u>759,495</u>	<u>–</u>	<u>–</u>	<u>(116,517)</u>	<u>642,978</u>
	<u>8,261,211</u>	<u>–</u>	<u>252,109</u>	<u>(1,581,091)</u>	<u>6,932,229</u>

(17) Deferred tax assets

Deferred assets and liabilities before any offsetting are set out as follows:

(a) Deferred tax assets

	30 June 2023		31 December 2022	
	Deductible temporary differences and losses	Deferred tax assets	Deductible temporary differences and losses	Deferred tax assets
Accrued expenses	369,257,647	55,388,647	453,383,320	68,007,496
Deductible losses	119,937,405	17,990,611	19,677,413	2,951,612
Provision for credit impairment	64,296,722	9,644,508	35,847,132	5,377,070
Deferred income	27,049,180	5,532,787	29,508,197	5,901,639
Amortisation of intangible assets	16,425,604	2,463,841	17,496,839	2,624,526
Provision for asset impairment	680,759	102,114	2,887,492	433,124
Government grants	2,896,250	434,438	4,054,750	608,213
	<u>600,543,567</u>	<u>91,556,946</u>	<u>562,855,143</u>	<u>85,903,680</u>
Including:				
Expected to be recovered within 1 year (inclusive)		66,514,898		75,197,317
Expected to be recovered after 1 year		25,042,048		10,706,363
		<u>91,556,946</u>		<u>85,903,680</u>

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For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(17) Deferred tax assets (continued)

(b) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2023	31 December 2022
Deductible temporary differences	15,545,262	15,100,955
Deductible losses	44,719,719	53,290,866
	<u>60,264,981</u>	<u>68,391,821</u>

(c) Deductible losses that are not recognised as deferred tax assets will be expired in following years:

	30 June 2023	31 December 2022
2023	8,908	15,418
2024	456,355	1,254,614
2026	402,028	402,028
2027	10,802,118	10,802,118
2028	12,084,885	12,084,885
2029	8,052,658	8,052,658
2030	739,724	2,607,820
2031	8,423,466	8,494,054
2032	3,749,577	9,577,271
	<u>44,719,719</u>	<u>53,290,866</u>

(18) Other non-current assets

	30 June 2023	31 December 2022
Advances for equipment	<u>100,508,934</u>	<u>57,624,200</u>

(19) Provision for asset impairment and losses

(a) Provision for asset impairment

	31 December 2022	Increase in the current period	Reverse or write-off in the current period	31 December 2022
Provision for impairment of goodwill	8,937,000	–	–	8,937,000
Provision for impairment of fixed assets	1,898,709	–	–	1,898,709
Provision for decline in the value of inventories	3,247,315	1,280,316	(3,518,077)	1,009,554
Provision for impairment of intangible assets	1,814,157	–	–	1,814,157
Provision for impairment of long-term equity investments	332,756	–	–	332,756
	<u>16,229,937</u>	<u>1,280,316</u>	<u>(3,518,077)</u>	<u>13,992,176</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(19) Provision for asset impairment and losses (continued)

(b) Provision for credit impairment

	31 December 2022	Increase in the current period	Decrease in the current period		30 June 2023
			Reverse	Write-off	
Provision for bad debts of accounts receivables	12,365,732	28,497,539	–	–	40,863,271
Provision for bad debts of other receivables	–	57,246	–	(57,246)	–
	<u>12,365,732</u>	<u>28,554,785</u>	<u>–</u>	<u>(57,246)</u>	<u>40,863,271</u>

(20) Short-term borrowings

	30 June 2023	31 December 2022
Pledged (a)	–	1,000,000
Unsecured (b)	100,000,000	100,000,000
	<u>100,000,000</u>	<u>101,000,000</u>

(a) As at 30 June 2023, the group had no bank pledged borrowings (31 December 2022: RMB1,000,000 (Note 5(2))).

(b) As at 30 June 2023, the interest rate of unsecured borrowings was 2.70% (31 December 2022: 2.70%).

(21) Accounts payables

	30 June 2023	31 December 2022
Accounts payables	8,850,423	7,431,420
	<u>8,850,423</u>	<u>7,431,420</u>

As at 30 June 2023 and 31 December 2022, the Group's accounts payables were all for material purchases, and there were no significant other payables from shareholders who held more than 5% (including 5%) of the voting shares of the Company in the Group's other payables.

(22) Contract liabilities

	30 June 2023	31 December 2022
Advance for goods	255,193	308,923
	<u>255,193</u>	<u>308,923</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(23) Employee benefits payable

	30 June 2023	31 December 2022
Short-term employee benefits payable (a)	19,566,342	27,008,874
Defined contribution plans payable (b)	693,849	752,711
	<u>20,260,191</u>	<u>27,761,585</u>

(a) Short-term employee benefits payable

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Wages and salaries, bonus, allowances and subsidies	24,685,466	87,501,658	(93,593,958)	18,593,166
Staff welfare	–	7,063	(7,063)	–
Social security contributions	2,280,771	6,567,595	(8,289,537)	558,829
Including: Medical insurance	2,268,541	6,424,467	(8,146,409)	546,599
Work injury insurance	12,230	143,128	(143,128)	12,230
Housing funds	35,459	7,977,636	(8,012,402)	693
Labour union funds and employee education funds	7,178	552,377	(145,901)	413,654
	<u>27,008,874</u>	<u>102,606,329</u>	<u>(110,048,861)</u>	<u>19,566,342</u>

(b) Defined contribution plans payable

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Basic pensions	729,258	13,557,387	(13,616,249)	670,396
Unemployment insurance	23,453	555,925	(555,925)	23,453
	<u>752,711</u>	<u>14,113,312</u>	<u>(14,172,174)</u>	<u>693,849</u>

The Group paid basic pensions and unemployment insurance to relevant institutions monthly according to the payment base and proportion which specified by the local labour and social security department, and the payment cannot be used to offset the amount that the Group should pay for employees in the future.

(24) Taxes payable

	30 June 2023	31 December 2022
Unpaid VAT	8,551,735	2,120,282
Withholding of individual income tax for employees	792,479	5,860,218
Enterprise income tax payable	–	1,631,271
	<u>9,344,214</u>	<u>9,611,771</u>

Notes to the Financial Statements

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(25) Other payables

	30 June 2023	31 December 2022
Marketing and sales expenses payable	337,322,348	412,462,077
Dividends payable	72,560,047	1,340,716
Guarantees payable	50,260,369	55,515,645
Long-term assets payable	49,450,737	32,239,791
Sales commission payable	4,783,592	4,783,592
Others	12,713,042	12,632,362
	<u>527,090,135</u>	<u>518,974,183</u>

As at 30 June 2023, other payables with an ageing of more than 1 year were RMB59,499,941 (31 December 2022: RMB51,292,645). Other payables with an ageing of more than 1 year were mainly long-term assets payable and guarantees payable, because the payment point for the long-term assets payable was not reached, the amount was not settled.

