上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 1349)

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2024

This announcement, for which the directors (the "**Directors**") of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Five years financial data highlights

Results

Unaudited

	Six months ended 30 June				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	408,124	522,828	271,260	399,037	235,615
Profit/(Loss) before income tax	72,187	63,433	(61,189)	66,787	27,997
Income tax expense	(1,843)	5,172	25,169	(1,717)	1,368
Profit/(Loss) for the period	70,344	68,605	(36,021)	65,069	29,365
Profit attributable to:					
Shareholders of the Company	70,473	68,438	(35,975)	65,485	29,079
Non-controlling interests	(129)	167	(46)	(416)	286
Total comprehensive income for the period	70,485	68,497	(36,727)	69,017	29,416
Total comprehensive income attributable to:					
Shareholders of the Company	70,614	68,330	(36,680)	69,433	29,130
Non-controlling interests	(129)	167	(46)	(416)	286
EBITDA/(Loss)	105,695	97,858	(28,081)	96,615	58,240
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	RMB 0.0680	RMB 0.0665	RMB (0.0346)	RMB 0.0628	RMB 0.0310

Assets and liabilities

	Unaudited	**Audited**			
	30 June	**31 December**			
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	2,848,696	2,876,688	2,976,007	2,781,172	2,500,701
Total liabilities	(491,274)	(518,124)	(722,986)	(591,582)	(492,211)
	2,357,422	2,358,564	2,253,021	2,189,590	2,008,490
Capital and reserves attributable to:					
Shareholders of the Company	2,356,542	2,357,554	2,257,102	2,192,946	2,010,931
Non-controlling interests	880	1,010	(4,081)	(3,356)	(2,441)
	2,357,422	2,358,564	2,253,021	2,189,590	2,008,490

The Company adopted the China Accounting Standards for Business Enterprises to prepare its overseas financial statements since 24 February 2020. The key financial data of the Company for the six months ended 30 June 2024 (the "Reporting Period") are as follows.

(II) Key accounting data

Unit: RMB

Key accounting data	**Reporting Period (January to June 2024)**	**Corresponding period of last year**	**Change as compared with the corresponding period of last year (%)**
Revenue	408,123,863	522,827,706	-21.94
Net profit attributable to shareholders of the listed company	70,473,064	68,437,509	2.97
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	43,678,080	54,905,403	-20.45
Net cash flows from operating activities	27,649,549	-108,754,157	Not applicable
	As at the end of the Reporting Period (30 June 2024)	**As at the end of last year**	**Change as Compared with the end of last year (%)**
Net assets attributable to shareholders of the listed company	2,356,542,326	2,357,553,851	-0.04
Total assets	2,848,696,380	2,876,687,507	-0.97

(III) Key financial indicators

Key financial indicators	Reporting Period (January to June 2024)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.07	0.07	0.00
Diluted earnings per share (RMB per share)	0.07	0.07	0.00
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.04	0.05	-20.00
Weighted average rate of return on net assets (%)	2.99	2.98	increased by 0.01 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	1.85	2.40	decreased by 0.55 percentage point
Proportion of R&D investment in operating revenue（%）	38.06	22.68	increased by 15.38 percentage point

Description of key accounting data and financial indicators

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

During the Reporting Period, the Company negotiated with the marketing service provider, Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd.* (輝正(上海)醫藥科技有限公司) ("Shanghai Huizheng"), for the termination of the cooperation. After numbers of communications, the two parties signed the "Termination Agreement of 'the Marketing Service Agreement' and its Supplemental Agreement" on 20 June 2024, which provided for the termination of the Marketing Service Agreement and its Supplemental Agreement with effect from 31 December 2023, and other related matters. During the transition period, the sales of LIBOd®, one of the Company's major products, declined, resulting in a decrease in the Group's revenue as compared with the corresponding period of last year. For more details of the termination of the marketing services agreement between the Company and Shanghai Huizheng, please refer to the announcement of the Company dated 20 June 2024.

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

Not applicable.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	Amount	Explanations (if applicable)
Gains or losses from disposal of non-current assets, including reversal of provision for impairment of assets	141,121	
Government grants recognised in profit or loss for the current period, excluding those that are closely related to the normal business operations, and are granted in line with the national policies, regulations and standards, and have an on-going impact on the Company's profit or loss	21,113,893	
Except for the effective hedging activities related to the normal business operations, profit or loss arising from changes in fair value of financial assets and financial liabilities held, as well as those arising from disposals of financial assets and financial liabilities	10,254,379	It's mainly the interest or gains accrued from the structured deposits and wealth management.
Other non-operating income and expenses other than the above items	-36,873	
Effect on income tax	4,655,340	
Effect on minority interests (after tax)	22,196	
Total	**26,794,984**	

For not listed items in *Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 - Extraordinary Gain or Loss* which defined as non-recurring gains and losses and the amount is material and items that define non-recurring gains and losses enumerated in *Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 - Extraordinary Gain or Loss* as recurring gains and losses, the reasons should be explained.

Not applicable.

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

Not applicable.

Management Discussion and Analysis

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

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

(I) Basic information of the Group's industry

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

The pharmaceutical industry is an important part of China's national economy, and also a strategic emerging industry that is related to the national economy and people's livelihood, economic development and national security. With the enhancement of China's economic strength and the significant improvement of people's living standards, the rigid demand for health among Chinese residents continues to grow, becoming an important driving force for the long-term development of the pharmaceutical industry. The 2022 "14th Five-Year Plan for the Development of the Pharmaceutical Industry" positions the bio-economy as an important development content of China's science, technological and economic strategy. During the "14th Five Years Plan" period, biotechnology and the bio-industry are accelerating their development, with biotechnology evolving rapidly and a rapid growth in the demand for life and health, making the bio economy an effective force for driving high-quality development. According to IQVIA data, the global pharmaceutical market is expected to grow at a compound annual growth rate ("CAGR") of 3-6% from 2023 to 2027, with the total market size reaching approximately US$1.9 trillion. With the steady development of China's economy in recent years, the increasing investment in national health insurance and the increasing health awareness of the population, the scale of China's pharmaceutical market is also continuing to grow. According to the Frost & Sullivan report, the overall China pharmaceutical market grew at a CAGR of 3.70% from 2016 to 2020, and the total size of the China pharmaceutical market reached US$221.4 billion in 2020, and is expected to reach US$349.8 billion by 2025, and may reach US$457.4 billion by 2030.

2. Current situation of dermatology medicine industry in China

At present, the incidence rate of skin diseases increases, and the factors causing such diseases are evolving. Dermatosis is a common and frequently occurring disease in medical science, which is characterized by a wide range of patients, large number of syndromes and long treatment time. In recent years, the number of patients with skin diseases continues to grow, and their age is becoming younger and younger. Due to the repeated skin diseases, delayed treatment and high treatment costs, skin diseases bring great disadvantages to the rehabilitation of patients. According to WHO data, the number of people suffering from skin diseases in the world is about 420 million, of which there are about 150 million patients with skin diseases in China. According to the data released by the National Health Commission, the total number of visits to dermatology hospitals in China in 2021 was about 9.26 million, representing an increase of 2.67 million compared with 2013. With the continuous improvement of Chinese residents' health awareness and consumption ability, the market demand for extensive skin disease treatment and care is growing. According to Frost & Sullivan data, the scale of China's extensive skin disease treatment and care market increased from RMB300.4 billion to RMB471.8 billion in 2017-2021, with an annual compound growth rate of 11.95%. It is expected that China's skin disease drug sales will still maintain a certain scale of growth in the future.

- *The treatment of condyloma acuminate*

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

- *The treatment of port wine birthmark ("PWB")*

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

3. Current situation of China's antineoplastic drug industry

Malignant tumor is one of the most serious diseases threatening human health and social development. Among all kinds of diseases, the mortality rate of malignant tumors is the second highest, only second to cardiovascular and cerebrovascular diseases. On 22 March 2023, the National Cancer Centre (NCC) released the latest national cancer statistics. The results show that lung cancer, stomach cancer, liver cancer, colorectal cancer and breast cancer are the malignant tumours with the highest incidence rate in China, accounting for 57.27% of all new cancer cases. In China, according to the statistics from the Department of Disease Control and Prevention of the Ministry of Health, there are approximately 2.2 million new cases of cancer each year, with a death toll reaching 1.6 million. Moreover, over the past twenty years, the incidence and mortality rates of cancer have been rising annually at a rate of 20%. According to data released by the International Agency for Research on Cancer (IARC) of the World Health Organization, in 2020, there were 19.29 million new cases of cancer globally, with 4.57 million new cases reported in China, accounting for 23.7% of the global total. Although with the continuous development of medical technology, cancer treatment methods with surgery, radiotherapy and chemotherapy as the main methods have made great progress. However, due to the complexity of the pathogenesis of cancer and the great difficulty of treatment, it will remain one of the difficulties and hotspots in the field of cancer treatment today to find efficient and low-toxicity anticancer drugs. According to IQVIA data, it is estimated that by 2027, with the accelerated growth of newly marketed drugs and some biologically similar drugs, the global cancer expenditure will reach US $370 billion.

- *Current situation of anthracycline antineoplastic drug industry*

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

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

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

- **Dermatology Products**

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

ALA, first in class drug, the first photodynamic drug for the treatment of condyloma acuminate in the world. As the first commercialization project of the Group, it has become the preferred choice in the clinical therapy after many years of marketing. Compared with traditional therapy, the ALA photodynamic therapy has remarkably reduced the recurrence rate of condyloma acuminate, solving a clinical problem and filling in the vacancy of condyloma acuminate treatment in special parts on the body (urinary canal, anal canal and cervix) internationally. The therapy of ALA combined with photodynamic technology initiated by the Company was recorded in the text book of Dermatovenercology and relevant clinical treatment guidance from 2013. The latest ninth edition of Dermatovenercology adds the new application of the aforementioned therapy on the acne treatment. The therapy of ALA combined with photodynamic technology was also recorded in the "Condyloma Acuminate Clinical Diagnosis, Treatment and Prevention Guidelines in China (2021)" and "Condyloma Acuminate Treatment Expert Consensus (2017)" issued by the Chinese Medical Association.

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

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

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

- **Anti Tumour Products**

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

LIBOd® for the treatment of tumors, was launched to market in August 2009. The drug is a new doxorubicin formula which adopts the advanced stealth liposomal encapsulation technology and has passive targeting characteristics. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and remarkably lowering the effects of cardiac toxicity, myelosuppression and hair-loss. According to the statistics from the www.menet.com.cn, the sales of doxorubicin hydrochloride liposome injection at the terminal of urban public medical institutions in China was approximately RMB2.6 billion in 2018, and exceeded RMB3.6 billion in 2023, with cumulative sales growth of 38.46% over six years.

II. CORE TECHNOLOGY AND R&D PROGRESS

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

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

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

(1) Genetic Engineering Technical Platform

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

ADC is an important research and development direction of the Company’s genetic engineering technical platform. Possessing the powerful lethality of small molecular drugs and targeting property of monoclonal antibodies, ADC has become a hot item in the research and development of targeted tumor therapy over the past decade.

