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CanSino Biologics Inc.
康希諾生物股份公司

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

(Stock code: 6185)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of CanSino Biologics Inc. (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2023.

This results announcement, containing the full text of the Company’s interim report for the six months ended June 30, 2023, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. The Board and the audit committee of the Board have reviewed and confirmed this results announcement.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cansinotech.com). The Company’s interim report for the six months ended June 30, 2023 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

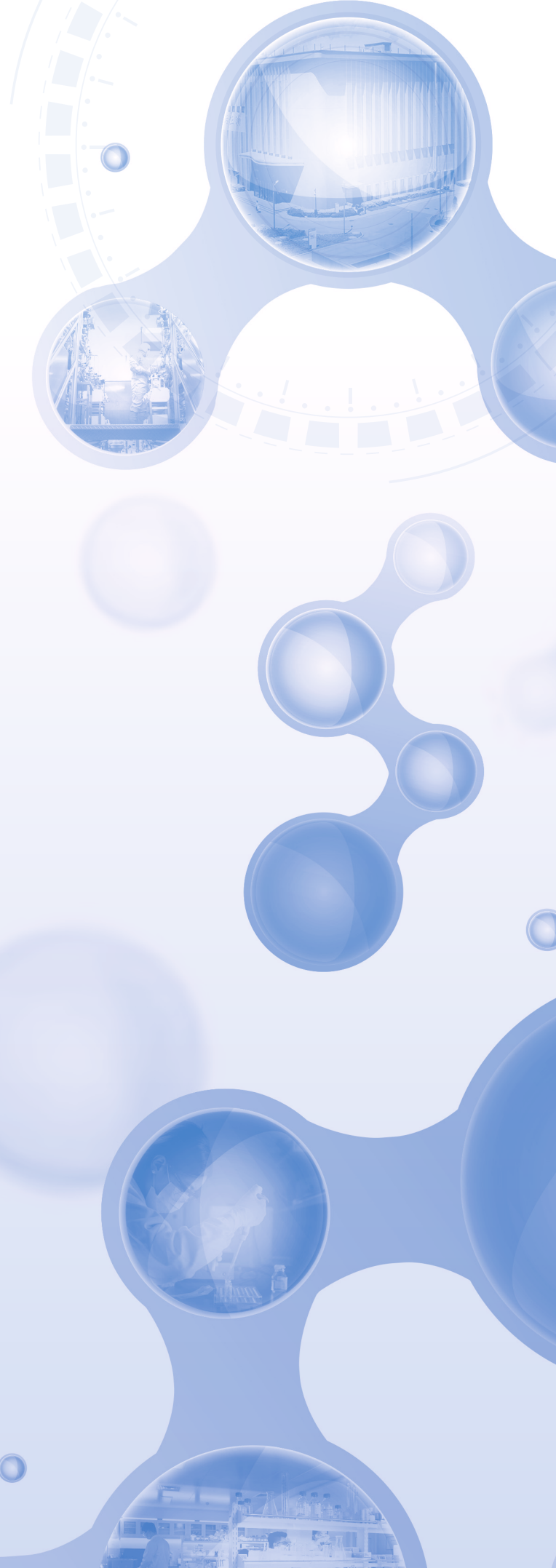
By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong, August 30, 2023

As of the date of this announcement, the Board comprises Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU, Dr. Dongxu QIU and Ms. Jing WANG as executive Directors, Mr. Liang LIN, Ms. Nisa Bernice Wing-Yu LEUNG and Mr. Zhi XIAO as non-executive Directors, and Mr. Shiu Kwan Danny WAI, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU as independent non-executive Directors.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xuefeng YU
(Chairman, chief executive officer and general manager)
Dr. Shou Bai CHAO
(Chief operating officer and deputy general manager)
Dr. Tao ZHU
(Chief scientific officer and deputy general manager)
Dr. Dongxu QIU
(Executive vice president and deputy general manager)
Ms. Jing WANG
(Chief commercial officer and deputy general manager)

Non-executive Directors

Mr. Liang LIN
Ms. Nisa Bernice Wing-Yu LEUNG
Mr. Zhi XIAO

Independent Non-executive Directors

Mr. Shiu Kwan Danny WAI
Ms. Zhu XIN
Mr. Shuifa GUI
Mr. Jianzhong LIU

AUDIT COMMITTEE

Ms. Zhu XIN *(Chairwoman)*
Mr. Shiu Kwan Danny WAI
Mr. Shuifa GUI

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Shuifa GUI *(Chairman)*
Ms. Zhu XIN
Mr. Jianzhong LIU
Dr. Shou Bai CHAO
Mr. Liang LIN

NOMINATION COMMITTEE

Mr. Jianzhong LIU *(Chairman)*
Dr. Xuefeng YU
Mr. Shiu Kwan Danny WAI
Mr. Shuifa GUI
Ms. Nisa Bernice Wing-Yu LEUNG

SUPERVISORS

Ms. Jiangfeng LI *(Chairwoman)*
Dr. Zhongqi SHAO
Ms. Yuan ZHOU (effective from March 3, 2023)

AUTHORISED REPRESENTATIVES

Dr. Xuefeng YU
Mr. Ming King CHIU

JOINT COMPANY SECRETARIES

Mr. Jin CUI
Mr. Ming King CHIU *(FCG HKFCG (PE))*

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STOCK CODE

Hong Kong Stock Exchange: 6185
Shanghai Stock Exchange: 688185

COMPANY WEBSITE

www.cansinotech.com

Financial Summary

In this report, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this report have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

A summary of the operating results and of the assets and liabilities of the Group for the first half of 2023 is set out below:

	Six months ended June 30,		Changes	
	2023	2022		
	(Unaudited) RMB'000	(Unaudited) RMB'000	RMB'000	%
Operating Results				
Revenue	21,086	629,790	(608,704)	(96.7)
Operating loss	(1,342,432)	(164,800)	(1,177,632)	714.6
Loss before income tax	(1,283,335)	(41,555)	(1,241,780)	2,988.3
Profit and total comprehensive income (loss) for the period	(1,282,024)	16,043	(1,298,067)	(8,091.2)
Earnings per Share				
Basic and diluted earnings (loss) per share (in RMB)	(3.4098)	0.0495	(3.4593)	(6,988.5)

	As of		Changes	
	June 30, 2023	December 31, 2022		
	(Unaudited) RMB'000	(Audited) RMB'000	RMB'000	%
Financial Position				
Non-current assets	3,969,248	3,738,775	230,473	6.2
Current assets	5,928,024	7,730,185	(1,802,161)	(23.3)
Total assets	9,897,272	11,468,960	(1,571,688)	(13.7)
Total equity	5,969,259	7,245,602	(1,276,343)	(17.6)
Non-current liabilities	1,191,815	1,281,293	(89,478)	(7.0)
Current liabilities	2,736,198	2,942,065	(205,867)	(7.0)
Total liabilities	3,928,013	4,223,358	(295,345)	(7.0)
Total equity and liabilities	9,897,272	11,468,960	(1,571,688)	(13.7)

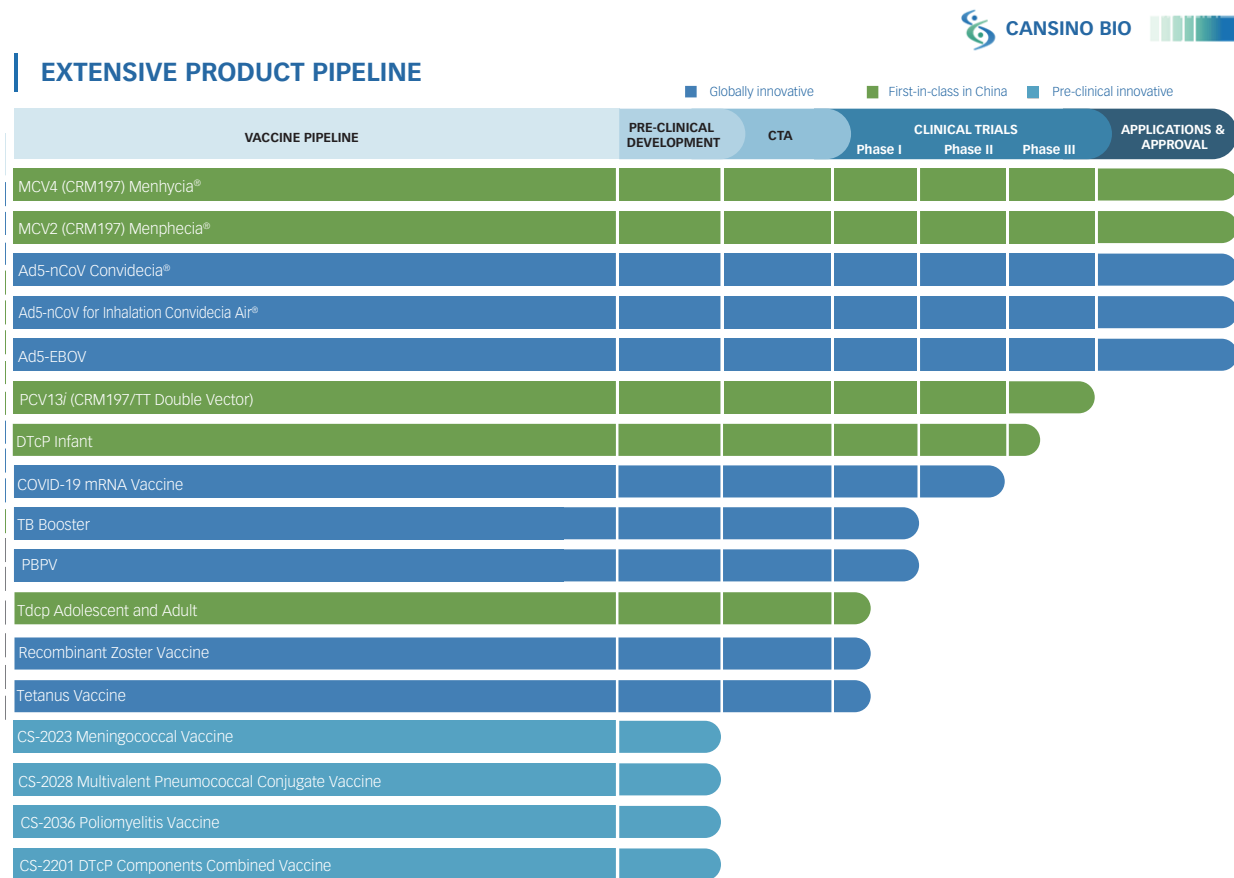
Management Discussion and Analysis

OVERVIEW

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. Our mission is being fulfilled by an accomplished team of founders and senior management – world-class scientists with a record of leading the development of innovative international vaccines at global pharmaceutical companies. Other management members are also vaccine industry veterans from leading multi-national and domestic biologics companies.

Our vaccine pipeline, which is strategically designed to address the vast and underserved market worldwide, can be summarized into three categories: (i) globally innovative vaccines to serve the unmet medical needs worldwide (such as our Convidecia®, Convidecia Air®, Ad5-EBOV, COVID-19 mRNA vaccine candidate, TB Booster candidate, PBPV candidate, Recombinant Zoster Vaccine candidate and Tetanus Vaccine candidate); (ii) first-in-class, domestic vaccines with higher quality developed to replace the current primary vaccines in China (such as our Menhycia® and Menphecica®, PCV13i, Tdcp Adolescent and Adult and DTcP Infant vaccine candidates); and (iii) pre-clinical innovative vaccines (such as our CS-2023 meningococcal vaccine, CS-2028 multivalent pneumococcal conjugate vaccine, CS-2036 poliomyelitis vaccine and CS-2201 DTcP components combined vaccines candidates).

We have a broad portfolio of vaccines and vaccine candidates for more than 10 disease areas, headlined by five commercialized products. Our product pipeline as of the date of this report is set out below:



Management Discussion and Analysis

BUSINESS REVIEW

Research & Development

Our Products

- *Our Commercial Stage Products*

Menphecía® and Menhycía®

Menphecía® is a China best-in-class bi-valent meningococcal vaccine, which competes with domestic MCV2 products commercialized by well-known manufacturers in China.

Menhycía® is a China first-in-class and first NDA approved MCV4 vaccine. Compared with existing products in this regard, Menhycía® has significantly improved and upgraded the process of current products by adopting the Company's synthetic vaccine technology as well as the formulation and delivery technology. The commercialization of Menhycía® will narrow the gap between China and developed countries and fill the vacancy of China's lack of high-end vaccine in this field.

Commercialization

The Company has been granted NDA approval by the NMPA in June 2021 for commercialization of Menphecía® in the PRC.

Menhycía® was granted NDA approval by the NMPA in December 2021, making it the first MCV4 vaccine approved in China. Except for Menhycía®, the current quadra-valent meningococcal vaccines in China are all MPSV4 products, which have a limited age indication. In contrast, our Menhycía® is applicable for children aged from 3 months to 3 years old (47 months), with good safety and immunogenicity profiles demonstrated in clinical trials.

The Company has established the Commercial Operation Center (COC) with a comprehensive system to enable the Company's commercialization team to formulate and execute domestic and overseas promotion strategies and marketing operations for Menhycía®.

In June 2023, MCV4 vaccine obtained clinical trial approval granted by the NMPA to initiate relevant clinical trials in the 7-59 year old population.

As of the date of this report, Menhycía® and Menphecía® have been marketed in 30 provinces and cities in China and have been maintaining an increasing penetration rate.