(26) Other current liabilities

	30 June 2023	31 December 2022
Output VAT to be recognised	<u>33,176</u>	<u>40,160</u>

(27) Lease liabilities

	30 June 2023	31 December 2022
Lease liabilities	19,298,978	23,814,926
Less: Current portion of non-current liabilities	<u>(8,112,500)</u>	<u>(8,216,162)</u>
	<u>11,186,478</u>	<u>15,598,764</u>

(i) As at 30 June 2023, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(ii) As at 30 June 2023, the minimum lease payments needed to be paid within 1 year for the short-term lease and lease contracts for low-value assets which were simplified according to the new lease standard of the Group was RMB93,129 and RMB27,720 (30 June 2022: RMB107,292 and RMB0).

(28) Deferred income

	30 June 2023	31 December 2022
Commercial compensation (a)	27,049,183	29,508,199
Government grants (b)	3,856,250	4,534,750
	<u>30,905,433</u>	<u>34,042,949</u>

Notes to the Financial Statements

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(28) Deferred income (continued)

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023	Cause of formation
Commercial compensation (a)	29,508,199	–	(2,459,016)	27,049,183	Commercial compensation
Government grants (b)	4,534,750	3,342,309	(4,020,809)	3,856,250	Receipt of government grants
	<u>34,042,949</u>	<u>3,342,309</u>	<u>(6,479,825)</u>	<u>30,905,433</u>	

(a) In 2018, the Group signed a market promotion service agreement with Shanghai Huizheng stating that since 1 November 2018, Shanghai Huizheng would carry out market promotion for LIBOd. According to the agreement, Shanghai Huizheng paid RMB50,000,000 to the Group as a commercial compensation for a series of expenses incurred by the Group due to the product market switch caused by the change of the promotion service provider. The aforesaid commercial compensation is recognised as deferred income and amortised and confirmed as profit or loss during the period of the marketing service contract.

(b) Government grants

	31 December 2022	Increase in the current period	Decrease in the current period Recognised in other income	Recognised in non-operating income	30 June 2023	Asset related/ Income related
R&D project industrialisation subsidy	4,054,750	–	(1,158,500)	–	2,896,250	Asset related
Clinical R&D project grant	480,000	480,000	–	–	960,000	Income related
Refund of individual income tax commission	–	2,624,296	(2,624,296)	–	–	Income related
Government financial supporting fund	–	188,679	(188,679)	–	–	Income related
Others	–	49,334	(49,334)	–	–	Income related
	<u>4,534,750</u>	<u>3,342,309</u>	<u>(4,020,809)</u>	<u>–</u>	<u>3,856,250</u>	

The government grants recognised in profit or loss in the current period are set out as follows:

Government grants	Nature	Recognised in profit or loss in the current period	Presentation items recognised in profit or loss in the current period
Refund of individual income tax commission	Income related	2,624,296	Other income
R&D project industrialisation subsidy	Income related	1,158,500	Other income
Government financial supporting fund	Income related	188,679	Other income
Others	Income related	49,334	Other income
		<u>4,020,809</u>	

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(29) Share capital

	31 December 2022	Change in the current period				Subtotal	30 June 2023
		Issue new shares	Scrip issue	Transferred from reserve	Others		
Listed tradable shares – Foreign shares listed overseas	32,600,000	-	-	-	-	-	32,600,000
Listed tradable shares – Domestic listed RMB-denominated ordinary A shares	70,300,000	757,210	-	-	-	757,210	71,057,210
Total share capital	102,900,000	757,210	-	-	-	757,210	103,657,210

	31 December 2021	Change in the current period				Subtotal	30 June 2022
		Issue new shares	Scrip issue	Premium transfer to capital	Others		
Listed tradable shares-foreign listed foreign shares	34,000,000	-	-	-	(1,400,000)	(1,400,000)	32,600,000
Listed in circulation-A-share holders of domestic listed RMB common shares	70,300,000	-	-	-	-	-	70,300,000
Share capital	104,300,000	-	-	-	(1,400,000)	(1,400,000)	102,900,000

(30) Capital surplus

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Share premium	1,151,996,350	136,924,056	-	1,288,920,406
Other capital surplus – Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	350,152	998,110	-	1,348,262
Share-based payments (Note 6)	72,662,435	-	(72,662,435)	-
	1,225,008,937	137,922,166	(72,662,435)	1,290,268,668
	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Share premium	1,200,120,029	-	(48,123,679)	1,151,996,350
Share-based payment (Note 6)	64,973,657	50,502,749	-	115,476,406
	1,265,093,686	50,502,749	(48,123,679)	1,267,472,756

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(32) Surplus reserve

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Statutory surplus reserve	52,150,000	–	–	52,150,000
	31 December 2021	Increase in the current period	Decrease in the current period	31 December 2022
Statutory surplus reserve	52,150,000	–	–	52,150,000

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. By the resolution of the Board of Directors, the Company did not withdraw the statutory surplus reserve due to the amount of accumulated statutory surplus reserve had reached 50% of the registered capital at the end of 2022.

(33) Undistributed profits

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Undistributed profits at the beginning of the period	882,244,301	816,277,203
Add: Net profit (losses) attributable to shareholders of the Company	68,437,509	(35,974,546)
Less: Dividends payable to the Company's shareholders	(72,560,047)	(72,030,000)
Undistributed profits at the end of the period	878,121,763	708,272,657

In accordance with the shareholders' meeting on 30 May 2023, the Company recommends the payment of a final dividend of RMB0.07 per ordinary share, calculated on 1,036,572,100 issued shares, totalling RMB72,560,047 to all shareholders for the year of 2022.

(34) Revenue and cost of sales

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Main operations revenue	522,827,706	271,259,675
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Main operations cost	(41,577,068)	(28,143,633)

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(34) Revenue and cost of sales (continued)

(a) Main operations revenue and cost

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sales of pharmaceutical and diagnostic products	522,658,189	(41,468,116)	271,019,193	(27,224,164)
– Service	169,517	(108,952)	240,482	(919,469)
	<u>522,827,706</u>	<u>(41,577,068)</u>	<u>271,259,675</u>	<u>(28,143,633)</u>

(35) Taxes and surcharges

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Payment standard
	Real estate tax	873,670	
City maintenance and construction tax	456,524	690,784	5% or 7% of the VAT paid
Educational surcharge	414,947	672,524	5% of the VAT paid
Urban land use tax	273,309	259,419	The actual land area occupied, RMB3-5/m ²
Others	252,986	302,669	
	<u>2,271,436</u>	<u>2,611,113</u>	