(2) Photodynamic Technical Platform

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

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

As the first commercialization project of the Group, the therapy of Aminolevulinic Acid Hydrochloride combined with photodynamic technology (the brand name of ALA,艾拉®) for the treatment of condyloma acuminate obtained positive market response after it was launched for sale. It has become the clinical drug of choice, which fulfilled unmet deficiencies of clinical in the treatment of condyloma acuminate. To expand the application to new indications of this drug is one of the key R&D projects of the Group. The therapy of ALA combined with photodynamic technology was recorded in the textbook of Dermatovenercology from 2013 and the latest ninth edition of Dermatovenercology adds the new application of the aforementioned therapy on the acne treatment. The therapy of ALA combined with photodynamic technology was also recorded in the "Condyloma Acuminate Clinical Diagnosis, and Treatment and Prevention Guidelines in China (2021)" and "Condyloma Acuminate Treatment Expert Consensus (2017)" issued by the Chinese Medical Association.

FuMeiDa (the brand name of Hemoporfin for injection), the first photodynamic drug for the treatment of PWB in the world, is a new drug with new drug target, new compound and new indication. Based on its obvious technological and clinical advantages, the commercialisation of FuMeiDa provides a new solution for the treatment of PWB. The latest ninth edition of Dermatovenercology adds Hemoporfin developed by the Group as new photosensitizer for the treatment of PWB.

In the future, the Group will continue to build on its feature of “one drug, several indications” and “a new scalpel for clinical treatment”. Based on the therapeutic mechanism of photodynamic drugs, the Group will carry out research on the expansion of various indications such as cervical intraepithelial neoplasia, acne, Actinic Keratosis (“AK”), and glioma cancer, etc. The Group is further studying the molecular mechanism and mechanism of action of photodynamic therapy to find new photodynamic compounds to enhance the efficacy and overcome the defect, as well as exploring the relationship between the penetration of different wavelengths of light and the treatment of tumours and other basic research. At the same time, the Group also plans to commence international registration of its marketed drugs to lay the foundation for its international development. As at the end of the Reporting Period, there are four types of photodynamic drugs that have been launched in China, namely Hematoporphyrin, Aminolevulinic Acid Hydrochloride, Verteporfin and Hemoporfin. The Company's products cover two of these varieties. Owing to different indication and emphasis, the Group’s products have not yet incurred any direct competition with other photodynamic products.

(3) Nano Technical Platform

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

Under this technical platform, LIBOd® for the treatment of tumors was launched to market in 2009.

(4) Oral Solid Preparation Technical Platform

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

During the Reporting Period, the core technology of the Group has not changed.

National Science and Technology Awards

Not applicable

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

Not applicable

According to the announcement of the Department of Industry and Information Technology of Jiangsu Province, Taizhou Fudan-Zhangjiang was successfully selected into the list of Jiangsu “Specialized, Refinement, Differential and Innovation” (專精特新) Small and Medium-sized Enterprises from 2023 to 2025.

2. R&D achievements obtained during the Reporting Period

In January 2024, the IND application for phase II clinical trial of Aminolevulinic acid granules for intraoperative visualization of breast cancer in adult breast conservative surgery has been approved.

In February 2024, the application for confirmatory clinical trial of Aminolevulinic acid hydrochloride granules for visualization of non-muscular invasive bladder cancer during transurethral resection of bladder tumor has been approved;

In March 2024, the application for confirmatory clinical trial of aminolevulinic acid hydrochloride powder for oral solution for intraoperative visualisation of glioma (WHO grade III or IV) has been approved; and the first patient has been successfully enrolled in June 2024.

In May 2024, the results of the dose escalation study of Trop2-directed antibody drug conjugate SN38 (also known as "FDA018 antibody drug conjugate for injection") for the treatment of advanced solid tumours and the results of expansion of Phase I clinical study for the treatment of the triple-negative breast cancer have been published on the official website of American Society of Clinical Oncology (ASCO).

In June 2024, the first patient has been successfully enrolled in the breast cancer clinical trial of the Her2 directed antibody drug conjugate (also known as "FDA022 antibody drug conjugate for injection") for the treatment of low expression of HER2.

In July 2024, the first patient in phase I clinical trial of DLL3-BB05 ADC (also known as "FZ-AD005 antibody drug conjugate for injection") for the treatment of advanced solid tumors has been successfully enrolled in.

List of intellectual property rights acquired during the Reporting Period

	Newly acquired during the Reporting Period		**Cumulative quantity**	
	No. of applications	**No. of grant**	**No. of applications**	**No. of grant**
Invention Patents	10	3	150	42
Utility Model Patent	5	-	32	25
Design Patent	2	-	5	3
Software copyright	-	-	26	26
Others	-	-	-	-
Total	**17**	**3**	**213**	**96**

Note:
1. No. of applications is the number of valid patents after excluding the number of abandoned applications and expired applications;
2. No. of granted in the cumulative quantity has excluded the expired patents during the Reporting Period.

3. R&D investment

Unit: RMB

	Reporting Period (January to June 2024)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Expended R&D investment	154,592,537	117,953,593	31.06
Capitalized R&D investment	737,612	637,260	15.75
Total R&D investment	155,330,149	118,590,853	30.98
Portion of R&D investment to the operating revenue (%)	38.06	22.68	increased by 15.38 percentage point
Portion of Capitalized R&D investment (%)	0.47	0.54	decreased by 0.07 percentage point

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

Not applicable

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

Not applicable

4. Research Projects

Unit: RMB 0'000

No.	Project Name	Estimated Total Investment Amount	Investment Amount during the Reporting Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
1	Research related to Hemoporfin	23,000.00	785.75	10,128.91	Clinical trial phase II in USA	Successfully start clinical trial phase II; enter of Hemoporfin product into the US market by successful registration with the US Food and Drug Administration (the "FDA"), thereby achieving the target of internationalization of the Company's core products, increase new profit growth points for the Company and increase its overall business scale, constant profitability and overall competitiveness.	International leading level	PWB
2	Research related to antibody drug conjugate	57,000.00	8,653.62	42,246.21	For more details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "1. Analysis of Core Competitiveness".	Complete the relevant pre-clinical study of antibody coupling related projects; The first patient of DLL3-BB05 ADC has been enrolled in the study.	International advanced level	Antitumor

No.	Project Name	Estimated Total Investment Amount	Investment Amount during the Reporting Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
3	Research related to aminolevulinic acid	30,000.00	3,595.45	19,993.97	For more details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "1. Analysis of Core Competitiveness".	The focus of the research is to invest in the Company's research and development platforms for its core technologies, so as to expand its research and development channels, increase its overall competitiveness, strengthen its sustainable development ability in the field of photodynamic therapy, expand the development of core technologies for clinical applications in new indications/disease, and progressively advancing the development of R&D projects.	For treatment of cervical diseases infected by HPV, and acne: International leading level; Surgical visualization of brain gliomas, bladder cancer and breast cancer: International advanced level	Cervical diseases infected by HPV, acne, surgical visualization of brain gliomas, bladder cancer and breast cancer
4	Research related to doxorubicin liposome	4,300.00	73.76	4,167.22	The Doxorubicin Hydrochloride Liposome Injection (LIBOd®) (Specifications: 10ml: 20mg) has passed the Consistency Evaluation.	The Consistency Evaluation of the Doxorubicin Hydrochloride Liposome Injection (LIBOd®) (specifications: 10ml:20mg and 5ml:10mg)	International Advanced level	Antitumor
5	Other research	-	2,424.43	40,195.22	For more details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "1. Analysis of Core Competitiveness".	Broadening R&D pipeline of the Company, enhancing overall competitiveness of the Company, strengthening the ability to sustain development in the field of biopharmaceuticals, and progressively advancing the development of R&D projects.	/	Rheumatoid arthritis, Atopic dermatitis, Hepatobiliary diseases, infantile hemangioma and exploratory research
Total	**/**	**114,300.00**	**15,533.01**	**116,731.53**	**/**	**/**	**/**	**/**

Notes:

1、 The Investment Amount during the Reporting Period includes the expensed amount and capitalized amount of R&D investment during the Reporting Period;

2、 The Target to Be Achieved is the short-term target planned by the Group, which will be updated according to the progress of the research and development project and the corresponding budget amount will be adjusted at the same time.

5. R&D personnel

Basic information		
	For the Reporting Period	**For the corresponding period of last year**
Number of R & D personnel (person)	180	173
The proportion of R&D personnel in the total number of employees of the Company (%)	19.72	18.99
Total amount of salary of R&D personnel (RMB)	43,950,526	34,364,501
Average amount of salary of R & D personnel (RMB)	244,170	198,639

Education level		
Education structure	**Number (person)**	**Proportion (%)**
Doctor	5	2.78
Master	68	37.78
Bachelor	90	50.00
Below Bachelor degree	17	9.44
Total	**180**	**100.00**
Age structure		
Age range	**Number (person)**	**Proportion (%)**
50 and above	5	2.78
40-49	25	13.89
30-39	87	48.33
20-29	63	35.00
Total	**180**	**100.00**

6. Other Explanations

Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

1. Analysis of core competitiveness

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

(1) Advantages of R&D Innovation

R&D Field	Technical Field	Project Name	Registration Type	Proposed Indications	Progress	Comparison with Industry Technical Level
R&D Field of Photodynamic Drugs	Photodynamic technology	Hemoporfin (海姆泊芬) (T0004/ F0026)	Class 1 innovative chemical drug	PWB	Clinical trial phase IV completed	International leading level: new compound and new indication
			505(b)(1)		Clinical trial phase II in the U.S started	
		Aminolevulinic acid - CIN (F0005)	Class 2.4 improved new drug	Cervical diseases infected by HPV	Clinical trial phase II completed	International leading level: new indication
		Aminolevulinic acid - Acne (F0014)	Class 2.4 improved new drug	Acne	Clinical trial phase II completed	International leading level: new indication
		Aminolevulinic acid - AK (F0037)	Class 2.2 improved new drug	Actinic keratosis	Clinical trial phase II	International advanced level
		Aminolevulinic acid - brain gliomas (F0009)	Class 3 generic drug	Surgical visualization of Brain gliomas	Confirmatory clinical trial	International advanced level
		Aminolevulinic acid – bladder cancer (F0044)	Class 3 generic drug	Surgical visualization of Bladder cancer	Application for confirmatory clinical trial approved	International advanced level
		Aminolevulinic acid - breast cancer (F0045)	Class 2.4 improved new drug	Surgical visualization of Breast cancer	Application for clinical trial phase II approved	International advanced level
R&D Field of ADC	ADC engineering	CD30-DM1 ADC (F0002)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I enrollment completed & statistics in progress	International leading level: new compound
		Trop2-SN38 ADC (F0024)	Class 1 therapeutic biological products	Triple Negative Breast Cancer (TNBC)	Clinical trial phase I completed	International advanced level
				Tumors	Clinical trial phase I	
		Her2-BB05 ADC (F0034)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International advanced level
		Trop2-BB05 ADC (F0040)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International advanced level
		DLL3-BB05 ADC (F0041)	Class 1 therapeutic biological products	Tumors	Clinical trial phase I	International advanced level: new compound