Management Discussion and Analysis

Convidecia® and Convidecia Air®

Convidecia® is a genetic engineered vaccine with the replication-defective adenovirus type 5 as the vector to express SARS-CoV-2 spike protein, which is used to prevent COVID-19 disease.

Convidecia Air® is the first global aerosolized recombinant viral vector COVID-19 vaccine for inhalation, which can not only stimulate humoral and cellular immunity, but also induce mucosal immunity to achieve triple comprehensive protection efficiently without intramuscular injection. Convidecia Air® has unique advantages of safety, effectiveness, painlessness, convenience and availability. Utilizing the same adenovirus vector technological platform as the intramuscular Convidecia®, Convidecia Air® provides a non-invasive option that uses a nebulizer to change liquid into an aerosol for inhalation through the mouth. Convidecia Air® is needle-free and can effectively induce comprehensive immune protection in response to SARS-CoV-2.

Commercialization

As at June 30, 2023, Convidecia® has been granted emergency use authorizations overseas, and has been granted conditional marketing approval by the NMPA in China and conditional approval in Malaysia. In August 2023, Convidecia® has obtained Halal Decree by the Assessment Institute for Foods, Drugs and Cosmetics of Majelis Ulama Indonesia (LPPOM MUI).

Since September 2022, Convidecia Air® was included for emergency use as a booster vaccine in the PRC and was widely vaccinated. Convidecia Air® was granted emergency use authorization in Morocco and Indonesia, successively.

In May 2023, Convidecia® obtained a certificate of registration from the Pharmacy and Poisons Board of Hong Kong and successfully registered as a pharmaceutical product in Hong Kong. After the successful registration as a pharmaceutical product in Hong Kong, the Convidecia® is not limited to emergency use, and individuals with willingness to be vaccinated are able to receive vaccination at medical institutions or clinics in Hong Kong upon prescription by a medical practitioner.

Ad5-EBOV

Ad5-EBOV uses adenovirus vector technology to induce immune response against Ebola virus disease, a severe illness caused by Ebola viruses with an average mortality rate of about 50%. Ad5-EBOV received NDA approval in China in October 2017 for emergency use and national stockpile, which is the first approved Ebola virus vaccine in China. The Company has also obtained GMP certificate for Ad5-EBOV.

Compared with the existing Ebola virus vaccines and vaccine candidates worldwide, Ad5-EBOV has several key advantages: (i) it has a better stability profile attributable to its freeze-dried dosage form and is approved to be stored between 2°C to 8°C for 12 months; (ii) it is an inactive non-replicating viral vector vaccine with fewer safety concerns; and (iii) it is a potential broad spectrum protection vaccine against the Zaire Ebola virus.

Although the Company currently does not expect Ad5-EBOV to contribute significantly to its business commercially in the future, the development of Ad5-EBOV is the first successful application of the Company's viral vector-based technology and another strong proof of its performance of shouldering social responsibility.

Management Discussion and Analysis

- *Candidates at clinical trial stage*

PCV13i

PCV13i is a potential best-in-class improved PCV13. The Company has made improvements in the conjugate design and manufacturing processes of its PCV13i candidate based on its proprietary conjugate vaccine manufacturing know-how.

In April 2021, the Company initiated the enrollment of a phase III clinical trial for PCV13i and completed on-site work for this trial in 2022.

The Company expects to commence the pre-NDA process in the second half of 2023.

PBPV

PBPV is a globally innovative pneumococcal vaccine candidate. Currently, the 23-valent pneumococcal polysaccharide vaccine (PPV23) products and the 13-valent pneumococcal conjugate vaccine (PCV13) products are all serotype-based and therefore are effective against only up to 23 pneumococcal serotypes but not able to protect against all of the 90 plus serotypes. The Company's PBPV candidate is not serotype-dependent. It adopts antigens that are based on the pneumococcal surface protein A, or PspA, a highly-conserved protein which is expressed by virtually all pneumococci, and contains four types of protein, having the potential to have a much broader coverage in the elderly than that offered by the current PPV23 and PCV13 products.

The Company has officially initiated phase Ib clinical trial for PBPV in March 2023. As of the date of this report, all the patient case has been formally enrolled, and the Company has completed three months of blood sample collection. The Company will evaluate future development plans based on the results of Phase Ib clinical trial.

DTcP Infant

The Company is developing a potential best-in-class DTcP vaccine for infants for primary vaccination in China. The manufacturing process of the co-purified diphtheria, tetanus and acellular pertussis vaccine (DTaP) currently available in China uses a process of co-purification of pertussis antigens. As a diphtheria, tetanus and acellular pertussis (components) vaccine, each pertussis antigen of the DTcP Infant can be purified separately and formulated in a defined ratio, thus ensuring batch-to-batch consistency of product quality and making the product more stable. As of the date of this report, no component vaccine for diphtheria, tetanus and acellular pertussis developed by domestic vaccine manufacturers has been approved for marketing in China. Our DTcP Infant is positioned as an alternative to imports. Meanwhile, the development of DTcP Infant also lays a solid foundation for the further development of our Tdcp Adolescent and Adult and CS-2201 DTcP Components Combined Vaccine. The product portfolio of diphtheria, tetanus and acellular pertussis (components) vaccine will further enrich the Company's product strategy and enhance the Company's core competitiveness.

In August 2023, the phase III trial for DTcP Infant developed by the Group, was officially initiated and the first trial patient case has been formally enrolled. The Company expects that the DTcP Infant candidate will commence the NDA process in 2025.

Management Discussion and Analysis

Tdcp Adolescent and Adult

The Tdcp Adolescent and Adult is a booster vaccine for diphtheria, tetanus and acellular pertussis for adolescents and adults aged six years old and above. Major developed countries have incorporated the vaccine into their routine vaccination programs, but there isn't any approved booster vaccine for diphtheria, tetanus and acellular pertussis for adolescents and adults in China. If successfully launched, the product will fill in the gap in the domestic market. The manufacturing process of the co-purified diphtheria, tetanus and acellular pertussis vaccine currently available in China uses a process of co-purification of pertussis antigens. As a diphtheria, tetanus and acellular pertussis (components) vaccine, each pertussis antigen of the Tdcp Adolescent and Adult can be purified separately and formulated in a defined ratio, thus ensuring batch-to-batch consistency of product quality and making the product more stable. The Company's Tdcp Adolescent and Adult candidate is a potential global best-in-class vaccine developed to compete against world-class vaccines such as Boostrix and Adacel.

Based on the results of the internal evaluation and external communication, and taking into account the progress of R&D and the cost of R&D, the Company has decided to initiate clinical trials of the DTcP Booster in combination with the Tdcp Adolescent and Adult, and to support the enrollment of these populations in the regulatory filing.

In June 2023, the Company's Tdcp Adolescent and Adult candidate obtained clinical trial approval granted by the NMPA to initiate relevant clinical trials in people aged 6 years old and above for the prevention of pertussis, diphtheria, and tetanus in China. The Company expects to initiate a phase I clinical trial for the Tdcp Adolescent and Adult candidate in the second half of 2023.

TB Booster

The Company is developing a globally innovative TB Booster candidate for the Bacillus Calmette-Guerin vaccinated population. The phase Ia clinical trial showed the Ad5Ag85A TB candidate to be safe and well tolerated, and able to boost the immunity in the Bacillus Calmette-Guerin-vaccinated population. The Company obtained a world-wide exclusive license from McMaster University to develop and commercialize products in the tuberculosis field based on technology information rights owned by McMaster University related to TB Booster and its phase I clinical trial, as well as a non-exclusive sub-license to relevant adenovirus patent rights licensed to McMaster University.

In 2021, the phase Ib clinical trial was completed in Canada to evaluate the safety and immune responses stimulated by the TB Booster candidate in the blood and lungs.

The Company will initiate an IND for TB Booster (an improved version) in Indonesia and expects to commence clinical trials in 2024.

Management Discussion and Analysis

Recombinant Zoster Vaccine

The Recombinant Zoster Vaccine adopts ChAdOx1 Vector technology route. The Adenovirus Vector vaccine is capable of triggering cellular immunity and humoral immunity simultaneously, and the vaccine candidate also adopts internationally leading process technology and a quality management and control system that meets international standards. During the entire production process of the vaccine candidate, no animal derived ingredients are used to improve the safety of the final product.

In July 2023, the Recombinant Zoster Vaccine developed by the Group in co-operation with Vaccitech Limited has received a No Objection Letter for clinical trials from Health Canada. Both intramuscular injection version and aerosol inhalation version of Recombinant Zoster Vaccine are approved for clinical trials. As shown in pre-clinical research data, the vaccine candidate was able to stimulate both humoral and cellular immunity, with no significant difference in humoral immunity compared to Shingrix, and can elicit significantly higher systemic cellular response than Shingrix. It is expected that the vaccine candidate has the potential to be a product with high efficacy profile. A clinical phase I trial of intramuscular injection and inhalation will be initiated simultaneously overseas to evaluate the safety and preliminary immunogenicity of the product within 2023.

Tetanus Vaccine

The Tetanus Vaccine developed by the Company is fermented with animal-free culture medium and safer, and the stable industrial scale processes have been identified. This vaccine is mainly used for non-neonatal tetanus prevention, which will further enrich the Company's product pipeline and enhance its core competitiveness.

In July 2023, the Tetanus Vaccine developed by the Group has obtained clinical trial approval granted by the NMPA to initiate relevant clinical trials in people aged 18 years old and above for the prevention of tetanus. The Company expects to initiate a phase I clinical trial for the Tetanus Vaccine candidate within 2023.

COVID-19 mRNA vaccine

As of the date of this report, COVID-19 mRNA vaccine is at clinical trial stage. The Group is closely tracking variant mutant strains, and the next stage of R&D work will be planned according to future epidemic situation, national immunization strategy, review policies and the positive clinical data obtained so far.

- *Pre-Clinical Programs with Proof of Concept*

The Company has various vaccine candidates in pre-clinical programs, including but not limited to DTcP components combined vaccine, and multiple disease specific vaccine candidates targeting meningitis, pneumonia and poliomyelitis. The Company will update in due course if there is any material progress in respect of these pre-clinical programs.

Management Discussion and Analysis

mRNA Platform

The mRNA technology platform developed by the Group is equipped with self-designed and developed sequence optimization software, which is capable of obtaining the optimal sequences that affect the stability of key areas and effectively increase antigen expression. The process of CMC (Chemistry, Manufacturing and Controls) is simple, which could shorten the product development period and quickly realize the industrialization of research achievements. The Group has initially completed the Phase I of the mRNA vaccine production base to support the R&D and commercialization of mRNA platform-based products.

The Group has entered into a Framework Master Product Supply Agreement (the "Framework Agreement") dated August 7, 2023 with AstraZeneca AB (the "AstraZeneca"), pursuant to which the Group will from time to time provide certain products and/or related services to AstraZeneca to support the research & development of certain vaccines by using the Group's mRNA manufacturing platform (the "Program"), whereby the Group will manufacture and supply certain products, and provide certain related services to AstraZeneca for the Program. The entering into of the Framework Agreement demonstrates the recognition of the Group's capabilities by biopharmaceutical multinational corporations and affirms the Group's research & development strengths and competitive advantages in mRNA technology platform, which is conducive to the further expansion of the Group's mRNA manufacturing platform.

The Group's Facilities

To date, the Group's manufacturing activities focus on commercialization and product registration. The Group's manufacturing facility is equipped with advanced equipment and machinery with multiple functions, including fermentation, purification, conjugation, and ultrafiltration, auto-packaging and filling.

The Group owns and operates a commercial-scale manufacturing facility located in Tianjin currently for the manufacture of, among other things, Menphecic[®] and Menhycia[®]. In addition, through the mRNA technology platform established by the Company in Shanghai, the Group will undertake key technological research and large-scale production of mRNA vaccines in its own capacity.

In order to improve our capabilities of R&D, manufacturing, testing and storage, we have initiated the construction of CanSino Innovative Vaccine Industrial Campus Project with part of the proceeds from its A Share Offering, aiming to enhance the manufacturing capacity to satisfy its long-term development strategies.

Commercialization

Our commercialization mission is to provide the right vaccines to the right people. To that end, we have rapidly built up a well-oiled commercialization engine with both the systematic management approach of a multi-national company and the decision-making agility and execution efficiency of a biotech company.

We are methodical in identifying the most consequential clinical decision-makers and POVs and intentional in implementing the most effective marketing measures. Where beneficial, we will leverage the networks of local sales agents to extend our reach. We have pinpointed key vaccination sites and KOLs across China, including county CDCs, and conduct extensive education on the benefits of Menhycia[®], our first-in-class MCV4 vaccine in China, over existing MCV vaccines on the market.

In addition, during the Reporting Period, with the commercialization of our vaccine products, the Company gradually established a sales and marketing network to introduce the features of its products and the latest academic trends in relevant fields through various academic and marketing activities, and has helped doctors in local CDCs use its products properly, which helped establish a good brand image of the Company. At the same time, the Company focuses on professional academics and customer demands. When formulating sales and marketing plans, the Company fully investigates and understands the exact requirements of doctors and real needs of vaccine recipients, and strictly complies with relevant laws and regulations in setting brand promotion information and producing promotional materials through a strict medical compliance review mechanism.