(36) Selling expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Marketing and academic promotion fees	164,462,971	53,342,650
Salary costs	53,578,710	42,070,185
Travel expenses	8,448,764	3,396,999
Depreciation and amortisation	7,960,648	7,241,043
Business hospitality	5,909,040	3,668,315
Conference fees	4,965,012	601,545
Depreciation of right-of-use assets	2,019,092	2,031,184
Office expenses	991,081	1,582,854
Rental fees	228,385	135,539
Shipping fees	156,042	148,923
Share-based payments expenses	(880,376)	17,296,880
Others	1,385,815	2,056,594
	<u>249,225,184</u>	<u>133,572,711</u>

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(37) General and administrative expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Salary costs	14,562,242	8,552,431
Audit fees	2,546,590	2,356,604
Administrative expenses	2,425,392	1,723,702
Depreciation and amortisation	1,599,898	1,923,030
Consulting fees	1,128,784	97,509
Rent and property fees	614,585	795,929
Share-based payments expenses	(209,264)	17,370,956
Others	4,786,505	2,133,572
	<u>27,454,732</u>	<u>34,953,733</u>

(38) R&D expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Outsourced R&D expenses	42,407,543	36,864,547
Salary costs	34,364,501	21,529,505
R&D department expenses	17,786,210	11,461,116
Information and materials costs	14,727,002	14,470,060
Depreciation	9,445,772	6,487,894
Share-based payments expenses	(777,435)	11,746,658
	<u>117,953,593</u>	<u>102,559,780</u>

(39) Financial income – net

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Interest costs	1,365,000	–
Add: Interest costs on lease liabilities	456,983	742,393
Interest expenses	1,821,983	742,393
Less: Interest income	(2,335,387)	(2,461,712)
Exchange losses/(gains) – net	144	(224,145)
Others	84,709	93,755
	<u>(428,551)</u>	<u>(1,849,709)</u>

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(40) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses and R&D expenses in the income statements are listed as follows by nature:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Changes in inventories of finished goods and work in progress	4,503,234	(5,577,651)
Consumed raw materials and low value consumables, etc.	29,575,391	22,391,828
Marketing and sales expenses	181,809,124	61,502,414
Share-based payments expenses	(1,842,812)	50,502,749
Employee benefit expenses	116,719,641	83,322,505
Less: Amounts capitalised in development costs	(351,347)	(1,446,576)
	116,368,294	81,875,929
Outsourced R&D expenses	42,407,543	36,864,547
Depreciation and amortisation	28,536,304	28,354,712
Less: Amounts capitalised in development costs	(1,943)	(40,651)
	28,534,361	28,314,061
R&D department expenses	17,786,210	11,461,116
Depreciation of right-of-use assets	4,068,597	4,052,394
Quality inspection expenses	2,851,056	3,466,900
Audit Fees	2,546,590	2,380,876
– audit services	2,367,925	2,300,000
– non-audit services	178,665	80,876
Rental (i)	506,034	178,800
Others	7,096,955	1,815,894
	436,210,577	299,229,857

(i) As mentioned in Note 2(22), the rental expenses of short-term leases and low-value leases are directly included in the current profit and loss, and the amount for the six months ended 30 June 2023 is RMB506,034 (for the six months ended 30 June 2022: RMB107,292).

(41) Other income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Asset related/ Income related
Refund of individual income tax commission	2,624,296	279,486	Income related
R&D project industrialisation subsidy	1,158,500	1,158,500	Asset related
Government financial supporting fund	188,679	–	Income related
Others	49,334	105,616	Income related
	4,020,809	1,543,602	

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(42) Investment income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Financial product income	10,276,135	9,604,268
Loss of long-term equity investment accounted by equity method	(7,427,169)	(3,724,438)
	<u>2,848,966</u>	<u>5,879,830</u>

For the six months ended 30 June 2023 and 2022, the bank wealth management products purchased by the Group were measured at fair value and their changes were included in the current profit and loss. As at 30 June 2023 and 31 December 2022, the Group had no balance of wealth management products.

(43) Credit impairment losses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Accounts receivables bad debt losses	28,497,539	40,086,291
Other receivables bad debt reverse	57,246	–
	<u>28,554,785</u>	<u>40,086,291</u>

(44) Asset impairment losses/(reverse)

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Impairment losses/(reverse) on inventories	<u>1,280,316</u>	<u>(6,999)</u>

(45) Gains on disposals of assets

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Amount included in for the six months ended 30 June 2023 non-recurring profit and loss
Gains on disposals of fixed assets	<u>1,473,451</u>	<u>615,680</u>	<u>1,473,451</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(46) Non-operating income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Amount included infor the six months ended 30 June 2023 non-recurring profit and loss
Others	<u>424,260</u>	<u>399,685</u>	<u>424,260</u>

(47) Non-operating expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Amount included in for the six months ended 30 June 2023 non-recurring profit and loss
Losses from scrap of fixed assets	196,648	66,904	196,648
Inventory losses	-	750,500	-
Others	<u>77,183</u>	<u>-</u>	<u>77,183</u>
	<u>273,831</u>	<u>817,404</u>	<u>273,831</u>

(48) Income tax expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Current income tax	481,293	69,386
Deferred income tax	<u>(5,653,266)</u>	<u>(25,237,989)</u>
	<u>(5,171,973)</u>	<u>(25,168,603)</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(48) Income tax expenses (continued)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Total profit	<u>63,432,798</u>	<u>(61,189,485)</u>
Income tax expenses calculated at applicable tax rate 25%	15,858,200	(15,297,372)
Effect of favourable tax rates	(6,342,630)	6,118,893
Tax losses not recognised as deferred tax assets	–	138
Deductible temporary differences for which no deferred tax asset was recognised	(4,654)	502,050
Additional deduction of R&D expenses	(14,830,599)	(12,294,722)
Costs, expenses and losses not deductible for tax purposes	1,344,933	925,128
Effect of eliminated unrealised profits on intra-group transactions	(37,500)	(37,500)
Reversing the deductible loss of deferred income tax assets recognised in previous years	(121,366)	(2,253,695)
Utilisation of previously unrecognised deductible temporary differences	–	(173,775)
Deductible losses of unrecognized deferred income tax assets in previous years recognized in the current period	(1,019,892)	(2,727,134)
Others	(18,465)	69,386
Income tax expenses	<u>(5,171,973)</u>	<u>(25,168,603)</u>

(49) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit/(losses) attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Consolidated net profit/(losses) attributable to ordinary shareholders of the Company	68,437,509	(35,974,546)
Weighted average number of ordinary shares outstanding	1,029,252,403	1,040,750,083
Basic earnings/(losses) per share	<u>0.07</u>	<u>(0.03)</u>
Among them:		
– Basic earnings/(losses) per share from continuing operations:	0.07	(0.03)
– Basic earnings per share from discontinuing operations:	–	–

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(49) Earnings per share (continued)

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share are calculated by dividing the consolidated net profit/(losses) attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding.