R&D Field	Technical Field	Project Name	Registration Type	Proposed Indications	Progress	Comparison with Industry Technical Level
R&D Field of Other Drugs	Nano technology	Doxorubicin liposome (鹽酸多柔比星脂質體) (F0033)	Class 6 generic drug	Tumors	Domestic bioequivalence evaluation research and registration passed	International advanced level
	Osmotic pump technology	Carzodopa controlled-release tablet (WD-1603)	Class 2.2 improved new drug	Early Parkinson's disease	Clinical trial phase II completed	International advanced level
	Small molecular targeting drugs	FZJ-003 oral preparation – RA (F0025)	Class 1 innovative chemical drug	Rheumatoid arthritis	Clinical trial phase I completed	International advanced level
		FZJ-003 gel – AD (F0039)	Class 1 innovative chemical drug	Atopic dermatitis	Clinical trial phase I started	International advanced level
		FZJ-003 oral preparation – AD (F0042)	Class 1 innovative chemical drug	Atopic dermatitis	Clinical trial phase II started	International advanced level
		FZJ-003 oral preparation – UC (F0043)	Class 1 innovative chemical drug	Ulcerative colitis	Clinical trial phase II started	International advanced level
	Drugs with patents or technical barriers	Obeticholic acid (F0019)	Class 3 generic drug	Hepatobiliary disease Autoimmune diseases	Confirmatory clinical study enrollment completed & statistics in progress	International advanced level

(2) Advantages of Technology Platform

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

(3) Advantages of Promotion

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

(4) Advantages of Product Quality Control

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

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

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

(5) Advantages of Management and Technical Team

The advanced business philosophy and incentive system of the Company attracted a large number of technical person to join, forming a mature R&D technology team, which is the cornerstone of the Company's core technology platform. The Company's management is in the trend of becoming younger, which contributes to enhancing the Company's vitality and innovation capabilities, further driving the formulation of the company's development strategy, brand-building, fostering company culture and promoting product innovation. The Company's excellent management team and technical talent provide comprehensive support for the stable development and successful implementation of projects.

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

Not applicable.

IV. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

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

RESEARCH STRATEGY, REVIEW AND PROSPECTS

The Group has formed a complete cycle in innovation, research, manufacturing and marketing of biomedicine. We will continue to focus strategically on advantageous areas, rapidly promote research and development and commercialization of our products, and at the same time give attention to the balance between innovation and commercialization of our products, and give attention to the balance between research and marketing, so as to enhance our core competitiveness and ability of enterprises and achieve a stable dominant position in the pharmaceutical subdivision and become an innovator and market leader in the biomedical industry.

During the Reporting Period, the Group's innovative R&D areas still focused on photodynamic drugs for skin diseases and precancerous lesions, photodynamic drugs for intraoperative visualization, antibody-drug conjugates for tumors, small molecular targeting drugs for autoimmune diseases and tumors and other drugs with patents or technical barriers.

PHOTODYNAMIC DRUGS

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

The Group's current photodynamic research and development pipeline is mainly located in two directions: Photodynamic Therapy ("PDT") and Photodynamic Diagnosis (PDD).

In the photodynamic therapy of skin-related diseases, the Group has continuously expanded the new clinical testing of listed drugs on the basis of more than ten years of photodynamic drug research and development and clinical exploration; On the other hand, new photosensitive compounds and supporting medical devices are constantly needed for the treatment of skin diseases that have not been clinically treated at present.

In other fields of photodynamic therapy, the Group will also pay attention to the subdivision directions such as antibacterial Photodynamic Therapy (aPDT) and Photo immunotherapy (PIT), and actively carry out related early research. It also focuses on the rational design of photosensitizers and the local direction of photosensitizers to further broaden the application scope and scenarios of PDT. The Group's goal is to bring accurate, controllable, efficient and low-injury photodynamic therapy schemes to more clinical departments, provide safe and convenient treatment for patients, and at the same time give medical experts a better choice of schemes.

The Group's current photodynamic diagnostic technology is also called Intraoperative Molecular Image ("IMI") technology, namely, clinical research on the application of different dosage forms of aminolevulinic acid hydrochloride preparations in intraoperative fluorescence visualization indications for glioma cancer and breast cancer. The above projects are based on a similar working mechanism, that is, due to the stronger metabolic ability of tumor cells compared with normal cells, the tumor cells will be specifically enriched with protoporphyrin IX, which can emit red fluorescence under irradiation to realize the visualization of tumor during surgical resection This technology is expected to help doctors judge the edge of tumor in real time during operation, find lesions that are difficult to identify under white light of conventional surgery, and finally achieve more complete and thorough tumor resection. In addition to IMI technologies, based on metabolic differences, such as aminolevulinic acid hydrochloride, the Group is also actively deploying IMI technologies based on tumor-specific receptors with different targeting molecules in order to provide intraoperative navigation for indications such as lung cancer, pancreatic cancer and so on.

The Group is also supporting the medical devices for the use of photodynamic diagnosis and photodynamic therapy, and will gradually promote the implementation of their commercialization.

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

The therapy of ALA combined with photodynamic technology initiated by the Company was recorded in the textbook of Dermatovenercology from 2013 and the latest ninth edition of Dermatovenercology adds the new application of the aforementioned therapy on the acne treatment. The therapy of ALA combined with photodynamic technology was also recorded in the "Condyloma Acuminate Clinical Diagnosis, and Treatment and Prevention Guidelines in China (2021)" and "Condyloma Acuminate Treatment Expert Consensus (2017)" issued by the Chinese Medical Association.

The phase II clinical trial of Aminolevulinic Acid Hydrochloride combined with photodynamic technology used for the treatment of CIN infected by HPV ("CIN") has been basically completed during the Reporting Period, and Phase III clinical research will be carried out as soon as possible. Cervical precancerous lesion is a barrier in treatment. Adhering to the clinical research and development of this project will benefit the majority of women patients, and we will strive to obtain the registration of new indications as early as we can.

The phase II clinical trial of Aminolevulinic Acid Hydrochloride combined with photodynamic technology used for the treatment of moderate and severe acne has been completed, and the phase III clinical trial will be started as soon as possible. Meanwhile, taking into account the feedback from clinicians in the actual treatment process, the Group is further studying painless treatment options and the clinical superiority of local medication over system medication. The therapy of Aminolevulinic Acid Hydrochloride combined with photodynamic technology was recorded in the "Guidelines for Acne Treatment in China (2019)" and "Expert consensus on the clinical application of amino ketoglutarate photodynamic therapy for the treatment of acne vulgaris (2022)" issued by the Chinese Medical Doctor Association.

The phase II clinical trial of Aminolevulinic acid hydrochloride used for the treatment of actinic keratosis ("AK", known as photo linear keratosis, solar keratosis and senile keratosis) was undergoing during the Reporting Period. AK mostly occurs in the exposed parts such as face, scalp or dorsum of the hands, and mostly occurs in the middle-aged and elderly people. Photodynamic therapy for the treatment of AK has been approved abroad. At present, the existing treatments in China include freezing, curettage, external drug application, etc. The therapy of Aminolevulinic Acid Hydrochloride combined with photodynamic technology was recorded in the "Guidelines for Clinical Application of Photodynamic Therapy in Dermatology (2021)" and "Consensus of Chinese Clinical Diagnosis and Treatment Experts on Photo keratosis (2021)" issued by the Chinese Medical Association.

The application for confirmatory clinical trial of aminolevulinic acid hydrochloride powder for oral solution for intraoperative visualization of glioma has been approved and the first patient has been enrolled in the study during the Reporting Period. Glioma is the most common primary intracranial tumor, which is characterized by high incidence, high recurrence rate, high mortality rate and low cure rate. Surgical resection is the stand of care at domestic and abroad, and the survival and prognosis of patients is related to the degree of surgical resection. Therefore, the basic principle of surgery is to remove as much diseased tissue as possible without damaging adjacent normal brain tissue. However, most of the gliomas are invasive growth. The boundary between gliomas and the surrounding normal brain tissue is not clear so that it is difficult to conduct complete surgical resection. Refer to the overseas listed product which used for the visualization of malignant tissue during adult malignant glioma, the Company confirmed that ALA fluorescence guided technology formed by the coordination of aminolevulinic acid hydrochloride can bring practical clinical benefits to patients undergoing surgical treatment of high-grade gliomas. The Company intends to process this project to visualize the tumour margin, so as to guide the resection range in real time, to help surgeons improve complete resection rate while reserving healthy tissue. The Company wish this technology could improve the postoperative quality of life of patients and prolong the survival period of patients.

The application for confirmatory clinical trial of aminolevulinic acid hydrochloride granules for visualization of non-muscular invasive bladder cancer during transurethral resection of bladder tumor has been approved during the Reporting Period and the first patient will be enrolled as soon as possible. Bladder cancer is a kind of malignant tumor with high recurrence rates. According to whether the tumor has penetrated into the bladder muscle, it can be divided into non-muscular invasive bladder cancer ("NMIBC") and muscular invasive bladder cancer (MIBC). According to public information, NMIBC accounts for about 75% of bladder cancers. Transurethral resection of bladder tumor ("TURBT") is currently the preferred surgical treatment for NMIBC so as to completely remove the tumor. In clinical treatment, incomplete tumor resection in TURBT surgery is one of the important reasons for the recurrence of NMIBC. Therefore, The Company intends to develop this intraoperative fluorescence-guided technology to improve the detection rate of NMIBC during TURBT, which supports doctors to conduct a complete tumor resection so as to reduce the risk of recurrence.

The application for Phase II clinical trial of aminolevulinic acid granules for intraoperative visualization of breast cancer in adult breast conservative surgery has been approved during the Reporting Period. The Company will continue to promote clinically relevant work. Breast cancer is one of the most common malignant tumors in women with the incidence ranking the first in female tumors, which seriously endangers women's physical and mental health. According to IARC data, China ranks first in the world in the number of new breast cancer cases in 2020, with about 420,000 cases. At present, the main diagnosis and treatment methods of breast cancer include surgical treatment, radiotherapy, chemotherapy, targeted therapy and immunotherapy, among which breast-conserving surgery for patients with early breast cancer has been widely recognized. The goal of breast-conserving surgery is to completely remove the tumor while preserving the surrounding healthy tissues as much as possible. However, the current technology is not yet sufficient to doctors to determine in real-time whether the tumor has been completely removed. The Company intends to develop this intraoperative fluorescence-guided technology to visualize the residual tumor and the resection margin, so as to guide the resection range in real time, to help the patients in China and fulfill the unmet medical needs in clinical practice.

FuMeiDa (the brand name of Hemoporfin for injection), the first photodynamic drug for the treatment of PWS in the world, is a new drug with new drug target, new compound and new indication. PWS is a common congenital vascular malformation characterized by ectatic capillaries in the papillary layer of the dermis. The lesions tend to become darker and thicker with time and rarely fade away for life. PWS occurs in anywhere on the body and particularly in face and neck and is reported about 0.3~0.4% incidence of infants worldwide. Before age 40, over 65% of patients without treatment will face the situation of thicken and modular lesions cause great emotional depression. FuMeiDa launched to market in 2017. The phase II clinical trial of Hemoporfin as 505b (1) drug was undergoing in the United States. As at the date of this announcement, the project has completed the selection of all clinical centers and will proceed with the enrolment of the first patient as soon as possible. Based on the large reliable number of real information on clinical treatment in China as well as patented technologies continuously discovered and developed in treatment to improve curative effect and reduce side effects of FuMeiDa, we have reason to expect that once it is successfully listed in the United States, Hemoporfin will help patients around the world change their life and lay the foundation for the innovative development model adhered to by the Group.