On August 25, 2023, CanSino Biologics (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement with Solution Group Berhad, pursuant to which CanSino Biologics (Hong Kong) Limited has conditionally agreed to subscribe for, and Solution Group Berhad has conditionally agreed to allot and issue, 43,968,600 new ordinary shares, representing approximately 10% of the total issued share of Solution Group Berhad as of the date of the subscription agreement. The subscription price in respect of each share to be subscribed shall be RM0.1950, equivalent to approximately RMB0.3034 based on the exchange rate announced by the People's Bank of China as at the date of entering into the subscription agreement. The subscription is beneficial to the Company in expanding its customer base in Southeast Asia.

Management Discussion and Analysis

Future and Outlook

CanSinoBIO's mission is to develop, manufacture and commercialize high-quality, innovative and affordable vaccines. We have established the Commercial Operation Center (COC) with comprehensive system and will continue to commercialize our Menhycia® and Menphecica®. We will proactively engage in marketing and strengthen professional academic promotions to increase public understanding of vaccines and the necessity and usefulness of vaccination. In order to realize rapid penetration of our sales network, intensification and control of sales costs, we will further build up our commercialization team. Meanwhile, in combination with our marketing strategy, we will take the cultural philosophy, professional and academic competence of the promoters into consideration, conduct stringent screening, management and assessment of the promoters so as to speed up the construction of the sales network and enhance the reputation and market share of our products.

We shall continue to improve R&D platform management, enhance full-stage quality control of products, utilize and expand the technological value of our platform. Developing our clinical trial and pre-clinical stage assets through our in-house R&D and medical/clinical teams can enhance our long-term competitiveness. Also, we will continue the discovery and development of new vaccine candidates through both in-house R&D and external collaborations. We will continue to evaluate possible global collaborations and acquisitions of high-potential assets related to vaccines and biological products, expand our industrialization and commercialization in countries and regions such as Southeast Asia, the Middle East and Latin America to accelerate our competitiveness in the international market and lay a solid foundation for building an industrial system that meets international standards.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2023, we recorded a total revenue of approximately RMB21.1 million (June 30, 2022: RMB629.8 million). The decrease was mainly caused by the decreased demand for COVID-19 vaccines and sales return provision of COVID-19 vaccine products with the amount of RMB237.1 million, which resulted in a negative impact on revenue. Revenue from our meningococcal vaccines sales was RMB222.6 million (June 30, 2022: RMB10.6 million) during the Reporting Period. The increase of meningococcal vaccines sales was mainly attributable to continuous promotion of meningococcal vaccines commercialization. Detail of revenue by vaccines product during the Reporting Period is as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
COVID-19 vaccines	35,569	619,172
Sales return provision of COVID-19 vaccines	(237,131)	–
Meningococcal vaccines	222,648	10,618
Total	21,086	629,790

Management Discussion and Analysis

During the Reporting Period, a breakdown of our revenue by geographical segment is as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
The PRC	17,930	411,507
Overseas	3,156	218,283
Total	21,086	629,790

Gross (Loss) profit

For the six months ended June 30, 2023, we recorded a gross loss of approximately RMB776.5 million (June 30, 2022: gross profit of RMB316.2 million), mainly because of the write-downs of inventory and rights to return goods assets related to our COVID-19 vaccine products, impairment loss of property, plant and equipment used for COVID-19 vaccine production, impairment loss of purchase prepayment for COVID-19 vaccine production and the decline in capacity utilization, which resulted in a negative impact on gross profit, detail is as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss of inventory and rights to return goods assets	332,846	96,617
Impairment loss of Property, Plant and Equipment	325,398	–
Impairment loss of prepayment	53,470	–
Cost generated by low capacity utilization	147,357	–
Total	859,071	96,617

These negative impact were partially offset by the increase in revenue of meningococcal vaccine products during the Reporting Period.

Management Discussion and Analysis

Other Income

Our other income increased by 36.5% from RMB68.8 million for the six months ended June 30, 2022 to approximately RMB93.9 million for the six months ended June 30, 2023, primarily due to an increase of approximately (i) RMB10.2 million in investment income on structured deposits, wealth management products and derivative instruments that we purchased from certain reputable financial institutions in China, (ii) RMB11.5 million in government grants, and (iii) RMB2.5 million in technology transfer income.

Selling Expenses

Our selling expenses increased from approximately RMB88.9 million for the six months ended June 30, 2022 to approximately RMB128.8 million for the six months ended June 30, 2023, which was primarily due to the increase in employee benefit expenses, marketing expenses as a result of our continuous efforts in promotion of Menhycia® commercialization.

Administrative Expenses

Our administrative expenses increased by 0.3% from approximately RMB139.6 million for the six months ended June 30, 2022 to approximately RMB140.1 million for the six months ended June 30, 2023.

R&D Expenses

Our R&D expenses increased by 4.4% from approximately RMB324.0 million for the six months ended June 30, 2022 to approximately RMB338.4 million for the six months ended June 30, 2023, primarily due to an increase of approximately (i) RMB58.1 million in employee benefits expenses, (ii) RMB46.3 million in consumption of raw materials, (iii) RMB13.0 million in depreciation and amortization expenses, and (iv) RMB10.1 million in utilities and office expenses. These were partially offset by the decrease of RMB122.3 million in clinical trial and testing fee for the R&D of our vaccines, mainly due to the decrease in clinical trial and testing fee of COVID-19 vaccines.

The following table sets forth the components of our R&D expenses for the period indicated:

	Six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Raw materials used	120,820	35.7	74,498	23.0
Employee Benefits expenses	106,543	31.5	48,445	15.0
Clinical trial and testing fee	52,284	15.5	174,595	53.9
Depreciation and amortization	31,289	9.2	18,311	5.6
Others	27,436	8.1	8,116	2.5
Total	338,372	100.0	323,965	100.0

Finance Income or Gains – Net

Our net finance income or gains decreased by 52.0% from approximately RMB123.2 million for the six months ended June 30, 2022 to approximately RMB59.1 million for the six months ended June 30, 2023, primarily attributable to the decrease of approximately RMB74.0 million in exchange gains.

Management Discussion and Analysis

Income Tax Credit (Expense)

Our income tax credit for the six months ended June 30, 2023 was approximately RMB1.2 million (six months ended June 30, 2022: RMB57.6 million) due to the recognition of deferred tax assets during the reporting period.

Property, Plant and Equipment

Our property, plant and equipment decreased from approximately RMB2,858.6 million as of December 31, 2022 to approximately RMB2,666.3 million as of June 30, 2023, primarily due to the impairment of property, plant and equipment, partially offset by the construction of facilities and purchase of equipment for R&D and production.

Intangible Assets

Our intangible assets decreased from approximately RMB162.6 million as of December 31, 2022 to approximately RMB145.8 million as of June 30, 2023, primarily due to amortization during the Reporting Period.

Inventories

Our inventories comprised finished goods, work in progress and raw materials purchased for production and R&D activities. Our inventories decreased significantly from approximately RMB677.8 million as of December 31, 2022 to approximately RMB454.4 million as of June 30, 2023, primarily due to (i) the gross amount of inventories decreased from approximately RMB1,343.3 million as of December 31, 2022 to approximately RMB1,204.8 million as of June 30, 2023, primarily due to write-offs with the amount of RMB186.6 million during the Reporting Period, partially offset by the net increase of RMB48.1 million caused by production for stock; (ii) write downs of inventories increased from approximately RMB665.5 million as of December 31, 2022 to approximately RMB750.4 million as of June 30, 2023, primarily due the impairment loss of inventories amounting to approximately RMB271.5 million, partially offset by write-offs with the amount of RMB186.6 million during the Reporting Period. Impairment loss of inventories primarily due to the expiration of shelf-life of such inventories and decreasing demands for COVID-19 vaccines during the Reporting Period.

	As of June 30, 2023			As of December 31, 2022		
	Gross Amount RMB'000 (Unaudited)	Written down RMB'000 (Unaudited)	Carrying Amount RMB'000 (Unaudited)	Gross Amount RMB'000 (Audited)	Written down RMB'000 (Audited)	Carrying Amount RMB'000 (Audited)
Raw Material	638,442	466,083	172,359	716,125	413,295	302,830
Work in progress	253,154	151,398	101,756	345,061	130,001	215,060
Finished goods	313,275	132,952	180,323	282,115	122,228	159,887
Total	1,204,871	750,433	454,438	1,343,301	665,524	677,777

Management Discussion and Analysis

Trade Receivables

Our trade receivables increased from approximately RMB855.5 million as of December 31, 2022 to approximately RMB874.9 million as of June 30, 2023, primarily due to the increase in receivables of meningococcal vaccines sales, partially offset by the decrease in receivables of COVID-19 vaccines sales.

Other Receivables and Prepayments

The following table sets forth the components of our other receivables and prepayments as of the dates indicated:

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Prepayments to suppliers of intangible assets and property, plant and equipment	164,659	134,955
Value added tax recoverable	151,453	114,350
Prepayments to suppliers of raw materials and services	87,850	120,885
Others	10,789	9,087
	414,751	379,277
Less: non-current portion	(207,294)	(150,367)
Current portion	207,457	228,910

Our other receivables and prepayments increased from approximately RMB379.3 million as of December 31, 2022 to approximately RMB414.8 million as of June 30, 2023, which was primarily due to an increase of approximately (i) RMB29.7 million in prepayments to suppliers of intangible assets and property, plant and equipment; and (ii) RMB37.1 million in value added tax recoverable. These were partially offset by the decrease of RMB33.0 million in prepayments to suppliers of raw materials and services.

Refund Liabilities

Our refund liabilities increased from approximately RMB253.9 million as of December 31, 2022 to approximately RMB363.2 million as of June 30, 2023. The increase was primarily due to our updated estimates for the future sales returns based on the actual and expected future vaccination rates of our COVID-19 vaccines which was lower than anticipation as at December 31, 2022, partially offset by sales returns we received during the Reporting Period with a corresponding adjustment to the balance of refund liabilities.

Management Discussion and Analysis

Trade Payables

Our trade payables mainly included payments to be paid to raw material suppliers. The following table sets forth the aging analysis of our trade payables presented based on the date of receipt of goods or services:

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Within 1 year	125,785	214,084
Between 1 year and 2 years	41,721	39,014
Between 2 year and 3 years	20,548	22
More than 3 years	–	–
	188,054	253,120

Our trade payables decreased from approximately RMB253.1 million as of December 31, 2022 to approximately RMB188.1 million as of June 30, 2023, which was generally in line with the decrease in purchase.

Provisions

We accrued provisions for firm purchase commitments amounting to RMB33.9 million as at June 30, 2023 (December 31, 2022: nil), mainly caused by the cancellation or reduction of purchase for raw materials used for the production of COVID-19 vaccines with firm commitments and amendment of construction contract.

Other Payables and Accruals

The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Other payables to suppliers of property, plant and equipment	306,068	360,033
Payroll and welfare payable	104,516	182,408
Clinical trial and testing fee	75,857	89,403
Marketing service fee	68,080	65,713
Considerations received from employees for subscribing restricted A shares of the Company under the 2023 Employee Share Plan	16,984	–
Other service fees	16,709	27,564
Consulting fees	9,342	16,788
Deposits from suppliers	9,124	4,459
Accrued taxes other than enterprise income tax	7,597	23,719
Operation and maintenance fees	1,221	3,410
Others	63,298	18,387
	678,796	791,884
Less: non-current portion	(8,492)	–
	670,304	791,884

Management Discussion and Analysis

Our other payables and accruals decreased by 14.3% from approximately RMB791.9 million as of December 31, 2022 to approximately RMB678.8 million as of June 30, 2023, primarily due to an decrease of approximately (i) RMB77.9 million in payroll and welfare payable, (ii) RMB54.0 million in other payables to suppliers of property, plant and equipment, (iii) RMB16.1 million in accrued taxes other than enterprise income tax, (iv) RMB13.5 million in clinical trial and testing fee and (v) RMB10.9 million in other service fees. These were partially offset by increase of RMB17.0 million in considerations received from employees for subscribing restricted A shares of the Company under the 2023 Employee Share Plan.

Financial Resources, Liquidity and Capital Structure

Our bank balances and cash decreased by 29.6% from approximately RMB3,394.8 million as of December 31, 2022 to approximately RMB2,389.2 million as of June 30, 2023, which was primarily due to the decrease in cash inflow as a result of declined sales, payment for operating activities and repayment for borrowings during the Reporting Period. We are of the view that our financial resources are sufficient for our daily operations.

As of June 30, 2023, the current assets of the Group were approximately RMB5,928.0 million (as of December 31, 2022: RMB7,730.2 million), which include bank balances and cash of RMB2,389.2 million, financial assets at fair value through profit or loss of RMB1,375.3 million and other current assets of RMB2,163.6 million.

As of June 30, 2023, the current liabilities of the Group were approximately RMB2,736.2 million (as of December 31, 2022: RMB2,942.1 million), which include trade payables of RMB188.1 million, other payables and accruals of RMB670.3 million, borrowings of RMB1,407.7 million and other current liabilities of RMB470.1 million.

As of June 30, 2023, the Group had short term loans of approximately RMB1,407.7 million (as of December 31, 2022: RMB1,575.6 million) and long term loans of approximately RMB797.2 million (as of December 31, 2022: RMB878.0 million). The new borrowings during the Reporting Period were raised to ensure sufficient funds for R&D activities, infrastructure projects and facility operations. The Group had new bank loans of approximately RMB1,001.0 million for the six months ended June 30, 2023 as compared with that of approximately RMB1,651.4 million for the six months ended June 30, 2022, aiming to fully enhance the efficiency of capital. Particulars of borrowings of the Group as of June 30, 2023 are set out in note 22 to the condensed consolidated financial statements.