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Consolidated net profit/(losses) attributable to ordinary shareholders of the Company	68,437,509	(35,974,546)
Weighted average number of ordinary shares outstanding	1,029,252,403	1,040,750,083
Add: Weighted average number increased due to the issue of restricted shares	—	—
	1,029,252,403	1,040,750,083
The adjusted weighted average of the Company's outstanding common shares	1,029,252,403	1,040,750,083
Diluted earnings/(losses) per share	0.07	(0.03)
Among them:		
– Basic earnings/(losses) per share from continuing operations:	0.07	(0.03)
– Basic earnings per share from discontinuing operations:	—	—

(50) Supplementary information to the cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Deposits and guarantees	3,999,036	9,244,312
Government grants	3,342,309	865,102
Interest income	1,936,723	2,461,695
Others	25,675	1,101
	9,303,743	12,572,210

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(50) Supplementary information to the cash flow statement (continued)

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Administrative expenses and data fees	18,927,175	11,461,116
Guarantees	9,244,312	–
Travel expenses	8,448,764	3,396,999
Business hospitality	5,909,040	3,668,315
Consulting service fees	1,720,414	3,340,360
Advertising expenses	306,062	490,121
Others	2,722,835	1,457,773
	<u>47,278,602</u>	<u>23,814,684</u>

(c) Cash received relating to other investing activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Selling wealth management products	<u>2,123,995,425</u>	<u>2,014,604,268</u>

(d) Cash paid relating to other investing activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Buying wealth management products	<u>2,080,000,000</u>	<u>2,005,000,000</u>

(e) Cash paid relating to other financing activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Payment of lease deposit	–	108,978
Shares repurchase expenses	–	8,699,542
Payment of lease liabilities	4,997,714	4,260,410
	<u>4,997,714</u>	<u>13,068,930</u>

For the six months ended 30 June 2023, the total lease-related cash outflow paid by the Group was RMB5,503,748 (for the six months ended 30 June 2022: RMB4,548,188). Except for the amount of the above-mentioned lease liabilities payment included in financing activities, the remaining cash outflows were included in operating activities.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

6 SHARE-BASED PAYMENTS

(1) Equity-settled share-based payments

Restricted shares (Type 2) scheme

(a) Abstract

Pursuant to the proposal of About the 2021 restricted shares scheme (draft) and the related summary approved on the Group's 1st general meeting of shareholders of A-share and H-share in 2021 which was held on 27 May 2021, and the proposal of The adjustment of the list, number and price of incentive objects granted for the first time in the 2021 restricted shares scheme, the proposal of Granting restricted shares to incentive objects for the first time and the other relevant proposals approved at the 10th (Interim) meeting of the seventh Board of Directors held on 22 July 2021, the Group implemented the restricted share scheme to incentive objects. The total amount were 32.77 million restricted shares (Type 2) at RMB8.90/share as the grant price, and 258 incentive objects.

According to the scheme, the number of shares granted to incentive objects accounts for 30%, 30% and 40% of the total amount of shares granted every year within 3 years from the date of the first grant, and each grant of shares shall be subject to the corresponding grant conditions.

Pursuant to the proposal of Granting reserved restricted shares to incentive objects approved at the 15th (Interim) meeting of the seventh Board of Directors and the 15th (Interim) meeting of the seventh Board of Supervisors held on 26 May 2022, the Company granted 5.23 million reserved restricted shares to 125 incentive objects at the incentive price of RMB8.90/share.

(b) Movements of restricted shares for the six months ended 30 June 2023

	2023	2022
No. of restricted shares issued at the beginning of the period	24,574,000	32,460,000
No. of restricted shares granted for the period	–	5,230,000
No. of restricted shares exercised for the period	(7,572,100)	–
No. of restricted shares expired for the period	(2,586,900)	(13,116,000)
	<u>14,415,000</u>	<u>24,574,000</u>

Equity-settled share-based payments expenses are listed below:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Selling expenses	(880,376)	17,296,880
General and administrative expenses	(209,264)	17,370,956
R&D expenses	(777,435)	11,746,658
Cost of sales	24,263	4,088,255
	<u>(1,842,812)</u>	<u>50,502,749</u>

(c) As at 30 June 2023, among the restricted shares (Type 2) granted for the first time, the remaining life of 12.15 million shares of the restricted shares scheme was 1.06 years until July 2024.

As at 30 June 2023, among the reserved part of the restricted shares (Type 2), the remaining life of 2.27 million shares was 0.90 years until May 2024.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS

(1) Equity in significant subsidiaries

(a) The structure of the Group

Name	Corporate category	Principal place of business	Place of registration	Principal activities	Registered capital/ information on issued equity and claims	Share proportion		Acquisition method
						Direct	Indirect	
Taizhou Pharmaceutical	Limited liability company	Taizhou Jiangsu	No. 1 Yaocheng Avenue, Taizhou City, Jiangsu Province	Production of freeze-dried powder injections and APIs; research and development of pharmaceuticals and medical devices, technology development, technology transfer, technology consulting and technology promotion services, sales of Class II medical devices.	100,000,000	100.00%	–	Set up
Tracing Bio-technology	Limited liability company	Shanghai	No. 308 Cailun Road, Shanghai	Research and development of medical diagnostic products (except human stem cells, genetic diagnosis and therapeutic technology development and application) and related technical services, sales of daily necessities and Class II clinical laboratory analysis instruments and software.	24,800,000	84.68%	–	Set up
Fernovelty Holding	Limited liability company	Hong Kong	LOCKHART RD. WANCHAI, RM. 1501, 15F	Invest in overseas medical projects.	17,438,000	100.00%	–	Set up

(b) Subsidiaries with significant minority interests

As at 30 June 2023 and 31 December 2022, the Group had no subsidiaries with significant minority interests.