Meanwhile, the Group is also continuing its exploration and screening of new photosensitizers to lay out photodynamic drug reserves of the Group in advance.

In the future, the Group will continue to work on the further exploration and optimization of photodynamic therapy schemes. From the perspective of clinical actual needs, the Group will make the best use of the unique advantages of photodynamic therapy different from traditional treatment methods, and develop new photodynamic drugs or new photodynamic combined therapy schemes.

ANTIBODY-DRUG CONJUGATES (ADC)

ADC is an important research and development direction of the Company's genetic engineering technical platform. Possessing the powerful lethality of small molecular drugs and targeting property of monoclonal antibodies, ADC has become a hot item in the research and development of targeted tumor therapy over the past decade.

The Group's first ADC is the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection ("CD30-DM1 ADC") for the treatment of tumors, which is actually an explore of DM1-ADC in CD30 target and a combination of ADCETRIS® (CD30-MMAE) and Kadcyla® (Her2-DM1/T-DM1). As a trial project in the field of ADC was undertaken for the first time, the project has led the Group to accumulate considerable and technical skills for further research on ADC.

The Group's second ADC is a Trop2-directed antibody drug conjugate ("Trop2-SN38 ADC", also known as "FDA018 antibody drug conjugate for injection") for triple negative breast cancer, bladder cancer, gastric cancer and other tumors. This is a Me-too drug with a linker different from the original drug. According to existing research results, it has similar pharmacological properties and in vitro pharmacodynamics to original drug and has similar pharmacodynamics and pharmacokinetic characteristics in model animals. The phase I clinical trial of this project is undergoing. Wherein, the research of the treatment of triple negative breast cancer of this project has obtained preliminary efficacy and safety data. As at the date of this announcement, the project has completed preclinical communication with regulatory authorities and the Group will promote to start the Phase III clinical trial for the treatment of triple negative breast cancer as soon as possible, which is expected to get the same or better clinical results as the original drug.

In recent years, we have built a new linker-drug platform ("BB05 Platform") in respect of small molecule. This laid the foundation for the Group's subsequent development of Me-better or innovative ADCs. The ADC projects currently being developed by the Group on the basis of this BB05 Platform includes:

- The Her2 directed antibody drug conjugate ("Her2-BB05 ADC", also known as "FDA022 antibody drug conjugate for injection") for the treatment of metastatic breast cancer and metastatic gastric cancer is carrying out phase I clinical study. The drug is composed of monoclonal antibodies against human epidermal growth factor receptor 2 (HER2) target coupled with BB05. The drug can bind to HER2-expressed tumor cells and endocytosis, releasing small molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes by protease cleavage to kill the tumor cells. The drug is intended to be developed for the treatment of advanced solid tumors with HER2-positive expression, such as breast cancer, gastric cancer, lung cancer, colorectal cancer, etc.;

- The phase I clinical trial of Trop2 directed antibody drug conjugate ("Trop2-BB05 ADC", also known as "FZ-AD004 antibody drug conjugate for injection") for the treatment of solid tumors such as lung cancer and breast cancer is undergoing. The drug is composed of monoclonal antibodies against human trophoblast cell surface glycoprotein antigen ("TROP-2") target coupled with BB05. TROP-2 is expressed at different levels, and its expression level is significantly increased in various carcinomas, such as breast cancer, lung cancer, and stomach cancer. The drug can bind to high TROP-2-expressed tumor cells and endocytosis, releasing small molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes by protease cleavage to kill the tumor cells. The drug is intended to be developed for the treatment of advanced solid tumors including but not limited to lung cancer, breast cancer, gastric cancer, esophageal cancer, colorectal cancer, urothelial cancer, bladder cancer and endometrial cancer, etc.; and

- The IND application for Phase I clinical trial of DLL3 directed antibody drug conjugate ("DLL3-BB05 ADC", also known as "FZ-AD005 antibody drug conjugate for injection") mainly for the treatment of small cell lung cancer was approved in December 2023, and the first patient has been enrolled in July 2024. According to the public data, the Drug is currently first topoisomerase inhibitors ADC targeting DLL3. The Drug can bind to DLL3-positive tumor cells and endocytosis, releasing small molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes by protease cleavage to kill the tumor cells. The Drug is intended to be developed for the treatment of advanced solid tumors including but not limited to small cell lung cancer, large cell neuroendocrine carcinoma and prostatic cancer, etc.

We have the research and development capabilities in development of biologics agents, small molecules and ADC linkage. With the completion of the construction and its successful production of the antibody coupling drug workshop of Taizhou, ADC medicine will become one of the important product groups of the Group.

OTHER DRUGS

Parkinson's disease, also known as tremor paralysis, is one of the most common neurodegenerative diseases. People usually get the disease at the age of 50 to 60, caused by lack of dopamine in the brain which prevents brain nerve cells from properly controlling motor functions, resulting in tremor of hands and feet, slow movement, sleep disturbance and other symptoms that affect the quality of life. At present, the mainstream drug for the treatment of early Parkinson's disease in clinical practice - levodopa preparation has two types: rapid release dosage form and sustained release dosage form, but all products have not achieved the ideal effect of long-term stable release and absorption of levodopa. Fluctuating blood drug concentration will accelerate the course of disease and produce other adverse reaction symptoms, which makes clinicians have concerns about the early use of levodopa as a treatment scheme. The carzodopa controlled-release tablet project (WD-1603) of the Company for the treatment of early Parkinson's disease was undergoing commercialization process through scale-up research during the Reporting Period. This project belongs to National Medical Products Administration ("NMPA") Class 2 new drug in China and FDA 505 (b)(2) new drug in the United States. The project adopts the UGI-Pump® under the associate of the Group, Shanghai Handu Pharmaceutical Technology Co., Limited ("Shanghai Handu") patented technology platform which can prolong the retention time of levodopa dosage form in the upper gastrointestinal tract, and continuously and stably release the drug during the retention time, so as to obtain a stable blood drug concentration, delay the process of Parkinson's disease to a great extent and reduce the adverse reactions caused by the drug. During the reporting period, the PCT patent of this drug has been authorized in China, Japan and United States.

The in vivo bioequivalence study and the confirmatory clinical study on obeticholic acid project with a synthetic patent for the treatment of hepatobiliary disease has been completed. The Group will apply for its production registration as soon as possible. It is a generic drug of a medicine developed in the United States and listed worldwide for the treatment of primary biliary cirrhosis (PBC). Such drug has a large market in China which is a country with high incidence of hepatobiliary disease. The Group has engaged a third-party research institution to break through the patent restrictions on the original drug and was granted the patent in China. On 15 March 2020, the National Health Commission, in conjunction with the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the State Medical Insurance Bureau, the National Medical Products Administration and the State Intellectual Property Office, organized experts to select and demonstrate the drugs that are not yet applying for registration and lack of clinical supply (insufficient competition) for the domestic patent due, and formulated the Second Batch of Encouraged Generic Drugs Catalogue, which clearly defined in the catalogue 17 drugs and formulations encouraged to be imitated, including obeticholic acid tablets.

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

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

Not applicable.

V. RISK FACTORS

(I) Risks in core competitiveness

1. Risk in relation to new drug development

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

2. Risk in relation to core technical staff loss

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

(II) Risk in operation

1. Risk in relation to relatively limited product types

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

(III) Risk in financial

1. Foreign exchange risk

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

(IV) Risk in industry

1. Risk in drug price reduction

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

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

Since December 2018, the "4+7" centralised procurement of pharmaceutical products organised by the State Medical Insurance Bureau was formally implemented, and a series of local procurement policies were also introduced in various localities, resulting in a significant decrease in the average price of the winning generic pharmaceutical products. The major products of the Company were not covered by the National Basic Pharmaceutical Catalogue and the aforesaid policies during the Reporting Period, and the possibility of significant price reductions as a result of the policy requirements is relatively small, while the Company will also endeavour to avoid price reductions due to other reasons as far as possible.

VI. OPERATION RESULT FOR THE REPORTING PERIOD

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

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

In respect of operation and commercialization, the major products of the Company are ALA and FuMeiDa on photodynamic technical platform and LIBOd® on nano technical platform. During the Reporting Period, the sales revenue contributed by ALA(艾拉®) to the Group decreased by 9.37% compared to the corresponding period at last year. LIBOd® (里葆多®) for the treatment of tumors, the first generic drug from Doxil® in China and the first generic drug of nanomedicine at home and abroad, was launched for sale in August 2009 and it obtained favorable market response and reputation. On 29 October 2018, the Company and Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd.* (輝正(上海)醫藥科技有限公司) ("Shanghai Huizheng") entered into the market promotion service agreement ("Market Promotion Service Agreement")for Doxorubicin liposome (LIBOd®), to provide the market promotion services for LIBOd® of the Company in the PRC from 1 November 2018. Shanghai Huizheng is a subsidiary of Zhejiang Hisun Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600267). In 2023, the sales revenue contributed by LIBOd® did not meet the expectation, leading to a decrease in the Company's annual operating income compared to that of last year. Pursuant to the relevant terms of the Original Agreement, on 27 December 2023, the Company issued a formal letter to Shanghai Huizheng with a view to terminating the Original Agreement with effect from 31 December 2023. After negotiations between the parties, the Company and Shanghai Huizheng entered into a termination agreement for the Market Promotion Service Agreement and its supplementary agreements on 20 June 2024. For more details of the termination of the marketing services agreement between the Company and Shanghai Huizheng, please refer to the announcement of the Company dated 20 June 2024. In order to ensure the orderly hand over marketing exercise, the Company has timely adjusted the sales strategy of LIBOd® by screening and identifying professional contract sales organisations ("CSO") companies for oncology products to provide marketing and academic promotion services in each province and municipality based on the terminal sales price and market coverage there. The Company will take advantage of various tendering and pooling opportunities to leverage CSO's core promotional capabilities in each provinces and adopt a refined and flat investment promotion and agency model to carry out academic promotion of its products in accordance with local conditions. After the termination of cooperation between the Company and Shanghai Huizheng, the sales activities for LIBOd® have a certain impact during the transition period. During the Reporting Period, the sales revenue contributed by LIBOd® single product to the Group decreased by 45.83% compared with corresponding period of last year .

FuMeiDa (复美达®), the first photodynamic drug for the treatment of PWS in the world, is a new drug with new drug target, new compound and new indication. FuMeiDa has been launched in the market officially in 2017. PWS had no good treatment before. Compared with traditional laser treatment, Hemoporfin is featured by stable chemical structure, lower photosensitization, rapider metabolism, shorter light-avoidance period requirement, even treatment of lesion, higher cure rate, lower incidence of scar formation and lower recurrence rate. During the Reporting Period, FuMeiDa continues to expand new hospital sales channels with well postoperative feedback. During the Reporting Period, the contribution of FuMeiDa to sales revenue of the Group increased by 36.17% compared with corresponding period of last year.