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure comprising assets, liabilities and other commitments are able to meet our capital requirements.

Investment in Financial Assets

With regard to capital management, based on the principle of prudence and soundness, we generally choose principal-protected structured deposits and wealth management products with interest rates higher than those of bank deposits for the same period to maximize our capital gains. As of June 30, 2023, we held structured deposits of RMB1,006.1 million and wealth management products of RMB369.1 million issued by certain reputable financial institutions in China, among which, we have outstanding structured deposits purchased from China Bohai Bank Co., Ltd. with a principal amount of RMB560.0 million, representing over 5% in aggregate of our total assets as of the end of the Reporting Period. The annual interest rate of structured deposits purchased during the six months ended June 30, 2023 varied from 1.30% to 3.25%. Such structured deposits had a maturity period ranging from 61 days to 186 days and are non-cancellable before maturity.

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, we invested approximately RMB91.0 million into the formation of Yuanxi Haihe (Tianjin) Biomedical Industry Fund Partnership (Limited Partnership) which is a private fund as limited partner.

Management Discussion and Analysis

Future Plans for Material Investments or Capital Assets

We planned to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project to enhance the manufacturing capacity to satisfy our long-term development strategies, and we have invested RMB376.2 million as of the date of this report. The schedule of investment will be in line with the progress of construction.

Saved as disclosed above, we did not have any concrete future plans for material capital expenditure, investments or capital assets as of the date of this report. We will make further announcements in accordance with the Hong Kong Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

Saved for those disclosed in this report, the Group did not have any other significant contingent liabilities as of June 30, 2023.

Capital Commitments

Our capital commitments as of June 30, 2023 were approximately RMB414.0 million, representing a decrease of 24.9% from the capital commitments of approximately RMB551.2 million as of December 31, 2022, primarily due to the decrease in our future payments in relation to the construction of manufacture facilities.

Charge on Assets

As of June 30, 2023, certain of our property, plant and equipment have been pledged as collateral under our borrowing arrangements with banks. The carrying amount of property, plant and equipment pledged as collateral was approximately RMB168.9 million as of June 30, 2023 (as of December 31, 2022: RMB168.9 million).

As of June 30, 2023 and December 31, 2022, none of our land use rights have been pledged as collateral under our borrowing arrangements with banks.

Saved as disclosed above, there were no other charges on our assets as of June 30, 2023.

Exchange Rate Risk

Our Group mainly operates in the PRC with most of the transactions settled in RMB and USD. Our Group is exposed to fluctuations in foreign exchange risk to a certain degree as there are financial assets or liabilities of the Group denominated in the currencies other than the functional currency, including (i) cash and term deposits at bank in USD and HKD, which were primarily received from the investors as capital contributions and (ii) trade payables and other payables to overseas suppliers. During the Reporting Period, we have entered into several agreements with commercial banks in China to hedge against the foreign exchange risk. Besides, as of the date of this report, we have established a foreign exchange exposure monitoring policy, and will consider hedging against significant foreign exchange exposure of the Group should be improved.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over 3 months, divided by total equity and multiplied by 100%. As of June 30, 2023, our Group was in a net cash position and thus, gearing ratio is not applicable.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the Reporting Period, except for the following:

In respect of code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Yu. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Yu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

On January 30, 2023, Ms. Nisa Bernice Wing-Yu LEUNG ceased to be vice-chairwoman to the board of directors and a non-executive director of Venus Medtech (Hangzhou) Inc., a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 2500).

On August 4, 2023, Mr. Liang LIN ceased to be a director of Dizal Pharmaceutical Co., Ltd (迪哲醫藥), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 688192).

On August 10, 2023, Mr. Zhi XIAO ceased to be a director of He Eye Specialist Hospital, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 301103).

Save as disclosed above, there are no material changes in Directors, Supervisors and senior management of the Company and their respective biographies during the Reporting Period that need to be disclosed pursuant to Rule 13.51 of the Hong Kong Listing Rules.

Other Information

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and Supervisors.

Having made specific enquiries of all Directors and Supervisors, all of them have confirmed that they have complied with the Model Code throughout the Reporting Period. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

REVIEW OF INTERIM FINANCIAL RESULTS

The Audit Committee consists of three independent non-executive Directors, being Ms. Zhu XIN (Chairwoman), Mr. Shiu Kwan Danny WAI and Mr. Shuifa GUI. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management and the independent auditor of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2023) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the Reporting Period (June 30, 2022: nil).

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of June 30, 2023, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Other Information

Interests in Shares or underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares ⁽¹⁾
Dr. Yu	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾	A Share	42,579,625 (L)	17.21%	37.10%
Dr. Zhu	Interest of a party to an agreement regarding interest in the Company ⁽²⁾	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾ , Interest in a controlled corporation ⁽³⁾	A Share	42,579,625(L)	17.21%	37.10%
Dr. Qiu	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾	H Share	34,598,400(L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾	A Share	42,579,625(L)	17.21%	37.10%
Dr. Chao	Interest of spouse ⁽⁴⁾	H Share	10,785,941(L)	4.36%	8.13%
	Interest of spouse ⁽⁴⁾	A Share	4,409,500(L)	1.78%	3.84%
Ms. Nisa Bernice Wing-Yu LEUNG	Beneficial owner	H Share	143,471 (L)	0.06%	0.11%
Dr. Zhongqi SHAO	Beneficial owner	H Share	675,000(L)	0.27%	0.51%
Mr. Jianzhong LIU	Beneficial owner	H Share	1,000(L)	0.00%	0.00%

Notes:

- (1) The percentage is calculated based on the number of relevant class of Shares in issue as of June 30, 2023.
- (2) Pursuant to the Concert Party Agreement.
- (3) Dr. Zhu is the sole general partner of Tianjin Qianyi, Tianjin Qianrui and Tianjin Qianzhi, which hold 1.40%, 1.33% and 0.49% of the issued share capital of our Company, respectively. Therefore, Dr. Zhu is deemed to be interested in the Shares held by Tianjin Qianyi, Tianjin Qianrui and Tianjin Qianzhi, all of which are A Shares.
- (4) Dr. Chao is the spouse of Dr. Mao, one of our Controlling Shareholders. Therefore, Dr. Chao is deemed to be interested in the Shares in which Dr. Mao is interested in as a beneficial owner under the SFO.
- (5) (L) – Long position.

Other Information

Save as disclosed above, as of June 30, 2023, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2023, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or underlying Shares of the Company

Name of substantial shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares ⁽¹⁾
Dr. Mao	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾ , Interest in a controlled corporation ⁽³⁾	H Share	34,598,400 (L)	13.98%	26.08%
	Beneficial owner, interest of a party to an agreement regarding interest in the Company ⁽²⁾	A Share	42,579,625 (L)	17.21%	37.10%
The Capital Group Companies, Inc.	Interest in a controlled corporation	H Share	16,747,482 (L)	6.77%	12.62%
JPMorgan Chase & Co.	Interest in a controlled corporation, approved lending agent	H Share	7,335,430(L)	2.96%	5.52%
			4,838,049(S)	1.96%	3.64%
			1,730,219(P)	0.70%	1.30%

Other Information

Name of substantial shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate % of total shareholding interest in our Company	Approximate % of the relevant class of Shares ⁽¹⁾
Qiming Corporate GP IV, Ltd.	Interest in a controlled corporation	H Share	7,516,538 (L)	3.04%	5.67%
Qiming GP IV, L.P.	Interest in a controlled corporation	H Share	7,516,538 (L)	3.04%	5.67%
Qiming Venture Partners IV, L.P.	Interest in a controlled corporation	H Share	7,516,538 (L)	3.04%	5.67%
QM29 Limited	Beneficial owner	H Share	7,516,538 (L)	3.04%	5.67%

Notes:

- (1) The percentage is calculated based on the number of relevant class of Shares in issue as of June 30, 2023.
- (2) Pursuant to the Concert Party Agreement, including 7,981,225 A Shares collectively held by Tianjin Qianyi, Tianjin Qianrui and Tianjin Qianzhi, the exercise of the voting rights attaching to which are controlled by Dr. Zhu.
- (3) In January 2022, Dr. Mao transferred 1,138,759 H Shares of the Company held by her to SCHELD Holding Limited, a company wholly-owned by Dr. Mao as of the date of the report. As a result of such transfer, the Concert Party Agreement was amended on January 26, 2022 to reinforce that the parties acting in concert shall vote (and procure the entities held by them if any to vote) unanimously for any resolutions proposed at any Shareholders' meeting of the Company. The composition of the group of parties acting in concert, the amount of Shares held by the parties acting in concert and the voting rights attaching thereto remained unchanged after such transfer. For further details, please refer to the overseas regulatory announcement of the Company dated January 27, 2022.
- (4) (L) – Long position.
(S) – Short position.
(P) – Lending pool.

Save as disclosed above, as of June 30, 2023, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the substantial Shareholders of the Company had interests or short positions in the Shares and underlying Shares of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 336 of the SFO.

Other Information

USE OF PROCEEDS FROM LISTING OF H SHARES AND A SHARE OFFERING

Use of H Share IPO Proceeds

The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its Listing of H Shares and the exercise of over-allotment option of approximately HK\$1,309.8 million in aggregate, equivalent to approximately RMB1,122.3 million (the "H Share IPO Proceeds"). Taking into account the net proceeds received from the A Share Offering and the Company's operation needs, in order to strengthen the Company's capital efficiency, the Board resolved on August 21, 2020 to change the use of the remaining unutilized H Share IPO Proceeds of approximately RMB682.8 million in total as of June 30, 2020, which was approved by the Shareholders on October 9, 2020. In addition, with a view to achieving the long-term interests of the Company and its Shareholders and the strategic development goals of the Company, and taking into account the actual demands of the market as well as the enhancement of efficiency of funds utilization, the Board resolved on December 2, 2022 to change the use of RMB100 million of the unutilized H Share IPO Proceeds as of November 30, 2022, which was originally allocated for the R&D of DTcP candidates, to the R&D of combined vaccine candidates containing DTcP components to enrich the product portfolio of vaccines and enhance the market competitiveness of the Company which was approved by the shareholders on December 21, 2022.

The table below sets out, among other things, the revised allocation of unutilized H Share IPO Proceeds and actual usage of the re-allocated H Share IPO Proceeds up to June 30, 2023. The Company prioritized the use of A Share IPO Proceeds (as defined below) after receiving it, and thus the actual usage of corresponding H Share IPO Proceeds was delayed.

Intended use of H Share IPO Proceeds	Proposed use of H Share IPO Proceeds as of the time of Listing (RMB million)	Unutilized H Share IPO Proceeds as of June 30, 2020 (RMB million)	Revised allocation of unutilized H Share IPO Proceeds approved on October 9, 2020 (RMB million)	Unutilized H Share IPO Proceeds as of November 30, 2022 (RMB million)	Revised allocation of unutilized H Share IPO Proceeds approved on December 2, 2022 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to June 30, 2023 (RMB million)	Unutilized net proceeds as of June 30, 2023 (RMB million)	Expected time of full utilization of remaining balance
Research and development and commercialization of MCV candidates	505.1	458.2	38.2	-	-	-	85.1	-	NA
Research and development of DTcP candidates	224.5	166.6	166.6	149.3	49.3	5.7	81.6	42.9	By the end of 2024
Research and development of other key products	168.3	41.8	41.8	10.7	10.7	3.7	162.9	5.4	By the end of 2023
Continued R&D of our pre-clinical vaccine candidates	112.2	10.7	10.7	-	-	-	112.2	-	NA
Working capital and other general corporate purposes	112.2	5.5	5.5	-	-	-	112.2	-	NA

Other Information

Intended use of H Share IPO Proceeds	Proposed use of H Share IPO Proceeds as of the time of Listing (RMB million)	Unutilized H Share IPO Proceeds as of June 30, 2020 (RMB million)	Revised allocation of unutilized H Share IPO Proceeds approved on October 9, 2020 (RMB million)	Unutilized H Share IPO Proceeds as of November 30, 2022 (RMB million)	Revised allocation of unutilized H Share IPO Proceeds approved on December 2, 2022 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to June 30, 2023 (RMB million)	Unutilized net proceeds as of June 30, 2023 (RMB million)	Expected time of full utilization of remaining balance
(i) cooperation, licensing and introduction of advanced technologies, vaccine candidates and biological products; (ii) development of vaccine candidates; and (iii) acquisition of high-quality assets related to vaccines and biological products	-	-	420.0	384.3	384.3	9.3	53.5	366.5	By the end of 2024
Research and development of combined vaccine candidates containing DTcP components	-	-	-	-	100.0	3.0	3.0	97.0	By the end of 2024
Total	1,122.3	682.8	682.8	544.3	544.3	21.7	610.5	511.8	

Other Information

Use of A Share IPO Proceeds

The A Shares were listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the A Share Offering of approximately RMB4,979.5 million (the "A Share IPO Proceeds"). Taking into the account the trend of the vaccine industry and the Company's long-term development strategies, in order to improve the Company's capabilities of R&D, manufacturing, testing and storage, on April 29, 2021, the Board resolved to change the use of the remaining unutilized A-Share IPO Proceeds, which was subsequently approved by the Shareholders of the Company on May 28, 2021.