(2) Equity in joint ventures and associates

(a) Summarised basic information for material joint ventures and associates

	Principal place of business	Place of registration	Principal activities	Whether strategic to the Group's activities	Share proportion	
					Direct	Indirect
Joint venture – Changzhou BVCF	Changzhou	Changzhou	Healthcare investment	No	29.85%	–
Associates – WD Pharmaceutical	Shanghai	Shanghai	Research and experimental development	No	39.57%	–

The Group uses the equity method to account for the above equity investments.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(b) Summarised financial information for material joint ventures

Changzhou BVCF

	30 June 2023	31 December 2022
	Changzhou BVCF	Changzhou BVCF
Current assets	13,494,194	13,817,761
Non-current assets	198,180,830	199,472,915
Total assets	211,675,024	213,290,676
Current liabilities	(6,916,236)	(5,166,236)
Equity attributable to shareholders of the Company	204,758,788	208,124,440
Share of net assets by shareholding	62,394,755	63,667,267
Carrying amount of investments in joint ventures	64,552,778	65,578,369
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
General and administrative expenses	(2,190,200)	(1,980,250)
Financial expenses	116,633	171,253
(Losses)/Profit in changes of fair value	(1,292,085)	6,966,685
Net (losses)/profits	(3,365,652)	5,157,688
Total comprehensive (losses)/income	(3,365,652)	5,157,688
Dividends received by the Group from joint ventures for the period	-	-

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(c) Summarised financial information for material associates

WD Pharmaceutical

	30 June 2023 WD Pharmaceutical	31 December 2022 WD Pharmaceutical
Current assets	86,832,169	106,312,730
Non-current assets	485,606,193	485,968,096
Total assets	572,438,362	592,280,826
Current liabilities	(3,690,852)	(10,833,135)
Non-current liabilities	(1,375,860)	(366,240)
Total liabilities	(5,066,712)	(11,199,375)
Equity attributable to shareholders of the Company	567,371,650	581,081,451
Share of net assets by shareholding	224,508,962	229,912,430
Carrying amount of investments in associate	234,785,164	240,188,632
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
General and administrative expenses	(6,503,523)	(3,854,764)
R&D expenses	(10,118,989)	(10,023,475)
Net loss	(16,229,908)	(13,385,408)
Total comprehensive loss	(16,229,908)	(13,385,408)
Dividends received by the Group from associate for the period	-	-

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(d) Summarised financial information for non-material joint ventures and associates:

	Principal place of business	Place of registration	Principal activities	Whether strategic to the Group's activities	Share proportion	
					Direct	Indirect
Associate – Lead Discovery	Shanghai	Shanghai	Efficient screening of new drugs in China, development of “me-too” and natural medicine technology	No	35%	–
Derma	Shanghai	Shanghai	Medical investment management	No	20%	–

The Group uses the equity method to account for the above equity investment.

The associate is an unlisted company and has no significant impact on the Group's financial information.

In 2012, the Company's carrying amount of investments in Lead Discovery had been fully made provision for impairment.

8 SEGMENT INFORMATION

The Group is principally engaged in research and development as well as sales of pharmaceutical products. Therefore, the Group does not distinguish between different business segments.

The Company and its subsidiaries other than Fernovelty Holding all operate in Mainland China. The Group's revenue is mainly derived from Mainland China, and it does not distinguish between different regional segments.

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

The Company has no parent company or ultimate controlling party.

(2) Significant subsidiaries

For basic and related information of significant subsidiaries, please refer to Note 7.

(3) Joint ventures and associates

For basic and related information of joint ventures and associates, please refer to Note 7.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties

	Relationship with the Group
SPH	Shareholder
Shanghai Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Suzuken Chinese Medicine Co., Ltd.	Subsidiary of SPH
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
China Medical Foreign Trading Liao Ning Co., Ltd.	Subsidiary of SPH
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Subsidiary of SPH
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Subsidiary of SPH
Shandong Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Ningbo Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Subsidiary of SPH
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Subsidiary of SPH
Inner Mongolia Keyuan Xinhai Pharmaceutical Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai New Asia Pharmaceutical Co., Ltd. ("New Asia Pharmaceutical")	Subsidiary of SPH
Shanghai Pharmaceutical Group (Benxi) North Pharmaceutical Co., Ltd.	Subsidiary of SPH
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Joint venture of SPH
WD Pharmaceutical	Associate of the company

Notes to the Financial Statements

For the six months ended 30 June 2023
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9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions

(a) Pricing policies

The products sold by the Group to related parties are priced on the basis of prices sold to similar third parties.

(b) Sales of goods

Related party	Related party transaction	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	22,619,384	2,337,516
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.	Sale of pharmaceutical products	9,279,297	3,633,644
Shanghai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	7,727,954	4,363,182
China Medical Foreign Trading Liao Ning Co., Ltd.	Sale of pharmaceutical products	3,993,497	8,508,415
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Sale of pharmaceutical products	2,113,885	885,010
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,014,524	725,875
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sale of pharmaceutical products	950,358	–
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Sale of pharmaceutical products	797,671	224,984
SPH Changzhou Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	729,676	386,675
Inner Mongolia Keyuan Xinhai Pharmaceutical Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	726,645	–
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	697,102	666,771
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	585,978	2,461,891
SPH Ningbo Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	423,510	970,175
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sale of pharmaceutical products	212,235	389,264
Shandong Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	133,327	733,301
		<u>52,005,043</u>	<u>26,286,703</u>

(c) Provision of services

Related party	Related party transaction	For the six months ended 30 June 2023	For the six months ended 30 June 2022
WD Pharmaceutical	Manufacturing consignment	148,278	216,991

(d) Purchase of goods and acceptance of service

Related party	Related party transaction	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Shanghai Pharmaceutical Group (Benxi) North Pharmaceutical Co., Ltd.	Outsourced R&D	351,415	313,962

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(e) Remuneration of key management

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Remuneration of key management	<u>4,837,100</u>	<u>4,356,000</u>

(6) Receivables from and payables to related parties

(a) Accounts receivables

	30 June 2023		31 December 2022	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	27,615,474	(913,822)	12,550,614	(496,490)
Shanghai Suzuken Chinese Medicine Co., Ltd.	20,224,838	(4,002,996)	28,762,914	(30,184)
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd.	10,999,448	(436,380)	4,205,440	(33,644)
China Medical Foreign Trading Liao Ning Co., Ltd.	8,174,903	(812,320)	4,061,601	(11,209)
SPH Changzhou Pharmaceutical Co., Ltd.	3,560,765	(702,534)	2,809,198	(11,256)
Shanghai Pharmaceutical Co., Ltd.	2,040,646	–	5,370,120	–
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	1,636,685	–	1,458,240	(7,291)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	803,001	(685)	515,795	(107,042)
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	587,646	–	271,277	(54,255)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	389,491	–	243,432	–
SPH Ningbo Pharmaceutical Co., Ltd.	325,571	(62)	315,383	(2,105)
Jiangxi Nanhua Pharmaceutical Co., Ltd.	122,183	–	2,021,315	–
Shandong Pharmaceutical Co., Ltd.	100,440	–	125,550	(629)
	<u>76,581,091</u>	<u>(6,868,799)</u>	<u>62,710,879</u>	<u>(754,105)</u>

(b) Other payables

	30 June 2023	31 December 2022
SPH	14,709,979	1,340,716
Shanghai Pharmaceutical Group (Benxi) North Pharmaceutical Co., Ltd.	–	72,500
	<u>14,709,979</u>	<u>1,413,216</u>

(c) Advances to suppliers

	30 June 2023	31 December 2022
Shanghai New Asia Pharmaceutical Co., Ltd. (“New Asia Pharmaceutical”)	<u>49,200</u>	–

Notes to the Financial Statements

For the six months ended 30 June 2023
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9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors

(a) Directors and chief executive's emoluments

The emoluments in respect of each of the executive directors, supervisors and chief executives paid/payable by the Group for the six months ended 30 June 2023 are as follows:

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Share-based payment expenses	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Zhao Da Jun	-	570,000	87,470	-	-	-	657,470
Mrs. Xue Yan (i)	-	95,000	11,510	-	-	-	106,510
Mr. Wang Hai Bo (ii)	-	768,000	-	-	-	-	768,000
Mr. Su Yong (ii)	-	570,000	69,040	-	-	-	639,040
Independent directors							
Mr. Wang Hong Guang (iii)	-	16,660	-	-	-	-	16,660
Mr. Lam Siu Wing (iii)	-	16,660	-	-	-	-	16,660
Mr. Xu Pei Long (iii)	-	16,660	-	-	-	-	16,660
Mr. Zhou Zhong Hui (iv)	-	83,310	-	-	-	-	83,310
Mr. Lam Yiu Kin (iv)	-	83,310	-	-	-	-	83,310
Mr. Xu Qing (iv)	-	83,310	-	-	-	-	83,310
Mr. Yang Chun Bao (iv)	-	83,310	-	-	-	-	83,310
Supervisors							
Mr. Huang Jian	-	75,000	-	-	-	-	75,000
Mr. Zhou Ai Guo (v)	-	-	-	-	-	-	-
Mr. Liu Xiao Long (vi)	-	62,500	-	-	-	-	62,500

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(a) Directors and chief executive's emoluments (continued)

The emoluments in respect of each of the executive directors, supervisors and independent non-executive directors paid by the Group for the six months ended 30 June 2022 are as follows:

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Share-based payment expenses	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Wang Hai Bo (ii)	-	751,000	-	-	1,160,616	-	1,911,616
Mr. Su Yong (ii)	-	548,000	64,000	-	1,392,740	-	2,004,740
Mr. Zhao Da Jun	-	548,000	75,000	-	1,392,740	-	2,015,740
Independent non-executive directors							
Mr. Zhou Zhong Hui (iv)	-	100,000	-	-	-	-	100,000
Mr. Lam Yiu Kin (iv)	-	100,000	-	-	-	-	100,000
Mr. Xu Qing (iv)	-	100,000	-	-	-	-	100,000
Mr. Yang Chun Bao (iv)	-	100,000	-	-	-	-	100,000
Supervisors							
Mr. Liu Xiao Long (vi)	-	75,000	-	-	-	-	75,000
Mr. Huang Jian	-	75,000	-	-	-	-	75,000

- (i) The executive director was appointed on 30 May 2023.
- (ii) The executive directors retired upon expiration of the term of office of the seventh session of the Board on 30 May 2023.
- (iii) The Independent non-executive directors were appointed on 30 May 2023.
- (iv) The Independent non-executive directors retired upon expiration of the term of office of the seventh session of the Board on 30 May 2023.
- (v) The Supervisor was appointed on 30 May 2023.
- (vi) The Supervisor was retired upon expiration of the term of office of the seventh session of the Supervisory Committee on 30 May 2023.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(b) Directors' retirement benefits

There are no retirement benefits for the directors. The Group only contributes to state-sponsored retirement schemes for the directors in PRC.

(c) Directors' termination benefits

There are no directors' termination benefits for the directors.

(d) Consideration provided to third parties for making available directors' services

The Company did not pay consideration to any third parties for making available directors' services during the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the period or at any time during the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

(8) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2023 include 3 directors (for the six months ended 30 June 2022: 3 directors), whose emoluments are reflected in Note 9(7). The emoluments paid and payable to the other 2 individuals (for the six months ended 30 June 2022: 2 individuals) for the six months ended 30 June 2023 are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Salary and allowance	1,170,000	1,096,000
Share-based payments expenses	–	2,669,418
Social pension	77,480	58,000
Housing funds, medical insurance and other social insurance	79,030	59,000
	1,326,510	3,882,418
	Head count	
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Emoluments bands:		
HKD0 – HKD1,000,000	5	–
HKD2,000,000 – HKD2,500,000	–	5
	5	5

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

10 CONTINGENCIES

(1) Contingent liabilities and their financial impacts arising from significant pending litigation or arbitration

The Group had no significant pending litigation or arbitration.

(2) Contingent liabilities and their financial impacts arising from debt guarantee to other entities

The Group did not provide any debt guarantee to other entities.

11 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2023	31 December 2022
Buildings, machinery and equipment	<u>78,295,224</u>	<u>138,017,713</u>

12 FINANCIAL INSTRUMENTS AND RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management scheme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's main business is located in the PRC and its main business is settled in RMB. Therefore, the Group had no significant foreign exchange risk.

(b) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group adjusts timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2023 and 2022, the Group did not enter into any interest rate swap agreements.

As at 30 June 2023, the Group had no significant interest rate risk.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND RISKS (continued)

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivables, accounts receivables and other receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit risk exposure; there was no credit risk exposure arising from the performance of financial guarantees off the balance sheet.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at State controlled banks and other large or medium size listed banks with good reputation and high credit rating. Management does not expect that there will be almost no significant losses from non-performance by these banks.

In addition, the Group has policies to limit the credit risk exposure on accounts receivables, other receivables and notes receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2023, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2022: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities –					
Short-time borrowing	100,933,020	–	–	–	100,933,020
Accounts payables	8,850,423	–	–	–	8,850,423
Other payables	527,090,135	–	–	–	527,090,135
Lease liabilities	8,112,500	1,744,943	5,349,617	4,091,918	19,298,978
	<u>644,986,078</u>	<u>1,744,943</u>	<u>5,349,617</u>	<u>4,091,918</u>	<u>656,172,556</u>
			31 December 2022		
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Short-time borrowing	103,309,763	–	–	–	103,309,763
Accounts payables	7,431,420	–	–	–	7,431,420
Other payables	518,974,183	–	–	–	518,974,183
Lease liabilities	8,216,162	5,226,746	5,340,376	5,031,642	23,814,926
	<u>637,931,528</u>	<u>5,226,746</u>	<u>5,340,376</u>	<u>5,031,642</u>	<u>653,530,292</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATES

The level in which fair value measurement is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets measured at fair value on a recurring basis

Assets measured at fair value on a recurring basis are other equity instruments and financial products, both of which are level 3 assets.