The subsidiary of the Company, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* (泰州復旦張江藥業有限公司) ("Taizhou Fudan-Zhangjiang") which occupied approximately 144 acres, has constructed several production lines for the material and injection of Hemoporfin and advance commercialization preparation for a series of ADC projects and solid preparation such as obeticholic acid under development. During the Reporting Period, the newly-built antibody drug conjugate production line of Taizhou Fudan-Zhangjiang completed the clinical sample production of Trop2-SN38 ADC (also known as "FDA018 antibody drug conjugate for injection") which can be used for the Phase III clinical trial for the treatment of triple negative breast cancer. Currently, the process of scale-up study and trial production at Taizhou Fudan-Zhangjiang of Her2-BB05 ADC (also known as "FDA022 antibody drug conjugate for injection") is undergoing. The construction and operation of antibody drug conjugate production line of Taizhou Fudan-Zhangjiang has laid a solid foundation for the steady advancement of the Group's antibody conjugated drug development strategy.

During the Reporting Period, the Group continues to regard academic promotion as its primary marketing method. The Company has used the diversified network platform channels to form a mature network service system such as academic exchanges among dermatology clinicians, sharing of clinical case and standardized practice videos, and a Q&A platform between doctors and patients, etc. In addition, the Company plans to take advantage of doctor resources on the platform to develop a new sales mode to solve some commonly seen problems in current marketing environment and some commonly seen difficulties for patients in hospital. We believe this kind of investment will have positive significance for products promotion, brand awareness and the Company's recognition as well.

As at the end of the Reporting Period, the number of sales team personnel remained stable compared to the same period last year and the end of the previous reporting period. The Company will strengthen the competitiveness of its own sales team. At the same time, it made efforts to expand the scope of access to hospitals and departments, so as to deal with the impact of the general environment on sales. During the Reporting Period, the production lines for existing products in sale of the Group have all passed the GMP Certification of China Food and Drug Administration. Our objective is to set up the product lines which can meet international standard so that our products could be sold worldwide.

By the end of the Reporting Period, the commercialized main products of the Group are summarized as follows:

Technical Platform	Project Name	Registration Type	Indications	Launching Time
Photodynamic technology	ALA	Class 3.1 generic drug	Condyloma acuminate	2007
	FuMeiDa	Class 1.1 innovative chemical drug	Port wine stain	2017
Nano technology	LIBOd®	Class 6 generic drug	Tumors	2009
Other technology	Parecoxib Sodium for Injection	Class 4 generic drug	Postoperative analgesics	2021

The Group has successfully accomplished the transformation from purely R&D to equally stress on both R&D and commercialization with a complete system featuring organic combination of R&D, product manufacturing and marketing. The Group is moving toward a virtuous stage of development.

In summary, we are still undertaking our exploration and we hope our efforts can provide useful help for the treatment of the patients and bring value to the investors. Although challenges lie ahead of us, we believe our overall operation strategy and result will be beneficial to the Company's sustainable development in medium and long term.

(I) ANALYSIS OF MAIN BUSINESSES

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

Unit: RMB

Items	Amount For the Reporting Period	Amount for the corresponding period of last year	Change (%)
Revenue	408,123,863	522,827,706	-21.94
Cost of sales	29,399,848	41,577,068	-29.29
Selling expenses	114,492,701	249,225,184	-54.06
General and administrative expenses	23,374,240	27,454,732	-14.86
Finance costs	-1,676,234	-428,551	Not applicable
Research and development expenses	154,592,537	117,953,593	31.06
Net cash flows generated from operating activities	27,649,549	-108,754,157	Not applicable
Net cash flows generated from investing activities	4,326,668	-8,708,195	Not applicable
Net cash flows generated from financing activities	-5,522,836	59,158,213	-109.34

Reasons for changes in revenue: It is mainly due to the termination of the cooperation with Shanghai Huizheng. The sales revenue of one of the major products of the Company, LIBOd® (里葆多®), declined, which caused a decrease in revenue as compared to the same period of last year, resulting in the corresponding impact to other relevant financial data.

Reasons for changes in costs of sales: As above.

Reasons for changes in selling expenses: It is mainly due to the decrease in sales of LIBOd® (里葆多®), which caused the corresponding decline in selling expenses. And the recognition of compensation from Shanghai Huizheng after the termination of the cooperation.

Reasons for changes in general and administrative expenses: It is mainly due to the decrease in fees paid to intermediaries during the Reporting Period.

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

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

Reasons for changes in net cash flows generated from operating activities: It is mainly due to the payment of marketing service fees in the corresponding period of last year, the related payment were deferred this year because of the termination of cooperation with marketing service provider during the Reporting Period.

Reasons for changes in net cash flows generated from investing activities: It is mainly due to the payment for the construction of the Taizhou Fudan-Zhangjiang Pharmaceutical Production Base during the corresponding period last year.

Reasons for changes in net cash flows generated from financing activities: It is mainly due to the payment of subscriptions for the Class II Restricted Share Incentive Scheme from the Company's employees during the corresponding period last year.

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

Not applicable.

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

Not applicable.

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: RMB

Accounts	Amount as at 30 June 2024	Percentage of amount as at 30 June 2024 to total asset (%)	Amount as at 31 December 2023	Percentage of amount as at 31 December 2023 to total asset (%)	Change ratio of the amount as at 30 June 2024 to that as at 31 December 2023 (%)	Description
Notes receivables	117,527,144	4.13	174,262,319	6.06	-32.56	The changes in notes receivables were mainly due to the maturity of bills on collection during the Reporting Period.
Advances to suppliers	20,384,336	0.72	4,330,980	0.15	370.66	The changes in advances to suppliers were mainly due to the increase in prepayments required to be paid to suppliers during the Reporting Period.
Other current assets	4,524,650	0.16	1,521,795	0.05	197.32	The changes in other current assets were mainly due to the increase in prepayment of enterprise income tax.
Other equity instruments	24,239	0.00	15,126	0.00	60.25	The changes in other equity instruments were mainly due to the changes in Kintara's fair value as measured by the share price at the end of the Reporting Period compared to 31 December 2023.
Fixed assets	491,649,487	17.26	228,496,043	7.94	115.17	The changes in fixed assets were mainly due to the completion of Taizhou Fudan-Zhangjiang Phase II Pharmaceutical Production Base in Taizhou, which was transferred from construction in progress to fixed assets.
Construction in progress	187,189	0.01	229,962,812	7.99	-99.92	As above.
Long-term prepaid expenses	7,619,983	0.27	11,323,048	0.39	-32.70	The changes in long-term prepaid expenses were mainly due to amortisation during the Reporting Period.
Other non-current assets	7,008,914	0.25	44,894,795	1.56	-84.39	The changes in other non-current assets were mainly due to the settlement of prepayments of production and R&D equipment.
Accounts payables	13,866,612	0.49	8,054,847	0.28	72.15	The changes in accounts payables were mainly due to the increase in material payables.
Contract liabilities	481,053	0.02	260,736	0.01	84.50	The changes in contract liabilities were mainly due to the increase in advance received from customers.
Employee benefits payable	16,720,994	0.59	25,084,497	0.87	-33.34	The changes in employee benefits payable were mainly due to the payment of year-end bonus for the last year during the Reporting Period.
Current portion of non-current liabilities	3,240,542	0.11	6,329,026	0.22	-48.80	The changes in current portion of non-current liabilities were mainly due to the decrease in rent payable within one year.
Deferred income	994,075	0.03	2,152,575	0.07	-53.82	The changes in deferred income were mainly due to the amortisation of deferred government grants.

(i) Liquidity and financial resources

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

As at 30 June 2024, the Group had cash and cash equivalents of RMB1,222,481,006, which is principally denominated in RMB.

Being consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 30 June 2024 and 31 December 2023, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable (As at 30 June 2023: N/A).

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

(ii) Banking borrowings

As at 30 June 2024, the Group had no banking borrowings.

(iii) Foreign exchange exposure and hedging

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

(iv) Charge on assets

As at 30 June 2024, the Group had no charge on assets.

(v) Future plans for material investments or capital assets

For the six months ended 30 June 2024, the Group had no future material investments or capital expenditure plan.

(vi) Dividends

Dividend Policy

In accordance with the Company Law and other relevant laws and regulations, the Company has been implementing a continuous, stable and positive dividend distribution policy since 2015, and paying attention to reasonable return on investment to Shareholders.

The dividend distribution plan of the Company shall be drawn up and reviewed by the Board, taking full account of the actual business situation and future development needs of the Company. If current year's profit and accumulated retain earning of the Company is positive, except for special circumstances, the Company shall give priority to the cash distribution of dividends, while the ratio of cash dividend not less than 10% of the distributable profits of the year for each of three years after the initial public offering and listing of A Shares of the Company. Special circumstances refer to:

(1) distribution of cash dividends may affect the capital needs of the Company's normal operation;

(2) the Company may have matters including significant cash expenses in the future twelve months (excluding fund-raising projects). Significant cash expenses refer to: the accumulated expenses of the Company for external investment, assets acquisition or purchase of equipment, reach or exceed 50% of the latest audited net assets of the Company;

(3) other circumstances as the directors deemed inappropriate for distribution of cash dividends.

The next three-year (2023-2025) shareholders' dividend return plan was considered by the Board on 27 March 2023 and was implemented upon approval by the shareholders at the 2022 annual general meeting.

After the resolution on the dividend distribution plan is approved by the Board, it will be submitted to the general meeting of shareholders for deliberation, and implementation after approval.

Dividend Distribution

The resolution in relation to the distribution of an interim dividend of RMB 0.02 per share (tax inclusive) for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil) has been considered and approved at the meeting of the Board held on 12 August 2024. Based on the current total issued share capital of the Company, being 1,036,572,100 Ordinary Shares, the total interim dividend to be paid is RMB20,731,442 (tax inclusive) (of which, the share capital of A Shares is 710,572,100 representing dividend to be paid is about RMB14,211,224 and the share capital of H Shares is 326,000,000 representing dividend to be paid is about RMB6,520,000). The profit distribution plan has been authorised by the shareholders by way of an ordinary resolution at the 2023 annual general meeting to be held on Thursday, 27 June 2024. The interim dividend of H shares is expected to be distributed on or before Thursday, 10 October 2024 to all shareholders whose names appear on the register of the Company on Monday, 2 September 2024. To determine the identity of the shareholders entitled to receive the interim dividend, the register of holders of H Shares of the Company will be closed from Wednesday, 28 August 2024 to Monday, 2 September 2024 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed interim dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 August 2024. Interim dividend for holders of H Shares will be declared and calculated in RMB, and be paid in Hong Kong dollars. Interim dividend for holders of A Shares will be declared and calculated in RMB, and be paid in RMB. Relevant income tax will be deducted and paid by China Securities Depository and Clearing Corporation Limited on behalf of the A shareholders (if applicable). The exchange rate shall be determined by the average selling rates promulgated by People's Bank of China within one week before the date of declaration of the dividend. In case of any change to the expected payment date or the period during which the register of holders of H Shares will be closed, further announcement(s) will be published by the Company in due course in respect of such changes.