The table below sets out, among other things, the planned applications of the A Share IPO Proceeds and actual usage up to June 30, 2023:

Intended use of A Share IPO Proceeds	Planned applications of A Share IPO Proceeds (RMB million)	Revised Planned allocation of A Share IPO Proceeds on May 28, 2021 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to June 30, 2023 (RMB million)	Unutilized net proceeds as of June 30, 2023 (RMB million)	Expected time of full utilization of remaining balance
CanSino Innovative Vaccine Industrial Campus Project ⁽¹⁾	550.0	1,100.0	113.3	341.3	758.7	By the end of 2024
Development of vaccine candidates ⁽²⁾	150.0	150.0	6.5	34.8	115.2	By the end of 2024
Construction of vaccine traceability and cold chain logistics system and information system	50.0	50.0	-	50.0	-	NA
Working capital	250.0	250.0	-	250.0	-	NA
Sub-total ⁽³⁾	1,000.0	1550.0	119.8	676.1	873.9	NA
Over-raised proceeds from A Share Offering ^{(3), (4)}	3,979.5	3,429.5	-	3,429.5	-	NA
Total	4,979.5	4,979.5	119.8	4,105.6	873.9	

Notes:

- (1) On April 29, 2021, the Board proposed to upgrade and replace the construction plan of phase II manufacture facilities with the CanSino Innovative Vaccine Industrial Campus Project, which was subsequently approved by the Shareholders on May 28, 2021. The Company plans to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project, which will be funded by (i) the proposed change of use in the unutilized A Share IPO Proceeds planned for the construction of phase II manufacture facilities, being approximately RMB550.0 million, as well as any interests generated therefrom; (ii) the proposed application of a portion of the unutilized over-raised proceeds from the A Share Offering of RMB550.0 million; and (iii) the Group's internal resources and bank borrowings to be arranged by the Company (if any) to cover the remaining amount. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated May 12, 2021 in relation to the proposed change in use of proceeds from A Share Offering.
- (2) On March 28, 2023, based on the production and operation of the Company, the Board proposed to change in the investment projects using the A Share IPO Proceeds under the development of vaccine candidates of RMB150.0 million. Since DTcP-Hib has not obtained the approval for the clinical trial, the proposed raised proceeds of RMB30 million has not been utilized. In order to improve the efficiency of the proceeds and improve the market competitiveness of the combined vaccine products, the Company proposed to change the use of proceeds of RMB30 million to the research and development of combined vaccine candidates containing DTcP components, which was subsequently approved by the Shareholders at the general meeting on June 30, 2023. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated June 8, 2023 in relation to the proposed change in the investment projects using the part of A Share IPO Proceeds.
- (3) The A Share IPO Proceeds consist of: (i) a total of RMB1,000.0 million, the proposed applications of which have been disclosed in the prospectus of the A Share Offering; and (ii) the over-raised proceeds of RMB3,979.5 million. STAR Market Listing Rules do not require intended use to be applied to the over-raised proceeds obtained from A Share Offering. Any subsequent intended use for the over-raised proceeds from A Share Offering shall be approved by the Shareholders at a general meeting.
- (4) As approved by the Shareholders at the extraordinary general meeting held on October 9, 2020, October 11, 2021 and December 21, 2022, a total amount of RMB3,429.5 million of the over-raised proceeds from A Share Offering has been used to permanently supplement working capital. The Company will use the unutilized over-raised proceeds from A Share Offering for future business needs and the Company's production and operation activities related to its main business.

Other Information

The expected timeline for utilizing the remaining proceeds from each of the Listing of H Shares and A Share Offering is set on the basis of the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change. Based on our estimates, we currently intend to apply the unutilized net proceeds in accordance with the plans set out in the above tables.

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

On January 23, 2022, the Board approved the repurchase of a portion of issued A Shares by the Company using its internal funds through Centralized Bidding Trading at the seventh extraordinary meeting of the second session of the Board (the "Share Repurchase"). The total amount of funds for the Share Repurchase shall be not less than RMB150 million (inclusive) and not more than RMB300 million (inclusive). The maximum repurchase price of the A Shares repurchased will not exceed RMB446.78 per A Share, and all the A Shares repurchased will be used for future employee stock ownership plan or equity incentive scheme. As of December 31, 2023, the Company has repurchased 683,748 numbers of A Shares with a total consideration amounted to approximately RMB150.2 million, including the transaction costs of RMB152,000. As of June 30, 2023, 277,650 of the repurchased A Shares have been used for the A share employee stock ownership plan of the Company.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the Reporting Period.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed under the section "Business Review" in this report, the Company is not aware of other important events occurred after the end of Reporting Period and up to the date of this report.

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong, August 30, 2023

Independent Auditor's Report

To the Board of Directors of CanSino Biologics Inc.

(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of CanSino Biologics Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
30 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	21,086	629,790
Cost of sales of goods		(797,573)	(313,617)
Gross (loss) profit		(776,487)	316,173
Other income	7	93,946	68,849
Selling expenses		(128,844)	(88,900)
Administrative expenses		(140,053)	(139,630)
Research and development expenses		(338,372)	(323,965)
Impairment losses under expected credit loss ("ECL") model		(20,259)	(4,624)
Other (losses) gains, net		(32,367)	7,297
Share of results of an associate		4	–
Operating loss		(1,342,432)	(164,800)
Finance income or gains	9	88,493	138,486
Finance costs or losses	9	(29,396)	(15,241)
Finance income or gains – net	9	59,097	123,245
Loss before income tax		(1,283,335)	(41,555)
Income tax credit	10	1,164	57,598
(Loss) profit for the period		(1,282,171)	16,043
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		147	–
Other comprehensive income for the period, net of income tax		147	–
Total comprehensive (expense) income for the period		(1,282,024)	16,043
(Loss) profit for the period attribute to owners of the Company		(841,429)	12,238
(Loss) profit for the period attribute to non-controlling interests		(440,742)	3,805
		(1,282,171)	16,043
Total comprehensive (expense) income attribute to			
– Owners of the Company		(841,282)	12,238
– Non-controlling interests		(440,742)	3,805
		(1,282,024)	16,043
(Loss) earnings per share			
– Basic and diluted (in RMB)	11	(3.41)	0.05

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,666,276	2,858,592
Right-of-use assets	14	308,602	320,669
Intangible assets	15	145,808	162,622
Financial assets at fair value through profit or loss	19	139,257	46,865
Deferred tax assets	16	197,574	196,410
Investments in an associate		3,254	3,250
Other receivables and prepayments	18	207,294	150,367
Term deposits with initial term of over three months		301,183	–
Total non-current assets		3,969,248	3,738,775
Current assets			
Inventories		454,438	677,777
Trade receivables	17	874,871	855,490
Other receivables and prepayments	18	207,457	228,910
Income tax recoverable		21,217	21,217
Financial assets at fair value through profit or loss	19	1,375,264	2,482,057
Term deposits with initial term of over three months		591,994	69,910
Restricted bank deposits		13,585	–
Bank balances and cash		2,389,198	3,394,824
Total current assets		5,928,024	7,730,185
Total assets		9,897,272	11,468,960

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
EQUITY			
Share capital and share premium	20	6,842,006	6,785,406
Treasury shares	20	(106,173)	(150,169)
Capital reserves		(24,890)	70,025
Statutory reserves		118,389	118,389
Translation reserves		268	121
Accumulated losses		(917,111)	(75,682)
Equity attributable to owners of the Company		5,912,489	6,748,090
Non-controlling interests		56,770	497,512
Total equity		5,969,259	7,245,602
LIABILITIES			
Non-current liabilities			
Borrowings	22	797,211	878,008
Other payables and accruals	24	8,492	–
Lease liabilities		186,030	198,287
Deferred income		200,082	204,998
Total non-current liabilities		1,191,815	1,281,293
Current liabilities			
Trade payables	23	188,054	253,120
Contract liabilities	5	715	1,480
Other payables and accruals	24	670,304	791,884
Borrowings	22	1,407,699	1,575,577
Lease liabilities		52,339	48,758
Provisions		33,878	–
Refund liabilities		363,169	253,889
Deferred income		20,040	17,357
Total current liabilities		2,736,198	2,942,065
Total liabilities		3,928,013	4,223,358
Total equity and liabilities		9,897,272	11,468,960

Approved and authorised for issue by the board of directors on 30 August 2023.

Director : Xuefeng YU

Director : Tao ZHU

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company							Subtotal RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation reserves RMB'000	Accumulated profits (losses) RMB'000			
Balance at 1 January 2023 (Audited)	247,450	6,537,956	(150,169)	70,025	118,389	121	(75,682)	6,748,090	497,512	7,245,602
Total comprehensive expense										
– Loss for the period	-	-	-	-	-	-	(841,429)	(841,429)	(440,742)	(1,282,171)
– Other comprehensive income for the period	-	-	-	-	-	147	-	147	-	147
Total comprehensive expense for the period	-	-	-	-	-	147	(841,429)	(841,282)	(440,742)	(1,282,024)
Recognition of equity-settled share- based payments (Note 21)	-	-	-	5,681	-	-	-	5,681	-	5,681
Transfer upon vesting of share- based payments (Note 20)	-	56,600	-	(56,600)	-	-	-	-	-	-
Treasury shares granted under 2023 Employee Share Plan (Note 20)	-	-	43,996	(43,996)	-	-	-	-	-	-
Balance at 30 June 2023 (Unaudited)	247,450	6,594,556	(106,173)	(24,890)	118,389	268	(917,111)	5,912,489	56,770	5,969,259
Balance at 1 January 2022 (Audited)	247,450	6,537,956	-	59,942	118,389	-	1,031,309	7,995,046	552,838	8,547,884
Total comprehensive income										
– Profit for the period	-	-	-	-	-	-	12,238	12,238	3,805	16,043
Total comprehensive expense for the period	-	-	-	-	-	-	12,238	12,238	3,805	16,043
Recognition of equity-settled share- based payments (Note 21)	-	-	-	4,398	-	-	-	4,398	-	4,398
Dividends recognised as distribution	-	-	-	-	-	-	(197,560)	(197,560)	-	(197,560)
Repurchase of shares (Note 20)	-	-	(113,877)	-	-	-	-	(113,877)	-	(113,877)
Balance at 30 June 2022 (Unaudited)	247,450	6,537,956	(113,877)	64,340	118,389	-	845,987	7,700,245	556,643	8,256,888

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Operating activities		
Cash used in operations	(790,142)	(1,241,808)
Interests received	36,235	25,907
Net cash used in operating activities	(753,907)	(1,215,901)
Investing activities		
Purchase of property, plant and equipment	(314,507)	(385,954)
Purchase of intangible assets	(4,123)	(43,736)
Purchase of structured deposit and wealth management products	(2,815,000)	(6,681,912)
Cash paid for equity and fund investments	(96,000)	–
Payment for term deposits with initial term of over three months	(879,928)	–
Proceeds from maturity of term deposits with initial term of over three months	69,583	438,048
Proceeds on disposal of property, plant and equipment	51	–
Proceeds from maturity of wealth management products and structured deposits	3,935,000	5,305,000
Cash received from the repayment of rental deposits	142	–
Payment for rental deposits	(142)	(369)
Receipt of investment income on structured deposits and term deposits	28,903	61,355
Receipt of asset related government grants	8,025	2,382
Net cash used in investing activities	(67,996)	(1,305,186)
Financing activities		
Dividends paid	(3,628)	–
Interest paid	(27,567)	(17,391)
Proceeds from treasury shares granted	16,984	–
Repayment of borrowings	(1,229,022)	(949,641)
Repayment of lease liabilities	(15,607)	(7,605)
Payment on repurchase of shares	–	(113,877)
New borrowings raised	1,036,704	1,651,428
Net cash (used in) from financing activities	(222,136)	562,914
Net decrease in cash and cash equivalents	(1,044,039)	(1,958,173)
Cash and cash equivalents at the beginning of the period	3,391,268	5,455,456
Effect of foreign exchange rate changes	36,818	110,823
Cash and cash equivalents at the end of the period	2,384,047	3,608,106

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. GENERAL INFORMATION

CanSino Biologics Inc. (the "Company") was incorporated in Tianjin of the People's Republic of China (the "PRC") on 13 January 2009 as a limited liability company by Xuefeng Yu, Tao Zhu, Dongxu Qiu, Xuan Liu and Helen Huihua Mao. The address of the Company's registered office is 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, the PRC. Upon approval by the shareholders' general meeting held on 10 February 2017, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司)" to "CanSino Biologics Inc. (康希諾生物股份公司)" on 13 February 2017. The Company and its subsidiaries (collectively referred to as the "Group"), are principally engaged in the research and development, manufacturing and commercialization of vaccine products for human use and medical research and experimental development services.

The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 March 2019 (the "HK Listing"), and the Company's A shares were listed on the SSE STAR Market on 13 August 2020 (the "A Share Listing").