The changes in level 3 assets are as follows

	Investments in other equity instruments	Wealth management products	Total
1 January 2022	2,047,212	–	2,047,212
Purchase	–	2,005,000,000	2,005,000,000
Sell	–	(2,014,604,268)	(2,014,604,268)
A gain or loss included in profit or loss	–	9,604,268	9,604,268
A gain or loss included in other comprehensive income	(872,524)	–	(872,524)
	<u>1,174,688</u>	<u>–</u>	<u>1,174,688</u>
30 June 2022	<u>1,174,688</u>	<u>–</u>	<u>1,174,688</u>
1 January 2023	604,241	–	604,241
Purchase	–	2,080,000,000	2,080,000,000
Sell	–	(2,090,276,135)	(2,090,276,136)
Gain or loss included in profit or loss	–	10,276,135	10,276,136
Gain or loss included in other comprehensive income	(237,562)	–	(237,562)
	<u>366,679</u>	<u>–</u>	<u>366,679</u>
30 June 2023	<u>366,679</u>	<u>–</u>	<u>366,679</u>

All the gain or loss included in profit or loss is recorded in investment income.

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The financial assets and liabilities measured at amortised cost of the Group mainly include cash at bank and on hand, accounts receivables and accounts payables.

There was little difference between the carrying amount and fair value of the Group's financial assets and financial liabilities which were not measured at fair value.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

14 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefit for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is added by the shareholders' equity as shown in the consolidated balance sheet and the net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated with net debt divided by the total capital, while the net debt equals borrowings after netting off cash at bank and on hand. As at 30 June 2023 and 31 December 2022, the Group has no borrowing balance. Therefore, the debt ratio was not applicable.

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivables

	30 June 2023	31 December 2022
Bank acceptance notes	100,099,391	171,417,288
Less: Provision for bad debts	<u>—</u>	<u>—</u>
	<u>100,099,391</u>	<u>171,417,288</u>

(a) As at 30 June 2023, the group do not have any mortgage, pledge or other situations.

(b) As at 30 June 2023, the Company's notes receivables endorsed or discounted but not yet due are as follows:

	30 June 2023	
	De-recognised	Not de-recognised
Bank acceptance notes (i)	<u>12,187,117</u>	<u>6,880,000</u>

(i) For the six months ended 30 June 2023, just an insignificant portion of the bank acceptance notes were endorsed by the Group and met the derecognition conditions, which were classified as financial assets at amortised cost.

(c) Provision for bad debts

The Company's notes receivables are generated from daily business activities such as the sales of goods and the provision of labour services. Regardless of whether there was a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime.

As at 30 June 2023 and 31 December 2022, the Company considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables

	30 June 2023	31 December 2022
Accounts receivables	628,281,109	466,087,120
Less: Provision for bad debts	(40,543,722)	(12,094,132)
	<u>587,737,387</u>	<u>453,992,988</u>

(a) The ageing of accounts receivables is analysed as follows:

	30 June 2023	31 December 2022
Within 1 year	628,281,109	464,464,415
1 to 2 years	–	1,622,705
	<u>628,281,109</u>	<u>466,087,120</u>

(b) As at 30 June 2023, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance
Total top five accounts receivables	<u>335,152,314</u>	<u>(27,692,332)</u>	<u>53.34%</u>

(c) Provision for bad debts

	31 December 2022	Change amount in the period			30 June 2023
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	<u>(12,094,132)</u>	<u>(28,449,590)</u>	<u>–</u>	<u>–</u>	<u>(40,543,722)</u>

For the accounts receivables, regardless of whether there was a significant financing component, the Company calculated loss provisions in accordance with the lifetime expected credit losses.

(i) As at 30 June 2023 and 31 December 2022, the Company did not make provision for bad debts for accounts receivables on an individual basis.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2023, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group – sales receivable:

	Book balance	30 June 2023 Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	244,884,341	0.00%	–
Overdue within 120 days	200,154,249	1.61%	(3,223,684)
Overdue 121 days to 1 year	183,242,519	20.37%	(37,320,038)
	<u>628,281,109</u>		<u>(40,543,722)</u>

(iii) As at 31 December 2022, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group – sales receivable:

	Book balance	31 December 2022 Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	231,985,036	–	–
Overdue within 120 days	192,069,900	0.76%	(1,456,453)
Overdue 121 days to 1 year	40,409,479	22.31%	(9,014,974)
Overdue 1 to 2 years	1,622,705	100.00%	(1,622,705)
	<u>466,087,120</u>		<u>(12,094,132)</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables

	30 June 2023	31 December 2022
Amounts due from subsidiaries	128,134,706	96,863,663
Amounts due from related parties	23,753,000	23,753,000
Deposits receivable	2,898,501	2,930,486
Guarantees receivable	10,379	10,380
Petty cash for employees receivable	170,244	250,644
Others	1,143,728	871,911
	156,110,558	124,680,084
Less: Provision for bad debts	(51,953,000)	(51,953,000)
	104,157,558	72,727,084

(a) The ageing of other receivables is analysed as follows:

	30 June 2023	31 December 2022
Within 1 year	129,398,707	98,009,917
1 to 2 years	972,824	993,681
2 to 3 years	638,103	611,562
Above 3 years	25,100,924	25,064,924
	156,110,558	124,680,084

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(b) Movements in provision for losses and changes in book balance

(i) As at 30 June 2023, the analysis of bad debt provisions of other receivables in Stage 1 is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Amounts due from subsidiaries	99,934,706	-	-
Deposits and guarantees	2,908,880	-	-
Petty cash for employees receivable	170,244	-	-
Others	1,143,728	-	-
	<u>104,157,558</u>		<u>-</u>

As at 30 June 2023 and 31 December 2022, the Company had no other receivables in Stage 2.

As at 30 June 2023, the analysis of bad debt provisions of other receivables in Stage 3 is as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Made on an individual basis:			
Amounts due from subsidiaries	28,200,000	100.00%	(28,200,000)
Amounts due from related parties	23,753,000	100.00%	(23,753,000)
	<u>51,953,000</u>		<u>(51,953,000)</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(b) Movements in provision for losses and changes in book balance (continued)

(ii) As at 31 December 2022, the analysis of bad debt provisions of other receivables in Stage 1 is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Amounts due from subsidiaries	68,663,663	–	–
Deposits and guarantees	2,940,866	–	–
Petty cash for employees receivable	250,644	–	–
Others	871,911	–	–
	<u>72,727,084</u>		<u>–</u>

As at 30 June 2023 and 31 December 2022, the Company had no other receivables in Stage 2.