In accordance with the enterprise income tax law of the People's Republic of China and its implementation regulations, which came into effect on 1 January 2008, and the notice on issues related to dividend distribution and withholding of enterprise income tax by Chinese resident enterprises to shareholders of overseas H-share non-resident enterprises (GSH [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008, when the Company distributes dividends to non-resident enterprise shareholders listed on the list of H-share shareholders, it is obliged to deduct and pay enterprise income tax on behalf of them, with a tax rate of 10%. Any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other agents or trustees, and other organizations and bodies, are deemed to be held by non-resident enterprise shareholders.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No.348) issued by the State Administration of Tax on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by The Stock Exchange of Hong Kong Limited on 4 July 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general, and if otherwise provided by tax regulations, relevant tax agreements or notices, it will be handled in accordance with relevant regulations and tax collection and administration requirements.

For investors of Hong Kong Stock Exchange, including enterprises and individuals, investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "Investors of Northbound Trading"), their interim dividends will be distributed in RMB by the Company through CSDC Shanghai Branch to the account of the nominees holding such shares. The Company will withhold and pay income taxes of 10% on behalf of those investors and will report to the tax authorities. For Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date, the ex-entitlement date and the date of distribution of interim dividend and other arrangements for the Investors of Northbound Trading will be the same with those for the A Shareholders of the Company.

For investors of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, including enterprises and individuals, investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Investors of Southbound Trading"), CSDC Shanghai Branch and CSDC Shenzhen Branch, as the nominee holders of H Shares for the Investors of Southbound Trading, will receive the interim dividends distributed by the Company and distribute the interim dividends to the relevant Investors of Southbound Trading through its depository and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors.

The record date, the ex-entitlement date and the date of distribution of interim dividend and other arrangements for the Investors of Southbound Trading will be the same with those for the H Shareholders.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

(vii) Contingent liabilities

As at 30 June 2024, the Directors were not aware of any material contingent liabilities of the Group.

2. Foreign assets

1) Size of Assets

Among them: foreign assets RMB21,296,399, accounting for 0.75% of the total assets.

2) Description of foreign assets about the high proportion

Not applicable.

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

Not applicable.

4. Other explanations

Not applicable.

(IV) Analysis of investment

1. Overall analysis on external equities investment

As at 30 June 2024, the net book value of the Group's long-term equity investments amounted to RMB279.22 million, of which its interest in Shanghai Handu amounted to approximately RMB226.50 million, representing approximately 7.95% of the Group's total assets.

In the year 2021, the Company (i) subscribed for the new registered capital of USD1,380,526 in Shanghai Handu at the consideration of RMB102.42 million; and (ii) acquired the equity interests corresponding to the registered capital of USD2,765,490 in Shanghai Handu at a consideration of USD25,243,137. Upon completion of the said subscription and acquisition, in the year 2021, the Company totally invested RMB265.96 million by the self-owned funds of the Company and directly held the registered capital of Shanghai Handu in an amount of USD4,146,016, representing 39.5663% of the equity interest of Shanghai Handu.

Shanghai Handu is an innovative drug R&D company registered in the PRC and founded by a senior entrepreneurial team in the United States. It is committed to the development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment. It adopts the rapid and synchronous application in the United States, Europe and the PRC as the basic strategy, and develops high value and high-end generic drug commercialization platform. The Company values its R&D potential and the value of its projects under research with a view to expanding the clinical application fields of the Company's products under research, further accelerate the R&D process of new drugs in progress, and promote the listing of such products. From the perspective of the Company's development strategy, such investment will expand the of business fields and enrich product pipelines of the Company, and will improve the future marketing capacity and brand awareness of new drugs of the Company, so as to enhance the long-term profitability and comprehensive competitiveness of the Company, which are beneficial to the Company's sustainable development in medium and long term.

For further information in relation to the investment in Shanghai Handu, please refer to the section headed "(VI) Analysis on Companies Controlled or Invested by the Company" below.

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

(1) Significant equity investment

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

(2) Significant non-equity investment

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

(3) Financial assets measured at fair value

Unit: RMB

Asset category	At the beginning of the Reporting Period	Profit and loss from changes in fair value during the Reporting Period	Accumulated fair value changes recognized in equity	Impairment provision during the Reporting Period	Purchase amount during the Reporting Period	Sale/ redemption amount during the Reporting Period	Other changes	At the end of the Reporting Period
Stock	15,126	9,113	-13,750,561	-	-	-	-	24,239
Total	**15,126**	**9,113**	**-13,750,561**	**-**	**-**	**-**	**-**	**24,239**

In 2017, Fernovelty (Hong Kong) Holding Co., Ltd ("Fernovelty Holding"), a subsidiary of the Company, entered into the subscription agreement with Adgero to purchase ordinary shares and warrants. On 9 June 2020, Adgero Biopharmaceuticals Holdings, Inc ("Adgero") entered into an Agreement and Plan of Merger and Reorganization with DelMar Pharmaceuticals, Inc (Nasdaq Code: DPMI，"DelMar") and its wholly owned subsidiary, and Adgero will become a wholly-owned subsidiary of DelMar after the merger. After the reorganization, the new company applied to change its name to "Kintara Therapeutics, Inc" (NASDAQ Code: KTRA, "Kintara"). The equity held by the Group will be converted into the equity of Kintara in accordance with the agreed proportion. The Group holds 12,592 ordinary shares of Adgero as at 30 June 2024. Based on the Kintara closing price on the date of completion of the acquisition, the fair value of the equity instruments held by the Company in Kintara is RMB24,239.

2. Securities investments

Unit: RMB

Security type	Security code	Security acronym	Initial Investment cost	Funding source	Carrying value at the beginning of the Reporting Period	Gains and losses from changes in fair value during the Reporting Period	Cumulative fair value changes included in equity	Purchase amount during the Reporting Period	Sale amount during the Reporting Period	Gains and losses on disposal	Carrying value at the end of the Reporting Period	Accounting accounts
Domestic And Foreign stocks	KTRA	Kintara Therapeutics Inc	13,774,800	Self-owned funds	15,126	9,113	-13,750,561	-	-	-	24,239	Investments in other equity instruments
Total	/	/	**13,774,800**	/	**15,126**	**9,113**	**-13,750,561**	**-**	**-**	**-**	**24,239**	/

(4) Private equity fund investments

Not applicable.

(V) DISPOSAL OF MAJOR ASSETS AND EQUITIES

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

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

No.	Company Name	Main Business	Registered Capital / Share Capital	Equity Ratio	Total Assets (RMB)	Net Assets (RMB)	Revenue (RMB)	Net Profit (RMB)
1	Taizhou Fudan-Zhangjiang	Production for the material and injection of Hemoporfin	100,000,000	100.00%	644,035,942	470,858,288	93,586,459	35,769,443
2	Fernovelty Holding	Drug development and overseas medical projects investment	HKD10,000 (Equity)	100.00%	21,296,399	21,296,399	-	333
3	Tracing Bio- technology Co.,Ltd	R&D, production and sales of medical diagnostic products	74,800,000	94.92%	19,149,760	17,333,264	1,584,882	-2,540,267
4	Shanghai Handu[Note2]	Development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment	USD10,478,666	40.36%	543,466,607	539,035,021	-	-13,408,375
5	Changzhou BVCF Investment Management Partnership (Limited Liability Partnership)	Investment in early drug research and development	201,000,000	30.47%	171,897,209	165,916,469	-	-6,824,603

Notes:

1、 The above financial data are unaudited;

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

(VII) The structural entity controlled by the Company

Not applicable.

VII. OTHER DISCLOSURES

Subscription of wealth management products and structured deposit products

On 3 January 2024, The Company entered into Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with maturity period of 86 days by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB57 million with maturity period of 86 days by using its temporary idle proceeds from the public issuance of A shares.

On 4 January 2024, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB180 million with maturity period of 85 days and 84 days respectively by using its temporary idle proceeds from the public issuance of A shares.

On 2 April 2024, The Company entered into Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with maturity period of 87 days by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB57 million with maturity period of 87 days by using its temporary idle proceeds from the public issuance of A shares.

On 3 April 2024, the Company entered into a structured deposit product agreement with Bank of China and agreed to subscribe for structured deposit products with an amount of RMB180 million with maturity period of 86 days by using its temporary idle proceeds from the public issuance of A shares.

On 1 April 2024, 22 April 2024 and 3 June 2024, The Company respectively entered into the SPD Bank Structured Deposit Product Agreement I, the SPD Bank Structured Deposit Product Agreement II and the SPD Bank Structured Deposit Product Agreement III with the SPD Bank and agreed to subscribe for a structured deposit product with a total amount of RMB300 million with maturity period of 86 days, 30 days and 25 days respectively by using its self-owned idle funds generated from daily operation.

The Company's subscription of the wealth management product and structured deposit products by reasonable and effective use of certain portion of its temporary idle funds (including proceeds from the public issuance of A shares) is beneficial for enhancing the overall capital gain of the Group, which is consistent with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned wealth management product and structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) are of the view that the above-mentioned subscription of wealth management product and structured deposit products agreements with Ping An Bank and Bank of China are made on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated on 3 January 2024, 4 January 2024, 2April 2024, 3 April 2024, 22 April 2024 and 3 June 2024.

All of the above structured deposit products have been redeemed at maturity and the actual returns are consistent with the expected range of returns disclosed in the announcements and there is no material deviation from the disclosure in the announcement. As at 30 June 2024, there was no outstanding wealth management products and structured deposit products held by the Company.

During the Reporting Period, the total income received by the Company by maintaining all wealth management products and structured deposit products was RMB10.25 million.

Company's Governance

I. GENERAL MEETING

Meeting session	Date of convening	Query index on designated website for publishing resolution	Disclosure date of publication of the resolutions	Resolutions
2023 Annual General Meeting	27 June 2024	www.hkex.com.hk	27 June 2024	None of the resolutions was vetoed or amended and no new resolution has been submitted for voting and approval at the 2023 General Meeting.
		www.sse.com.cn	28 June 2024	

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

Not applicable.

Resolutions considered and approved on 2023 Annual General Meeting:

1) To consider and approve the (work) report of the Board for the year ended 31 December 2023;
2) To consider and approve the (work) report of the Supervisory Committee for the year ended 31 December 2023;
3) To consider and approve the annual report and its summary of the Company for the year ended 31 December 2023 for A Shares; and the audited financial statements and the auditors' report for the year ended 31 December 2023 for H Shares;
4) To consider and approve the financial analysis report for the year ended 31 December 2023;
5) To consider and approve the proposed profit distribution plan and the final dividend distribution plan for 2023, and to authorise the Board to distribute such final dividend to the Shareholders;
6) To consider and authorise the Board to determine the 2024 interim profit distribution scheme of the Company;
7) To consider and approve the appointment of auditors (domestic and overseas) and domestic internal control auditor, and authorise the Board to fix their remunerations for 2024;
8) To consider and approve the remuneration of the Directors and Supervisors for 2023 and their proposed remuneration for 2024;
9) To consider and approve the utilisation of remaining balance of the over subscription proceeds from the issue of A Shares for permanent replenishment of working capital;
10) To consider and approve the amendments to the Articles of Association;
11) To consider and approve the amendments to the rules of procedure for the general meeting;
12) To consider and approve the amendments to the rules of procedure for the board of directors;
13) To consider and approve the amendments to the rules of procedure for the supervisory committee;
14) To consider and approve the granting to the Board a general mandate to issue A Shares.