The condensed consolidated interim financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand yuan, unless otherwise stated.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

As at 31 December 2022, the Group estimated the inventories provision and the sales return of the goods sold by considering the forecast of future demand for the vaccine products and the market share of the Group's vaccine products. When preparing the forecast of future demand for vaccine products, the Group makes reference to the latest relevant vaccination policies, estimates the expected vaccination population from different categories, and considers possible technological iterations and future uncertainties of the relevant demand. During the six months ended 30 June 2023, market conditions for COVID-19 vaccine products changed significantly both domestically and globally and the variant XBB became the major COVID-19 epidemic strain in China. In addition, the World Health Organization published a statement in May 2023 that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern. Based on these changes and updates, and in particular, their impact on the market needs of volume and type of COVID-19 vaccine products, the Group revisited the future market of the Group's COVID-19 vaccine products and was in the view that the current market conditions would have negative impact to the economic benefits expected to be realized by the Group in the future from the COVID-19 vaccine products due to the changes in both the estimation of future demand for COVID-19 vaccine products and the market share of the Group's vaccine products. Accordingly, the Group provided an impairment loss of RMB332,846,000 in inventories and rights to return goods assets, the majority of which were related to COVID-19 vaccine products, RMB325,401,000 in relevant property, plant and equipment, RMB53,470,000 in prepayments for the relevant materials and provided provision of RMB41,951,000 to compensate for the cancellation of firm purchase commitments during the six months ended 30 June 2023. Meanwhile, the Group reassessed the estimated future sales return of the goods sold and a corresponding adjustment to revenue of RMB237,131,000 was recognised during the six months ended 30 June 2023 for those products expected to be returned.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies stated below and change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except for the amendments to HKFRSs mentioned below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

3.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB57,965,000 and deferred tax liabilities of RMB58,133,000 on a gross basis at 1 January 2022 but it has no impact on the retained earnings at the earliest period presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

3.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Accounting policies became relevant to the Group in the current period

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, except as described as below, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

Key source of estimation uncertainty

Impairment on property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. The use of estimates are required in these calculations. Changing the assumptions and estimates, including the fair value and costs of disposal, could materially affect the recoverable amounts.

As at 30 June 2023, the carrying amount of property, plant and equipment was RMB2,666,726,000 (31 December 2022: RMB2,858,592,000), after taking into account the impairment loss of approximately RMB325,401,000 (31 December 2022: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key source of estimation uncertainty (Continued)

Provisions for firm purchase commitments and impairment on prepayments

The Group estimates the provisions for firm purchase commitments and impairment on prepayments when the demand of the original purchase decreases and the Group plans to reduce or cancel the purchase with firm commitments or prepayments, and a corresponding provision is recognised and the relevant loss is recognised in other losses and cost of sales of goods, respectively. The estimation of provisions for firm purchase commitments and impairment on prepayments requires the use of judgment and estimates. Where the actual compensation and impairment are different from the original estimate, such difference will be trued up in subsequent periods. As at 30 June 2023, the Group recognised a provisions of approximately RMB33,878,000 for the potential reduction or cancellation on firm purchase commitments (31 December 2022: nil).

As at 30 June 2023, the carrying amount of prepayments was RMB252,509,000 (31 December 2022: RMB255,840,000), after taking into account the impairment loss of approximately RMB53,470,000 (31 December 2022: nil).

5. REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of vaccine products – at a point in time	21,086	629,790

Included in the revenue from sales of vaccine products there was an adjustment reflecting the revised estimate on future sales return of COVID-19 vaccine products. Such adjustment resulted in a reversal of revenue amounted to RMB237,131,000 during the six months ended 30 June 2023 due to the changes of market conditions as detailed in Note 1A to these condensed consolidated financial statements.

Information about the geographical markets of the Group's revenue is presented based on the locations of the customers.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	17,930	411,507
Overseas	3,156	218,283
	21,086	629,790

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. REVENUE (CONTINUED)

Revenue is recognised when control of the vaccine products has transferred, being when the goods have been shipped to the specific location and accepted by customers.

A contract liability is recognised for the Group's obligation to transfer goods or services to customers for which the Group has received considerations. Contract liabilities as of 30 June 2023 amounting to RMB715,000 (31 December 2022: RMB1,480,000) is recognised, mainly representing the unfulfilled sales of vaccine products or unprovided services.

All the contracts that are partially or fully unsatisfied are for periods of one year or less. As the Group applies the practical expedient in HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the research and development, manufacture and commercialization of vaccine products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. The Group's revenue were primarily derived in the PRC based on the location of the operations. Details of the geographical information of the Group's revenue based on the locations of the customers are set out in Note 5.

As at 30 June 2023 and 31 December 2022, the Group's assets were mainly located in the Mainland China and Hong Kong.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investment income on structured deposits, wealth management products and derivative instruments	44,584	34,347
Government grants (a)	45,119	33,665
Technology transfer income	2,547	–
Others	1,696	837
	93,946	68,849

Note:

- (a) Government grants mainly represented subsidy income received from various government organisations to support the operation, research and development activities and construction of assets of the Group.

8. (LOSS) PROFIT FOR THE PERIOD

(Loss)profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	100,639	66,676
Depreciation of right-of-use assets	12,955	12,530
Amortization of intangible assets	22,654	9,292
Short-term leases	5,534	5,642
Employee benefit expenses		
– Wages, salaries and bonuses	226,810	234,737
– Social security costs and housing benefits	60,591	52,003
– Share-based compensation expenses	5,681	4,398
– Others	35,647	29,592
Capitalised in the ending balance of inventories	(68,843)	(123,010)
Capitalised in the ending balance of constructions in process	(5,541)	(41,470)
	396,127	250,390
Auditors' remuneration		
– Audit services	1,383	1,095
– Other services	–	805
Impairment losses on inventory and rights to return goods assets, property, plant and equipment, prepayments included in		
– cost of sales of goods	711,714	96,617
– administrative expenses	3	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

9. FINANCE INCOME OR GAINS – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income or gains		
Interest income on bank deposits	51,675	27,663
Foreign exchange gains	36,818	110,823
	88,493	138,486
Finance costs or losses		
Interest expenses on borrowings	(27,293)	(17,937)
Interest expenses for lease liabilities	(6,087)	(6,235)
Less: borrowing costs capitalised in qualifying assets (Note 13)	4,109	9,240
	(29,271)	(14,932)
Bank charges	(125)	(309)
	(29,396)	(15,241)
Finance income or gains – net	59,097	123,245

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deferred income tax credit (Note 16)	1,164	35,321
Over provision in respect of prior years	–	22,277
	1,164	57,598

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss before income tax	(1,283,335)	(41,555)
Tax credit calculated at statutory tax rate of 25%	320,834	10,389
Tax effect of expenses not deductible for taxation purposes	(3,238)	(1,505)
Utilisation of tax losses and deductible temporary differences previously not recognised	–	6,312
Over provision in respect of prior years	–	22,277
Tax loss and temporary differences not recognised as deferred tax assets	(387,928)	(8,867)
Extra deduction of research and development expenses	72,261	58,114
Impact of applying preferential tax rate	(765)	(29,122)
Income tax credit	1,164	57,598

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. INCOME TAX CREDIT (CONTINUED)

Under the Law of the PRC Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both periods.

On 24 November 2016, the “Certificate of New Hi-tech Enterprise” was granted to the Company and renewed on 28 November 2019 and 19 December 2022 with a valid period of 3 years, and the Company becomes eligible for a corporate income tax rate of 15% for six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

Basic (loss) earnings per share is calculated by dividing the (loss) profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
(Loss) profit for the period attribute to owners of the Company (in RMB'000)	(841,429)	12,238
Weighted average number of ordinary shares in issue (in thousand)	246,766	247,153
Basic (loss) earnings per share (in RMB)	(3.41)	0.05

The computation of the basic and diluted earnings per share for the six months ended 30 June 2023 is based on weighted average number of shares which excluded the treasury shares held by the Company.

(b) Diluted (loss) earnings per share

The Group incurred loss for the current interim period. Therefore, the effect of restricted shares issued under 2023 Employee Share plan were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2023 is same with basic loss per share.

Diluted earnings per share for the six months ended 30 June 2022 did not assume the issuance of restricted shares under 2021 Employee Share Plan as described in Note 21 since the performance conditions of 2021 Employee Share Plan has not been satisfied as at 30 June 2022.

12. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2023.

On 29 June 2022, the 2021 profit distribution plan (“2021 Profit Distribution Plan”) of the Company was approved at the 2021 annual general meeting. Pursuant to the 2021 Profit Distribution Plan, a final dividend of RMB0.80 per share (inclusive of tax) based on the record date numbers of shares 246,949,899 for determining the shareholders’ entitlement to 2021 Profit Distribution Plan was declared to both holders of A Shares and H Shares. The aggregated dividends were amounted to RMB197,560,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired RMB233,761,000 (unaudited) (six months ended 30 June 2022: RMB376,859,000 (unaudited)) of property, plant and equipment.

In addition, during the current interim period, the Group disposed of certain equipment and instruments, office equipment and furniture with an aggregate carrying amount of RMB36,000 (unaudited) (six months ended 30 June 2022: RMB232,000 (unaudited)), resulting in a gain on disposal of RMB15,000 (unaudited) (six months ended 30 June 2022: a loss on disposal of RMB232,000 (unaudited)).

The carrying amount of property, plant and equipment as at 30 June 2023 was RMB2,666,276,000 (unaudited) (31 December 2022: RMB2,858,592,000 (audited)), after taking into account the impairment loss of approximately RMB325,401,000 (31 December 2022: nil).

Certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements. The carrying amount of property, plant and equipment pledged as collateral were RMB168,896,000 (unaudited) as at 30 June 2023 (31 December 2022: RMB168,896,000 (audited)).

During the current interim period, the Group has capitalised borrowing costs amounting to RMB4,109,000 on qualifying assets (six months ended 30 June 2022 (unaudited): RMB9,240,000). Borrowing costs were capitalised at the borrowing rates of 3.1% during the current interim period (six months ended 30 June 2022 (audited): 3.7% – 5.115%).

The management of the Group concluded there was impairment indication and conducted impairment assessment on carrying amounts of certain cash-generating units. Based on the result of the assessment, the Group recognised impairment loss of RMB325,401,000 related to property, plant and equipment during the current interim period.

14. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into one lease agreement with lease term of 21 months (six months ended 30 June 2022: the Group entered into two lease agreements with lease term of 2 years). The Group is required to make fixed monthly payments or yearly payments. On lease commencement date, the Group recognised right-of-use assets of RMB889,000 (unaudited) (six months ended 30 June 2022: RMB3,453,000 (unaudited)) and lease liabilities of RMB878,000 (unaudited) (six months ended 30 June 2022: RMB3,422,000 (unaudited)).

As at 30 June 2023 and 31 December 2022, the Group has no land use rights have been pledged as collateral under the Group's borrowing arrangements.

15. INTANGIBLE ASSETS

During the current interim period, the Group acquired RMB4,734,000 (unaudited) (six months ended 30 June 2022: RMB27,865,000 (unaudited)) of non-proprietary technologies and computer software, and RMB1,107,000 (unaudited) (six months ended 30 June 2022: RMB2,261,000 (unaudited)) of capitalised product development costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. DEFERRED TAX ASSETS AND LIABILITIES

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

Deferred tax assets	Deferred income RMB'000	Inventory provisions RMB'000	ECL provision RMB'000	Amortization of intangible	Tax losses RMB'000	Refund liabilities RMB'000	Lease liabilities RMB'000	Prepayments provision RMB'000	Others RMB'000	Total RMB'000
				assets difference RMB'000						
As at 1 January 2023	27,258	95,807	1,590	1,043	36,861	38,083	192	-	-	200,834
Adjustments (Note 3.1.2)	-	-	-	-	-	-	53,544	-	-	53,544
As at 1 January 2023 (restated)	27,258	95,807	1,590	1,043	36,861	38,083	53,736	-	-	254,378
(Charge) credit to profit or loss	(376)	7,170	3,039	(1,043)	(36,631)	16,392	(2,828)	8,021	6,388	132
As at 30 June 2023	26,882	102,977	4,629	-	230	54,475	50,908	8,021	6,388	254,510

Deferred tax assets	Deferred income RMB'000	Inventory provisions RMB'000	ECL provision RMB'000	Amortization of intangible	Tax losses RMB'000	Unrealized inter-group transaction profit and loss RMB'000	Lease liabilities RMB'000	Total RMB'000
				assets difference RMB'000				
As at 1 January 2022	3,822	236	274	161	80	-	-	4,573
Adjustments (Note 3.1.2)	-	-	-	-	-	-	57,965	57,965
As at 1 January 2022 (restated)	3,822	236	274	161	80	-	57,965	62,538
Credit to profit or loss	356	14,493	693	316	19,281	1,487	(3,953)	32,673
As at 30 June 2022	4,178	14,729	967	477	19,361	1,487	54,012	95,211

Deferred tax liabilities	Right-of-use assets RMB'000	Fair value adjustment of financial assets at fair value through profit or loss RMB'000	Tax effect of unrealized inter-group transaction loss RMB'000	Total RMB'000
Adjustments (Note 3.1.2)	(53,544)	-	-	(53,544)
As at 1 January 2023 (restated)	(53,602)	(4,350)	(16)	(57,968)
Credit (charge) to profit or loss	2,464	(1,448)	16	1,032
As at 30 June 2023	(51,138)	(5,798)	-	(56,936)

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For the six months ended 30 June 2023

16. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities	Right-of-use assets RMB'000	Fair value adjustment of derivative instruments RMB'000	Fair value adjustment of financial assets at fair value through profit or loss RMB'000	Fair value adjustment of equity investment RMB'000	Total RMB'000
As at 1 January 2022	(168)	(38)	(1,127)	(3,797)	(5,130)
Adjustments (Note 3.1.2)	(57,965)	–	–	–	(57,965)
As at 1 January 2022 (restated)	(58,133)	(38)	(1,127)	(3,797)	(63,095)
Charge to profit or loss	3,928	(295)	(985)	–	2,648
As at 30 June 2022	(54,205)	(333)	(2,112)	(3,797)	(60,447)

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deferred tax assets	254,510	200,834
Deferred tax liabilities	(56,936)	(4,424)
	197,574	196,410

(a) Deferred tax assets not recognised

The Group has not recognised any deferred tax assets in respect of the following items:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deductible losses	1,384,092	171,542
Deductible temporary differences	601,587	638,602
	1,985,679	810,144

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets not recognised (Continued)

At the end of the current interim period, the Group has carryforward unused tax losses of RMB1,385,012,000 (31 December 2022: RMB417,054,000) available for offset against future profits. A deferred tax asset of RMB230,000 (31 December 2022: RMB36,861,000) in respect of tax losses of RMB920,000 (31 December 2022: RMB245,512,000) has been recognised. No deferred tax assets has been recognised in respect of tax losses of RMB1,384,092,000 of the Group (31 December 2022: tax losses of RMB171,542,000 of the Group), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the current interim period, the Group has deductible temporary differences of RMB2,169,989,000 (31 December 2022: RMB1,731,755,000). RMB254,280,000 deferred tax asset (31 December 2022: RMB163,973,000) in respect of deductible temporary differences of RMB1,568,402,000 (31 December 2022: RMB1,093,153,000) has been recognised. No deferred tax asset has been recognised in respect of deductible temporary differences of RMB601,587,000 (31 December 2022: RMB638,602,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(b) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
2025	3	3
2026	75,344	54,594
2027	179,424	116,945
2028	261,152	–
2032	185,224	–
2033	682,945	–
	1,384,092	171,542

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables from contracts with customers	905,731	866,091
Less: expected credit losses	(30,860)	(10,601)
	874,871	855,490

The Group allows an average credit period of 90 to 270 days to its trade customers after the timing of invoicing agreed in corresponding contracts is reached.