As at 31 December 2022, the analysis of bad debt provisions of other receivables in Stage 3 is as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Made on an individual basis:			
Amounts due from subsidiaries	28,200,000	100.00%	(28,200,000)
Amounts due from related parties	<u>23,753,000</u>	100.00%	<u>(23,753,000)</u>
	<u>51,953,000</u>		<u>(51,953,000)</u>

(c) Provision for bad debts

	31 December 2022	Accrual	Reverse	30 June 2023
Provision for bad debts of other receivables	<u>(51,953,000)</u>	<u>–</u>	<u>–</u>	<u>(51,953,000)</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(d) As at 30 June 2023, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Subsidiary 1	Advance payment	74,790,129	Within 1 year	47.91%	–
	Entrusted Loan	25,000,000	Within 1 year	16.01%	–
Subsidiary 2	Entrusted Loan	28,200,000	Within 1 year	18.06%	(28,200,000)
	Advance payment	144,577	Within 1 year	0.09%	–
Related party 1	Borrowing	23,753,000	Above 3 years	15.22%	(23,753,000)
Company 1	Deposit	1,267,464	Above 3 years	0.81%	–
Company 2	Deposit	572,004	1 to 2 years	0.37%	–
		<u>153,727,174</u>		<u>98.47%</u>	<u>(51,953,000)</u>

(4) Long-term equity investments

	30 June 2023	31 December 2022
Subsidiaries (a)	494,592,081	494,592,081
Joint ventures (b)	64,552,778	65,578,369
Associates (c)	235,117,920	240,521,388
	<u>794,262,779</u>	<u>800,691,838</u>
Less: Provision for impairment of long-term equity investments		
– Subsidiaries	(46,547,860)	(45,221,800)
– Associates	(332,756)	(332,756)
	<u>(46,880,616)</u>	<u>(45,554,556)</u>
	<u>747,382,163</u>	<u>755,137,282</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Long-term equity investments (continued)

(a) Subsidiaries

	31 December 2022	Increase in investment	Changes in the current period Decrease in investment	Provision for impairment	Others	30 June 2023	Ending balance of provision for impairment	Cash dividends declared this period
Taizhou Pharmaceutical	444,381,021	-	-	-	-	444,381,021	-	-
Tracing Bio-technology	1,326,060	-	-	(1,326,060)	-	-	(32,773,060)	-
Fernovelty Holding	3,663,200	-	-	-	-	3,663,200	(13,774,800)	-
	<u>449,370,281</u>	<u>-</u>	<u>-</u>	<u>(1,326,060)</u>	<u>-</u>	<u>448,044,221</u>	<u>(46,547,860)</u>	<u>-</u>

(b) Joint ventures

	31 December 2022	Increase in investment	Decrease in investment	Share of net loss under equity method	Changes in the current period Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2023	Ending balance of provision for impairment
Changzhou BVCF	65,578,369	-	-	(1,025,592)	-	-	-	-	-	64,552,777	-

(c) Associates

	31 December 2022	Increase in investment	Decrease in investment	Share of net loss under equity method	Changes in the current period Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2023	Ending balance of provision for impairment
WD Pharmaceutical	240,188,632	-	-	(6,401,578)	-	998,110	-	-	-	234,785,164	-
Lead Discovery	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma	-	-	-	-	-	-	-	-	-	-	-
	<u>240,521,388</u>	<u>-</u>	<u>-</u>	<u>(6,401,578)</u>	<u>-</u>	<u>998,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,117,920</u>	<u>(332,756)</u>

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(5) Right-of-use assets

	Buildings
Cost	
31 December 2022	<u>35,389,326</u>
Increase in the current period	
New lease contracts	423,300
Decrease in the current period	
Lease expiry	(552,134)
Lease termination	<u>(582,448)</u>
30 June 2023	<u>34,678,044</u>
Accumulated depreciation	
31 December 2022	<u>(12,645,567)</u>
Increase in the current period	
Accrual	(3,935,375)
Decrease in the current period	
Lease expiry	552,134
Lease termination	<u>183,931</u>
30 June 2023	<u>(15,844,877)</u>
Carrying amount	
30 June 2023	<u><u>18,833,167</u></u>
31 December 2022	<u><u>22,743,759</u></u>

(6) Lease liabilities

	30 June 2023	31 December 2022
Lease liabilities	19,298,978	23,675,004
Less: Current portion of non-current liabilities	<u>(8,112,500)</u>	<u>(8,076,240)</u>
	<u><u>11,186,478</u></u>	<u><u>15,598,764</u></u>

As at 30 June 2023, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Main operations revenue	<u>466,212,239</u>	<u>230,066,478</u>
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Main operations cost	<u>(30,122,898)</u>	<u>(25,171,194)</u>

(a) Main operations revenue and cost

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sales of pharmaceutical and diagnostic products	461,405,408	(25,337,306)	226,908,234	(22,012,950)
– Provision of technology service	<u>4,806,831</u>	<u>(4,785,592)</u>	<u>3,158,244</u>	<u>(3,158,244)</u>
	<u>466,212,239</u>	<u>(30,122,898)</u>	<u>230,066,478</u>	<u>(25,171,194)</u>

(8) Investment income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Income from wealth management products	9,941,410	9,017,649
Interest income from entrusted loans	823,194	770,268
Losses of long-term equity investment accounted by equity method	<u>(7,427,170)</u>	<u>(3,724,438)</u>
	<u>3,337,434</u>	<u>6,063,479</u>

The Company did not have any significant restrictions on repatriation of investment income.

Supplementary Information of Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Gains and losses from disposals of non-current assets	1,473,451	615,680
Government grants recognised in profit or loss for the current period	4,020,809	1,543,602
Except for effective hedging business related to the Group's normal business operations, gains and losses on changes in fair value from holding transactional financial assets, and investment income from disposals of transactional financial assets and other non-current financial assets	10,276,135	9,604,268
Investment loss from disposal of subsidiary	–	–
Non-operating income and expenses other than the above	150,429	(417,719)
	15,920,824	11,345,831
Impact of income tax expense	(2,360,526)	(1,702,901)
Impact on the minority interests, net of tax	(28,192)	1,048
	13,532,106	9,643,978

Basis for preparation of summary of non-recurring profit or loss

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

Supplementary Information of Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%) For the six months ended 30 June 2023	Earnings per share	
		Basic earnings per share For the six months ended 30 June 2023	Diluted earnings per share For the six months ended 30 June 2023
Net profit attributable to ordinary shareholders of the Company	2.98%	0.07	0.07
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.40%	0.05	0.05
	Weighted average return on net assets (%) For the six months ended 30 June 2022	Losses per share	
		Basic losses per share For the six months ended 30 June 2022	Diluted losses per share For the six months ended 30 June 2022
Net loss attributable to ordinary shareholders of the Company	(1.62%)	(0.03)	(0.03)
Net loss attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	(2.06%)	(0.04)	(0.04)

By Order of the Board
Zhao Da Jun
Chairman

As at the date of this report, the Board comprises:

Mr. Zhao Da Jun (Executive Director)
Ms. Xue Yan (Executive Director)
Mr. Shen Bo (Non-executive Director)
Ms. Yu Xiao Yang (Non-executive Director)
Mr. Wang Hong Guang (Independent Non-executive Director)
Mr. Lam Siu Wing (Independent Non-executive Director)
Mr. Xu Pei Long (Independent Non-executive Director)

Shanghai, the PRC

25 August 2023