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

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

Name	Position	Change
Li Xiao Wen	Deputy General Manager、core technical personnel	Resigned
Tao Ji Ning	Core technical personnel	Position adjustment
Liu Ke Zhen	Core technical personnel	Recognised as core technical personnel of the Company
Zhang Yi Fan	Core technical personnel	Recognised as core technical personnel of the Company

Description of changes in directors, supervisors, senior management and core technical personnel of the Company

1. Ms. Li Xiao wen, the deputy general manager and core technical personnel of the Company, resigned for personal reasons and will no longer hold any position in the Company;

2. Ms. Tao Ji Ning, a core technical personnel of the Company, will no longer be directly involved in the core research and development work of the Company due to position adjustment. Due to the changes in her job responsibilities, the Company no longer recognises her as a core technical personnel but she is still holding other position in the Company;

3. The Company, taking into account the employment history of Mr. Liu Ke Zhen and Mr. Zhang Yi Fan, as well as their participation in the core technology research and development of the Company, contribution to business development and other relevant factors, after discussion by the management of the Company, additionally recognised them as core technical personnel.

For more details of aforesaid changes, please refer to the overseas regulatory announcement dated 28 March 2024 by the Company.

Description of the recognition of the Company's core technical personnel

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

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

During the Reporting Period, there was no change in the criteria for recognising the Company's core technical personnel

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

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

Please refer to "Management Discussion and Analysis" – "VI. Operation Result for the Reporting Period" – "(III) Analysis on Assets and liabilities" – "1. Assets and liabilities" – "(vi) Dividends".

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

(I) Relevant Incentives Disclosed in the Announcements without Subsequent Development or Change during Implementation

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

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants. The total number of Restricted Shares granted to the Participants under the Restricted Shares Incentive Scheme were 38,000,000. On 22 July 2021, the Company made the first grant under the Incentive Scheme (the "First Grant"), whereby the Company granted 32,770,000 Restricted Shares and the number of Participants under the First Grant was 258. On 26 May 2022, the Company made the reserved grant under the Incentive Scheme (the "Reserved Grant"), whereby the Company granted 5,230,000 Restricted Shares and the number of Participants under the Reserved Grant was 125. As at 31 December 2022, all Restricted Shares under the Incentive Scheme had been granted.

The principal terms of the Incentive Scheme are summarized as follows:

1. Purpose
   The purpose of the Incentive Scheme is to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity.

2. Eligible Participants
   The Participants include Directors, members of the senior management, core technical staff and other persons considered by the Board of the Company (excluding the independent non-executive Directors and Supervisors) to be required to be incentivized of the Group, in line with the purpose of implementing the Incentive Scheme. The list of Participants shall be prepared by the remuneration committee of the Company and verified by the Supervisory Committee.

3. Total Number of Securities available for Issue
   The total number of Restricted Shares available to be granted under the Incentive Scheme are 38,000,000 A Shares, representing approximately 3.67% of the total number of issued share of the Company as at 30 June 2024. On 22 July 2021, the Company granted the First Grant, whereby the Company granted 32,770,000 Restricted Shares and the number of Participants under the First Grant was 258, including the connected persons of the Company who were Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun and Mr. Gan Yi Min, to be respectively granted 1,000,000 Restricted Shares, 1,200,000 Restricted Shares, 1,200,000 Restricted Shares and 1,200,000 Restricted Shares.

   In the event of any capitalization of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company during the period from the date of announcement of the Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the number of Restricted Shares shall be adjusted accordingly.

4. Maximum entitlement of each Participant
   The total number of the shares which can be granted to any Participant with the validity period shall not exceed 1.00% of the total share capital of the Company.

5. Period which the Restricted Shares must be taken up
   The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company's requirements. Participants who have not paid the funds within the period stipulated by the Company shall be deemed to have waived his/her right to subscribe for the Restricted Shares.

6. Basis of determining the Grant Price

Following the adjustments, the price of each Restricted Share to be granted to the Participants (the "Grant Price") (including the Grant Price of the Reserved Grant) shall be RMB 8.83 per share. The dividend payable by the Company for the year ended 31 December 2020 was RMB0.05 per share (tax included) and the dividend payable by the Company for the year ended 31 December 2022 was RMB0.07 per share (tax included). Pursuant to Article 2 of Chapter 10 of the Incentive Scheme, if there is any dividend payment or other events between the announcement date of the Incentive Scheme and the completion of the registration of the vesting of the Restricted Shares by the Participants, the Grant Price shall be adjusted accordingly. The adjusted Grant Price is adjusted from RMB8.95 per share to RMB8.83 per share. The Grant Price adopts the independent pricing method. The purpose of determining the Grant Price by the independent pricing method is to promote the development of the Company, safeguard the rights and interests of its shareholders, and provide mechanism and talent guarantee for the long-term and stable development of the Company. The proceeds obtained by the Company from the Incentive Scheme shall be applied towards the replenishment of the Group's liquidity.

7. Remaining life of the Incentive Scheme

The Incentive Scheme has become effective upon the grant date of the First Grant (i.e. 22 July 2021), and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 48 months. According to the relevant provisions of the Incentive Scheme and the Performance Assessment methods, the Company's R&D target in 2021 - 2023 assessment indicators have reached performance assessment Target A. However, since the Company's cumulative revenue from 2021 to 2023 is less than RMB3.64 billion, which is lower than the company-level performance assessment Target C, the vesting conditions of the third tranche of the First Grant and the second tranche of the Reserved Grant have not been met. Therefore, on 28 March 2024, the Company held the fifth meeting of the eighth session of the Board and the fourth meeting of the eighth session of Supervisory Committee, which considered and approved the resolution of "cancellation of the partial grants of the 2021 Incentive Scheme which have not vested", under which all Restricted Shares (i.e. 15,723,000 Restricted Shares) which have not been vested were cancelled. As such, the Incentive Scheme ceased to be effective on 28 March 2024.

8. Others

On 27 April 2023, the Board and the Supervisory Committee considered and approved resolution about "adjustment to the Grant Price of Incentive Scheme", "cancellation of part of the unvested Restricted Shares under the Incentive Scheme" and "first attribution of the Restricted Shares under the Incentive Scheme upon fulfilment of the attribution conditions" at the 21th (temporary) meeting of the seventh session of the Board and the 20th (temporary) meeting of the seventh session of the Supervisory Committee. On 12 May 2023, the Company completed share registration procedure and issued 7,572,100 A Shares pursuant to the first attribution of the First Grant under the Incentive Scheme.

The number of Restrictive Shares which might be granted under the Incentive Scheme as at 1 January 2024 and 30 June 2024 were 0 Restrictive Shares and 0 Restrictive Shares, representing 0.00% and 0.00% of the total number of A Shares in issued on 1 January 2024 and 30 June 2024, respectively. The number of Shares which might be issued upon the exercise of the granted Restricted Shares as at 1 January 2024 and 30 June 2024 were 15,723,000 A Shares and 0 A Shares, representing 2.21% and 0.00% of the total number of A Shares in issued on 1 January 2024 and 30 June 2024, respectively. Service provider sub-limit under the Incentive Scheme is not applicable.

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

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

Name	Categories	Grant date	Grant price (RMB)	Attribution period	Number of Restricted Shares as at 1 January 2024	Number of Restricted Shares granted during the Reporting Period	Actual Attributed during the Reporting Period	Lapsed during the Reporting Period *(Note 3)*	Canceled during the Reporting Period	Number of Restricted Shares as at 30 June 2024
1. Directors and Chief Executives										
Wang Hai Bo	Executive Director, General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	400,000	-	-	400,000	-	-
Su Yong	Executive Director, Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	480,000	-	-	480,000	-	-
Zhao Da Jun	Executive Director, General Manager	22 Jul 2021	8.83	*(Note 1)*	480,000	-	-	480,000	-	-
Li Jun	Deputy General Manager	22 Jul 2021	8.83	*(Note 1)*	440,000	-	-	440,000	-	-
Yang Xiao Lin	Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	480,000	-	-	480,000	-	-
Gan Yi Min	Deputy General Manager (retired on 30 May 2023)	22 Jul 2021	8.83	*(Note 1)*	480,000	-	-	480,000	-	-
Xue Yan	Executive Director, Deputy General Manager, Company Secretary	22 Jul 2021	8.83	*(Note 1)*	440,000	-	-	440,000	-	-
Sub Total					3,200,000	-	-	3,200,000	-	-
2. Other Participants										
251 Participants	Employees of the Group	22 Jul 2021	8.83	*(Note 1)*	9,908,000	-	-	9,908,000	-	-
125 Participants	Employees of the Group	26 May 2022	8.83	*(Note 2)*	2,615,000	-	-	2,615,000	-	-
Sub Total					12,523,000	-	-	12,523,000	-	-
Total					**15,723,000**	-	-	**15,723,000**	-	-

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

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

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

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

Note 3: 15,723,000 Restricted Shares lapsed due to company-level performance assessment objectives not being satisfied.

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

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021, the revenue will not be less than RMB1.04 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021, the revenue will not be less than RMB1 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021, the revenue will not be less than RMB1 billion; 2. Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; 2. Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; 2. Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; 2. Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Third tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

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

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; 2. Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; 2. Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; 2. Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted.	The Company needs to meet the following conditions at the same time: 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

For more details, please refer to the Company's announcements dated 6 April 2021 and 22 July 2021, the supplementary circular dated 7 May 2021, the overseas regulatory announcement dated 26 May 2022, 27 April 2023, 12 May 2023 and 28 March 2024 and the next day disclosure report dated 12 May 2023.

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

Description of Incentives
Not applicable.

Other Information
Not applicable.

Employee Stock Ownership Plan
Not applicable.

Other Incentives
Not applicable.