The following is an analysis of trade receivables (net of allowance for credit losses) by age, presented based on the revenue recognition date, at the end of each reporting period:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 180 days	243,610	665,253
181 days – 365 days	503,064	185,305
1 year – 2 years	128,197	4,932
	874,871	855,490

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18. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayments to suppliers of intangible assets and property, plant and equipment	164,659	134,955
Value added tax recoverable	151,453	114,350
Prepayments to suppliers of raw materials and services	87,850	120,885
Others	10,789	9,087
	414,751	379,277
Less: non-current portion (Note)	(207,294)	(150,367)
Current portion	207,457	228,910

Note:

The non-current portion of other receivables and prepayments as at 30 June 2023 and 31 December 2022 mainly includes prepayments to suppliers of intangible assets, property, plant and equipment, value added tax recoverable and rental deposits.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Equity and fund investments (a)	139,257	46,865
Structured deposits	1,006,115	1,776,958
Wealth management products	369,149	705,099
	1,514,521	2,528,922
Less: non-current portion (a)	(139,257)	(46,865)
Current portion	1,375,264	2,482,057

Note:

(a) On 5 August 2020, the proposal for purchase of 1.43% equity interest in Thousand Oaks Biopharmaceuticals Co., Ltd. was approved by the board of directors, relevant industrial and commercial change registration was completed on 30 September 2020. As at 30 June 2023 and 31 December 2022, the Group has 0.98% equity interest in Thousand Oaks Biopharmaceuticals Co., Ltd.

On 12 January 2023, the Group invested RMB5,000,000 to purchase 0.5% equity interest in Bio-Link Biological Applied Technologies (Shanghai) Co., Ltd.

On 22 April 2023, the Group announced to invest in a private fund, Yuanxi Haihe (Tianjin) Biomedical Industry Fund. As of 30 June 2023, the Group has invested RMB91,000,000 in this fund. The Group has no guaranteed income, exit guarantee, or obligation to other investors.

With no control, joint control or significant influence by the Group, the equity investments are recognised as financial assets at fair value through profit or loss. As the Group expects to hold the equity investment for a period more than one year, the investments are classified as non-current assets as at 30 June 2023 and 31 December 2022.

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20. SHARE CAPITAL AND SHARE PREMIUM

	Numbers of shares	Nominal value of shares RMB'000		
Authorised				
As at 1 January 2022, 1 January 2023 and 30 June 2023	247,449,899	247,450		
	Numbers of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid				
As at 1 January 2023	247,449,899	247,450	6,537,956	6,785,406
Transfer upon vesting of share-based payments	–	–	56,600	56,600
As at 30 June 2023	247,449,899	247,450	6,594,556	6,842,006

Note:

On 23 January 2022, the Board approved the repurchase of a portion of issued A Shares by the Company using its internal funds through Centralized Bidding Trading at the seventh extraordinary meeting of the second session of the Board (the "Share Repurchase"). The total amount of funds for the Share Repurchase shall be not less than RMB150 million (inclusive) and not more than RMB300 million (inclusive). The maximum repurchase price of the Shares Repurchase will not exceed RMB446.78 per A Share, and all the A shares repurchased will be used for future employee stock ownership plan or equity incentive scheme. Pursuant to the Share Repurchase, the Company has not repurchased any shares during the current period. (six months ended 30 June 2022: the Company has repurchased 500,000 shares with a total consideration amounted to RMB113,877,196.26, including the transaction cost of RMB115,795.82.). During the six months ended 30 June 2023, 277,650 repurchased shares have been granted at the consideration of RMB16,984,000 under 2023 Employee Share Plan, the difference between the consideration received and the repurchase cost of the corresponding shares determined based on weighted average repurchased amounted to RMB43,996,000 have been transferred from treasury shares to capital reserves. Details of these grants are set out in Note 21.

21. SHARE-BASED PAYMENT

2018 Employee Share Plan

Tianjin Qianrui Enterprise Management Partnership (Limited Partnership) (天津千睿企業管理合夥企業(有限合夥)) ("Tianjin Qianrui") and Tianjin Qianzhi Enterprise Management Partnership (Limited Partnership) (天津千智企業管理合夥企業(有限合夥)) ("Tianjin Qianzhi") were incorporated in Tianjin of the PRC under the Law of the People's Republic of China on Partnerships on 24 May 2018 as vehicles to hold the ordinary shares for the Company's employees under the equity-settled share-based compensation plan of 2018 (the "2018 Employee Share Plan"). Details of the arrangement are set out in the Group's 2022 annual report.

One eligible employee left the Company in February 2023, 14,000 shares awarded to this employee were forfeited (six months ended 30 June 2022: 100,000 shares).

In the current interim period, 3,151,360 shares of the granted shares were vested as the eligible employees had completed their five-year service period, and the accumulated share-based compensation reserves recognised of RMB56,600,000 was transferred to share premium.

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21. SHARE-BASED PAYMENT (CONTINUED)

2021 Employee Share Plan

On 10 September 2021, the Group launched the new incentive scheme to grant the restricted A shares of the Company ("Restricted Shares") to the eligible participants (the "2021 Restricted Share Incentive Scheme Plan") and granted an aggregate of 875,330 restricted shares under the incentive scheme to 388 participants and 49,660 restricted shares under the reserve plan to 7 participants at the grant price of RMB209.71 per share on the grant date. Details of the arrangement are set out in the Group's 2022 annual report.

Due to the failure of meeting the performance condition in 2021 and 2022, all Restricted Shares in the Group's 2021 Employee Share Plan have been forfeited as of 31 December 2022, and the Group has not recognised the relevant equity incentive expenses during the six months ended 30 June 2022.

2023 Employee Share Plan

On 27 March 2023, the 2023 A Share Employee Stock Ownership Plan ("2023 Employee Share Plan") of the Company has been proposed by the board of directors of the Company for the purpose to improve the Company's incentive mechanism. The implementation of the 2023 Employee Share Plan has been approved at the 2023 first extraordinary general meeting.

In April 2023, 277,650 shares were subscribed by eligible employees, representing approximately 0.11% of the total share capital of the Company. A total consideration of RMB16,984,000 were received by the Company under 2023 Employee Share Plan with the purchase price of RMB61.17 per share. All the shares issued were the treasury shares repurchased by the Company since 2022.

These granted treasury shares have vesting periods of one or two year. 50% of the restricted shares will be vested on the first anniversary of the treasury shares registration date and the remaining 50% of the restricted shares will be vested on the second anniversary of the treasury shares registration date. In addition to the service conditions, the 2023 Employee Share Plan also specified certain performance conditions to the employees. Details of these conditions are set out in the circular of the Company dated 27 March 2023.

The fair value of the restricted shares was determined based on the difference between the grant date quoted price of the Company's A Share and the subscription price of the restricted shares under 2023 Employee Share Plan.

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21. SHARE-BASED PAYMENT (CONTINUED)

(a) Share award schemes

2018 Employee Share Plan

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
At the beginning of the period	3,165,360	3,265,360
Vested	(3,151,360)	–
Forfeited	(14,000)	(100,000)
At the end of the period	–	3,165,360

2021 Employee Share Plan

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
At the beginning of the period	–	454,050
Forfeited	–	(61,440)
At the end of the period	–	392,610

2023 Employee Share Plan

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
At the beginning of the period	–	–
Granted	277,650	–
At the end of the period	277,650	–

(b) Expenses arising from share-based payment transactions

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Share award schemes issued under the Employee Share Plan	5,681	4,398

As at 30 June 2023, the accumulated expenses arising from share-based payment transactions amounting to RMB70,802,000 are recognised in capital reserves (31 December 2022: RMB65,121,000) and RMB69,608,000 (31 December 2022: RMB13,008,000) are transferred to share premium upon vesting.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

22. BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Borrowings from banks – unsecured and unguaranteed	1,775,502	2,208,635
Borrowings from banks – secured	307,782	242,783
Borrowings from banks – guaranteed	84,000	–
Other borrowings – unsecured and unguaranteed	35,732	–
Accrued interest	1,894	2,167
	2,204,910	2,453,585
Less: current portion	(1,407,699)	(1,575,577)
Non-current portion	797,211	878,008
Maturity of borrowings		
Less than 1 year	1,407,699	1,575,577
Between 1 year and 2 years	206,728	95,488
Between 2 years and 5 years	255,668	564,016
Over 5 years	334,815	218,504
	2,204,910	2,453,585

As of 30 June 2023, bank borrowings were denominated in RMB, bearing interest at rates ranging from 2.20% to 3.75% per annum (31 December 2022: 2.20% to 3.75% per annum)

As of 30 June 2023, the secured loan was RMB307,782,000, which were secured against certain of the Group's property, plant and equipment (Note 13).

As of 30 June 2023, the guaranteed loan, amounted to RMB84,000,000, was guaranteed by Shanghai Lingang Industrial Zone Public Rental Housing Construction and Operation Management Co., Ltd.

As of 30 June 2023, since the Group breached covenants included in certain loan agreements and the relevant banks had the right to request early repayment of these bank borrowings, the Group classified these long term borrowings amounted to RMB399,775,000 as current liabilities.

As of 30 June 2023, CanSino SPH Biologics Inc, a subsidiary of the Company borrowed RMB35,732,000 from Shanghai Sunway Biotech Co., Ltd., a shareholder of the subsidiary, bearing interest at rates 3.50% per annum (31 December 2022: Nil).

23. TRADE PAYABLES

The aging analysis of trade payables presented based on the date of receipt of goods or services is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	125,785	214,084
Between 1 year and 2 years	41,721	39,014
Between 2 years and 3 years	20,548	22
	188,054	253,120

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

24. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Other payables to suppliers of property, plant and equipment	306,068	360,033
Payroll and welfare payable	104,516	182,408
Clinical trial and testing fee	75,857	89,403
Marketing service fee	68,080	65,713
Considerations received from employees for subscribing restricted A shares of the Company under the 2023 Employee Share Plan (Note 21)	16,984	–
Other service fees	16,709	27,564
Consulting fees	9,342	16,788
Deposits from suppliers	9,124	4,459
Accrued taxes other than enterprise income tax	7,597	23,719
Operation and maintenance fees	1,221	3,410
Others	63,298	18,387
	678,796	791,884
Less: non-current portion	(8,492)	–
Current portion	670,304	791,884

25. CAPITAL COMMITMENTS

The following is the details of capital expenditure contracted for but not provided in the condensed consolidated financial statements.

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contracted but not provided for – Property, plant and equipment	413,977	551,182

26. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

The following transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties

The following companies are related parties of the Group for the six months ended 30 June 2023:

Names of the related parties	Nature of relationship
上海三維生物技術有限公司 Shanghai Sunway Biotech Co., Ltd.* ("Sunway Biotech")	Non-controlling shareholder of CanSino SPH Biologics Inc.
上藥康德樂(上海)醫藥有限公司 SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd. *	Note
上海醫藥物流中心有限公司 Shanghai Pharmaceutical Logistics Center Co., Ltd. *	Note
上海上藥信誼藥廠有限公司 Shanghai Pharma Sine Pharmaceutical Factory Co., Ltd. *	Note
上海上藥第一生化藥業有限公司 SPH NO.1 Biochemical & Pharmaceutical Co., Ltd. *	Note
上海上藥新亞藥業有限公司 Shanghai SPH New Asia Pharmaceuticals Co., Ltd. *	Note
上海雷允上藥業有限公司 Shanghai Leiyunshang Pharmaceutical Co., Ltd. *	Note
上藥控股有限公司 Shanghai Pharmaceutical Co., Ltd. *	Note
上海市藥材有限公司 Shanghai Traditional Chinese medical Co., Ltd. *	Note
上海醫療器械股份有限公司 Shanghai Medical Instruments Co., Ltd. *	Note
杭州胡慶余堂藥業有限公司 Hangzhou Huqing Yutang Pharmaceutical Co., Ltd. *	Note
上海中華藥業有限公司 Shanghai Zhonghua Pharmaceutical Co., Ltd. *	Note
上海醫藥廣告有限公司 Shanghai Pharmaceutical Advertising Co. Ltd. *	Note
上海醫藥集團生物治療技術有限公司 Shanghai Pharmaceutical Group Biotherapy Technology Co., Ltd. *	Note
上海上藥生物醫藥有限公司 Shanghai SPH Biopharmaceutical Co., Ltd. *	Note
上海中西三維藥業有限公司 Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. *	Note
上海雷昶科技有限公司 Shanghai Leateck Co., Ltd. *	Entity in which a director of the Company has significant influence

* The English names are for identification purpose only.

Note: Entity controls by the controlling shareholder of Sunway Biotech.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

(i) Services received by the Group or purchase from the related parties:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shanghai Pharmaceutical Logistics Center Co., Ltd.	2,607	3,149
Shanghai Leateck Co., Ltd.	2,534	–
SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd.	657	2,714
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	276	–
Shanghai Pharma Sine Pharmaceutical Factory Co., Ltd.	–	342
Sunway Biotech	–	252
SPH NO.1 Biochemical & Pharmaceutical Co., Ltd.	–	214
Shanghai SPH New Asia Pharmaceuticals Co., Ltd.	–	153
Shanghai Leiyunshang Pharmaceutical Co., Ltd.	–	78
Shanghai Pharmaceutical Co., Ltd.	–	45
Shanghai Medical Instruments Co., Ltd.	–	32
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	–	31
Shanghai Zhonghua Pharmaceutical Co., Ltd.	–	3
Shanghai Traditional Chinese medical Co., Ltd.	–	3
Shanghai Pharmaceutical Advertising Co. Ltd.	–	1
Total	6,074	7,017

(ii) Services provided by the Group:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shanghai SPH Biopharmaceutical Co., Ltd.	275	–
Shanghai Pharmaceutical Group Biotherapy Technology Co., Ltd.	64	–
Sunway Biotech	9	–
Total	348	–

(iii) Interest expenses:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sunway Biotech	128	–
Total	128	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances

(i) Other receivables and prepayments:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Shanghai Leateck Co., Ltd.	430	2,964
Shanghai SPH Biopharmaceutical Co., Ltd.	97	–
Total	527	2,964

(ii) Trade payables:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Shanghai Pharmaceutical Logistics Center Co., Ltd.	1,309	1,453
SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd.	471	1,972
Total	1,780	3,425

(iii) Other payables and accruals:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Shanghai Pharmaceutical Logistics Center Co., Ltd.	1,423	5,357
Shanghai Pharmaceutical Co., Ltd.	81	81
Total	1,504	5,438

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances (Continued)

(iv) Financing:

Financing arrangement between the Group and its related parties are as follows:

Credit loan

	Net amount incurred during the six months ended 30 June 2023 RMB'000 (Unaudited)	Balance as at 30/6/2023 RMB'000 (Unaudited)	Net amount incurred during the six months ended 30 June 2022 RMB'000 (Unaudited)	Balance as at 31/12/2022 RMB'000 (Audited)	Annual interest Rate %
Borrowed from: Sunway Biotech	35,732	35,732	–	–	3.50

Interest payables (included in borrowings):

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Sunway Biotech	128	–
Total	128	–

(d) Key management compensation

Key management includes directors, supervisors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries	8,899	9,029
Share-based compensation expenses	800	927
Fee	600	600
Discretionary bonuses	318	–
Retirement benefit scheme contributions	171	209
Others	238	281
	11,026	11,046

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

27. FINANCIAL RISK MANAGEMENT

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

This condensed consolidated financial statements does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since year end.

27.2 Fair value estimation

(a) Fair value measurements and valuation processes

The finance department, which is headed up by the Chief Financial Officer of the Company, is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the finance department's findings to the board of directors of the Company to explain the cause of fluctuations in the fair value.

The fair values of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Fair value estimation (Continued)

(b) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Unobservable inputs	Relationship of unobservable input to fair value
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)				
Structured deposits	1,006,115	1,776,958	Level 3	Discounted cash flow – Future cash flows are estimated based on expected rate of return	Expected rate of return	The higher the expected rate of return, the higher the fair value
Wealth management products	369,149	705,099	Level 2	Discounted cash flow – Future cash flows are estimated based on expected rate of return published by the product managers	N/A	N/A
Equity Investment	43,225	46,865	Level 3	Marketing valuation model – fair value estimated based on key inputs including price to sales ratio, liquidity discount	Liquidity discount	The lower the liquidity discount, the higher the fair value.
Equity Investment	5,000	–	Level 2	Recent transaction price	N/A	N/A
Equity investment	91,032	–	Level 3	Net asset value of underlying investments	Net assets value	The higher net asset value, the higher the fair value.

There were no transfers between level 1 and 2 during the current and preceding interim periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Fair value estimation (Continued)

(c) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Structured deposits		Equity investment	
	Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance	1,776,958	1,821,789	46,865	45,310
Additions	2,440,000	6,481,912	91,000	–
Settlements	(3,229,081)	(5,298,355)	–	–
Gains or losses recognised in profit or loss	18,238	39,722	(3,608)	–
Closing balance	1,006,115	3,045,068	134,257	45,310
Total gains or losses for the period included in "other income"	19,081	33,354	–	–
Changes in unrealised gains or losses for the period included in "other gains (losses), net" at the end of the period	(843)	6,368	(3,608)	–

(d) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Definitions

"A Share Offering"	the Company's initial public offering of 24,800,000 A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020
"A Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and traded in RMB
"Ad5-EBOV"	an adenovirus type 5 vector based Ebola virus disease vaccine, a vaccine jointly developed by, among others, CanSinoBIO, that protects against Ebola by relying on the recombinant replication-defective human adenovirus type-5 vector to induce the immune response. It received the NDA approval in China in October 2017
"Ad5-nCoV"	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector), consisting of two types of products, namely Convidecia® and Convidecia Air® (Ad5-nCoV for Inhalation)
"adenovirus"	a DNA virus originally identified in human adenoid tissue, causing infections of the respiratory system, conjunctiva, and gastrointestinal tract
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CanSino Innovative Vaccine Industrial Campus Project"	an upgrade and replacement of the construction plan of phase II manufacture facilities originally planned by the Company in its A Share Offering prospectus
"CanSino SPH"	CanSino SPH Biologics Inc.* (上海上藥康希諾生物製藥有限公司), a limited liability company established in the PRC in February 2021 pursuant to a joint venture agreement entered into by and among the Company, Shanghai Sunway Biotech and Industry Investment Fund in January 2021, and a subsidiary of the Company as of the date of this report
"CanSinoBIO" or "Company"	CanSino Biologics Inc. (康希諾生物股份公司), a joint stock company incorporated in the PRC with limited liability on February 13, 2017, or, where the context requires (as the case may be), its predecessor, Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司), a company incorporated in the PRC with limited liability on January 13, 2009
"Capital Increase"	the increase of the registered capital of CanSino SPH by way of injecting capital in an aggregate amount of RMB1,104,890,000 by the Company and Shanghai Sunway Biotech, the completion of which has taken place in early June 2021, details of which as set out in the announcements of the Company dated May 17, 2021 and June 1, 2021

Definitions

“CDC”	Chinese Centre for Disease Control and Prevention
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
“Concert Party Agreement”	the agreement entered into between Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao on February 13, 2017 and subsequently amended on January 26, 2022 pursuant to which Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao have undertaken to, among other things, vote (and procure the entities held by them if any to vote) unanimously for any resolutions proposed at any Shareholders’ meeting of our Company
“conjugate”	chemically link bacterial capsular polysaccharide to a protein to enhance immunogenicity
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules and unless the context requires otherwise, refers to Dr. Yu, Dr. Zhu, Dr. Qiu and Dr. Mao
“Convidecia [®] ”	trade name of Recombinant Novel Coronavirus Vaccine (Adenovirus type 5 Vector) for intramuscular injection
“Convidecia Air [®] ” or “Ad5-nCoV for Inhalation”	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector) for inhalation
“COVID-19”	the disease caused by a new coronavirus called SARS-CoV-2
“Director(s)”	the director(s) of the Company
“Dr. Chao”	Dr. Shou Bai CHAO, executive Director, chief operating officer and deputy general manager of the Company and spouse of Dr. Mao
“Dr. Mao”	Dr. Helen Huihua MAO, executive vice president and former deputy general manager of the Company, our co-founder and Controlling Shareholder and spouse of Dr. Chao
“Dr. Qiu”	Dr. Dongxu QIU, executive Director, executive vice president and deputy general manager of the Company, our co-founder and Controlling Shareholder
“Dr. Yu”	Dr. Xuefeng YU, chairman of the Board, executive Director, chief executive officer and general manager of the Company, our co-founder and Controlling Shareholder
“Dr. Zhu”	Dr. Tao ZHU, executive Director, chief scientific officer and deputy general manager of the Company, our co-founder and Controlling Shareholder

Definitions

“DTcP”	diphtheria, tetanus and acellular pertussis (components) combined vaccine, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition
“DTcP Booster”	a vaccine being developed by us that addresses the weaker protection preventing pertussis after primary vaccination, designed for children (4 to 6 years old)
“DTcP Infant”	DTcP vaccine for infants (below 2 years old)
“GMP”	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law 《中華人民共和國藥品管理法》 as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended or supplemented from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“immunogenicity”	the ability of a particular substance, such as an antigen, to provoke an immune response in the body of a human and other animal
“Industry Investment Fund”	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)* (上海生物醫藥產業股權投資基金合夥企業(有限合夥)), an existing shareholder of CanSino SPH and an independent third party of the Company as of the date of this report, the general partner of which is Shanghai Biomedical Industry Equity Investment Fund Co., Ltd.* (上海生物醫藥產業股權投資基金管理有限公司)

Definitions

“KOL”	Key opinion leaders
“Listing of H Shares”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on March 28, 2019
“Main Board”	the Main Board of the Hong Kong Stock Exchange
“MCV”	meningococcal conjugate vaccine, used to prevent infection caused by meningococcal bacteria
“MCV2”	Groups A and C MCV, a vaccine used for the prevention of <i>N. meningitides</i> (Lta)
“MCV4”	Groups A, C, Y and W135 MCV, a vaccine used for the prevention of <i>N. meningitides</i> (Lta)
“Menhycia®”	trade name of Groups A, C, Y and W135 MCV, a vaccine used for the prevention of <i>N. meningitides</i> (Lta)
“Menphecica®”	trade name of Groups A and C MCV, a vaccine used for the prevention of <i>N. meningitides</i> (Lta)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“MPSV4”	Group A, C, Y and W135 MPSV, a vaccine used for the prevention of epidemic cerebrospinal meningitis in children aged above two years old
“NDA”	new drug application
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
“Nomination Committee”	the nomination committee of the Board
“PBPV”	a globally innovative, serotype-independent protein-based pneumococcal vaccine being developed by us
“PCV13”	13-Valent pneumococcal conjugate vaccine, 13-valent vaccine primarily used for the prevention of invasive pneumococcal diseases
“PCV13i”	an improved pneumococcal polysaccharide conjugate vaccine being developed by us
“pertussis”	commonly known as whooping cough, a respiratory tract infection characterized by a paroxysmal cough

Definitions

“polysaccharide”	a carbohydrate that can be decomposed by hydrolysis into two or more molecules of monosaccharides
“POV”	point of vaccination
“PPV23”	23-valent pneumococcal polysaccharide vaccine, used for the prevention of invasive pneumococcal disease in children aged above two years of old and adults
“Recombinant Zoster Vaccine”	Recombinant Zoster Vaccine (Adenovirus Vector)
“R&D”	Research and Development
“Remuneration and Assessment Committee”	the remuneration and assessment committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the six-month period from January 1, 2023 to June 30, 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Pharma”	Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 2607) and the Shanghai Stock Exchange (stock code: 601607)
“Shanghai Sunway Biotech”	Shanghai Sunway Biotech Co., Ltd.* (上海三維生物技術有限公司), a non-wholly owned subsidiary of Shanghai Pharma and a connected person of the Company at the subsidiary level as of the date of this report
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Share(s) and H Share(s)
“STAR Market Listing Rules”	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange 《上海證券交易所科創板股票上市規則》
“Supervisor(s)”	supervisor(s) of our Company
“USD” or “US\$”	US dollar, the lawful currency of the United States of America
“TB”	tuberculosis, an infection caused by <i>Mycobacterium tuberculosis</i> that primarily affects the lungs

Definitions

“TB Booster”	a recombinant human type 5 adenovirus-based tuberculosis vaccine, a globally innovative TB booster vaccine for Bacillus Calmette-Guerin vaccinated population
“TdcP Adolescent and Adult”	a vaccine being developed by us for adolescents and adults (above 10 years old) that protects against pertussis, containing slightly increased amount of TT antigen to DTcP vaccine candidate for infants, but reduced amounts of pertussis and DT antigens
“Tetanus Vaccine”	Absorbed Tetanus Vaccine
“Tianjin Qianrui”	Tianjin Qianrui Enterprise Management Partnership (Limited Partnership) (天津千睿企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC on May 24, 2018 as an employee incentive platform of the Company
“Tianjin Qianyi”	Tianjin Qianyi Enterprise Management Partnership (Limited Partnership) (天津千益企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 31, 2015 as an employee incentive platform of the Company
“Tianjin Qianzhi”	Tianjin Qianzhi Enterprise Management Partnership (Limited Partnership) (天津千智企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC on May 24, 2018 as an employee incentive platform of the Company
“vector”	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism

* For identification purposes only