V. OTHERS

i) Audit committee

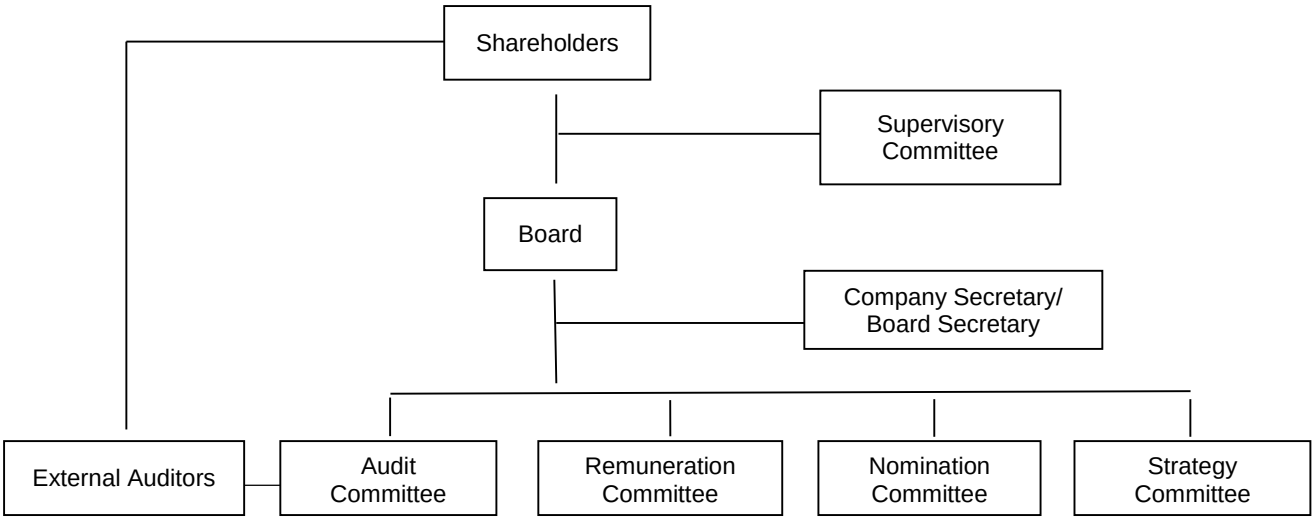
The audit committee of the Company (the "Audit Committee") is responsible for reviewing the financial reporting, monitoring risk management, reviewing internal control systems and corporate governance issues and making relevant recommendations to the Board. The Audit Committee comprises two independent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

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's unaudited interim results for the six months ended 30 June 2024 before proposing to the Board for approval.

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

ii) Corporate governance practice

The Company's corporate governance structure is as follows:



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

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

The Audit Committee and the Board have reviewed the documents relating to corporate governance policies adopted by the Company and considered that, save as the deviation set out below, it had complied with the principles and codes set out in the Corporate Governance Code (the "Code") contained in Appendix C1 of the Listing Rules.

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

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

iii) Code of Conduct regarding Securities Transactions by Directors

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in the Model Code for securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Having made specific enquiries of all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

iv) Independent non-executive Directors

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

v) Employees and salaries

As at 30 June 2024, the Group had a total of 913 employees, as compared to 911 employees as at 30 June 2023. Staff costs including Directors' remuneration for the six months ended 30 June 2024 were RMB117,815,229, compared with RMB116,719,641 for the same period in 2023. The salaries and benefits of employees provided by the Group are based on market situation and their own experience and qualifications, which also kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group. The Company also provides relevant induction and on-the-job trainings to the employees from time to time.

vi) Purchase, sale or redemption of listed securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024 (including any treasury shares). During the six months ended 30 June 2024, the Company did not hold any treasury shares.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT

Whether an environmental protection mechanism has been established	Yes
Investments in environmental protection during the Reporting Period (unit: RMB0'000)	79.77

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

Not applicable.

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

1. Administrative punishment for environmental problems

Not applicable.

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

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

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

1) Effluents treatment: Industrial effluents and domestic sewage from drug development and production consist of most of the wastewater in the Group. Environmental Pollution Prevention Regulations and Standard Operation Regulation of Effluent Comprehensive Treatment Equipment are developed to strictly control effluent emissions and comprehensively treat the effluents. Sewage is discharged into the municipal sewer system after being treated and reaching the discharge standards. In accordance with the Discharge Standard of Pollutants for Bio-pharmaceutical Industry, the Group adopts primary treatment to effluents which cannot be directly discharged and accepts monitoring from time to time by relevant authorities.
2) Exhaust gas treatment: Exhaust gas from drug development and production consists of most of the gas emissions in the Group. In accordance with Industrial gas Emissions Standard of Shanghai, the Group developed Standard Operation Procedures of Air Emission Treatment Equipment to regulate and control operation of gas treatment equipment to make the gas emissions reach relevant standard.
3) Wastes treatment: Hazardous and non-hazardous wastes are produced from drug research and production by various departments in the Group. The Group has registered with Solid Waste Management Information System in Shanghai and Taizhou to monitor the treatment of wastes, and conducted strict management over wastes as per Regulations on Treatment and Management of Industrial Wastes and Regulations on Management of Wastes. The Group requires departments to fill in the Application Form for Industrial Waste Treatment which requires material name, packing specification, chemical property, component, content, amount, waste form and reason. The form is checked and archived by designated management personnel. After being approved and signed by leader of competent authority, wastes are stored in specified waste storage room or neutralisation tank. The Group entrusts professional institutions which have Shanghai Hazardous Wastes Disposal Permit and hazardous treatment qualification certificate to treat hazardous wastes. These institution Non-hazardous wastes are collected and treated by municipal sanitation department.

3. Reasons for non-disclosure of other environmental information

Not applicable.

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

Not applicable.

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

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

The Group has set five-year environmental targets in respect of emissions, waste, energy and water resources with 2020 as the base year, and achieved these five-year environmental targets ahead of schedule in 2022. In order to continuously improve the Group's environmental management and performance, and further implement the concept of green development, the Group has updated the aforementioned environmental target with 2023 as the base year, so as to continuously fulfill its environmental responsibilities.

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

Adoption of carbon reduction measures	Yes
Reduction of carbon dioxide equivalent emissions (in tons)	94.92
Types of carbon reduction measures (e.g., use of clean energy for power generation, use of carbon-reducing technologies in production processes, development and production of new products that contribute to carbon reduction, etc.)	Clean energy generation, improving energy efficiency in production processes, increasing raw materials utilization, recycling of excess heat.

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

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

Not applicable.

SIGNIFICANT EVENTS

I. THE PERFORMANCE OF UNDERTAKINGS

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

During the application process of A-share issuance, the undertakings of the shareholders, related parties, the Company and other related parties during the Reporting Period or up to the Reporting Period are listed in the section "Significant Events" of the interim report of the Company dated 25 August 2022, which includes the types, contents and duration of undertakings. As at 30 June 2024, in addition to the undertakings that have been fulfilled, the above undertakings have not changed, and all related parties have complied with the relevant disclosed undertakings.

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

Not applicable.

III. ILLEGAL GUARANTEE

Not applicable.

IV. AUDIT OF INTERIM REPORT

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

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

Not applicable.

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Not applicable.

VII. MATERIAL LITIGATION AND ARBITRATION

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

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

Not applicable.

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

Not applicable.

X. SIGNIFICANT RELATED PARTY / CONNECTED TRANSACTIONS

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

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

Overview of events	Query index
Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals	For more details, please refer to the announcement of the Company dated 30 March 2023 and the circular of the Company dated 12 May 2023.

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

Not applicable.

3、 Events not disclosed in the temporary announcements

Not applicable.

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

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

Not applicable.

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

Not applicable.

3、 Events not disclosed in temporary announcements

Not applicable.

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

Not applicable.

(III) Significant related transactions relating to joint external investment

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

Not applicable.

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

Not applicable.

3、 Events not disclosed in temporary announcements

Not applicable.

(IV) Claims and liabilities with related parties

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

Not applicable.

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

Not applicable.

3、 Events not disclosed in temporary announcements

Not applicable.

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

Not applicable.

(VI) Other material related transactions

Not applicable.

(VII) Others

Not applicable.

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1、 Trusteeship, contracting and leasing

Not applicable.

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

Not applicable.

3、 Other Material Contracts

Not applicable.

XII. USE OF PROCEEDS

The A Shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020. The total proceeds of the issue of A share are RMB1,074,000,000 and the net proceeds are RMB974,323,900 after deducting the issue fees of RMB99,676,100 of this offering. The net proceeds raised from the issue of A Shares shall be used in accordance with the plan items described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019. At the beginning of the Reporting Period (i.e. 1 January 2024), the unutilized balance of the net proceeds was approximately RMB262,354,000.

Investment Projects	**Budget**	**Amount utilised during the Reporting Period**	**Cumulative Amount that has been utilized as at 30 June 2024**	**Remaining balance as at 30 June 2024**	**Expected timeline of utilization**
	RMB0'000	**RMB0'000**	**RMB0'000**	**RMB0'000**	
– The Registration Project of Hemoporfin in the United States [Note4]	23,000.00	633.33	5,074.89	17,925.11	31 December 2025
– The Innovational Research and Sustainable Development Project in Relation to Biological Medicine	24,000.00	-	24,000.00	-	N/A
– The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhangjiang	18,000.00	-	18,000.00	-	N/A
Over-raised funds [Note5]	-	3,632.39	32,432.39	-	
Interest on raised funds [Note6]	-	2,212.87	3,043.62	2,119.07	
Total	**65,000.00**	**6,478.59**	**82,550.90**	**20,044.18**	

***Notes*:**

1. The actual amount of proceeds raised from the issue of A Shares exceeding the needs of the investment projects listed above will be used to supplement the working capital related to the principal business of the Company in accordance with relevant requirements of the CSRC and the Shanghai Stock Exchange ("SSE") and subject to the approval of the Board and the Shareholders' meeting. The Company will disclose relevant updates in due course;
2. The amount that has been utilized included the amount which is used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period;
3. The Company confirms that the use of proceeds from the issue of A share conforms to the disclosure of the supplementary circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A share in strict accordance with the relevant regulations;
4. Due to the impact of the external environment, the progress of the Registration Project of Hemoporfin in the United States delayed. As approved by the Board and the Supervisory Committee on 27 March 2023, the implementation stage of the project was extended for two years to 31 December 2025. The budget remains unchanged and is still expected to be fully utilized as R&D expenses;
5. During the Reporting Period, the Board considered and approved the utilization of approximately RMB58,452,600 (including interest income of approximately RMB22,128,700) of the over subscription proceeds from its A share offering for permanent replenishment of working capital. The proposal has been deliberated and approved at 2023 annual general meeting. The Company will fulfill its internal approval and information disclosure obligations with respect to the use of over-raised funds;
6. The Fund-raising account corresponding to the project the Innovational Research and Sustainable Development Project in Relation to Biological Medicine consists of fund-raising and net interest income from fund-raising after deduction of handling fee. As at the end of the Reporting Period, the cumulative amount of proceeds utilized for the project was RMB248.30 million of which RMB240.00 million was raised fund and RMB8.30 million was interest income from the proceeds, with a balance of RMB0.

Other information on use of proceeds during the Reporting Period

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

Not applicable.

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

Not applicable.

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

In order to improve the use efficiency of idle proceeds, the Board and the Supervisory Committee considered and approved the "Proposal on Using Idle Proceeds for Cash Management" at the 6th meeting of the eighth session of the Board and the 5th meeting of the eighth session of the Supervisory Committee separately, which resolved that the Company may use temporarily idle proceeds of up to RMB250 million (the "Amount") to purchase investment products with high security, good liquidity and guaranteed principal (including but not limited to structured deposits and agreement deposits, call deposits, time deposits, large-denomination certificates of deposit, income certificates, etc.) (the "Use") under the premise that the Use will not affect the progress of fund-raising investment projects, normal production and operation of the Company and ensuring the safety of funds. The valid period of the Use is for 12 months from 20 June 2024 (the "Period"). Within the Amount and the Period, the proceeds can be used on a rolling basis. For details, please refer to the overseas regulatory announcement of the Company dated 29 April 2024. For details of cash management with idle raised funds during the Reporting Period, please refer to "VII. Other Disclosures" in "Management Discussion and Analysis".

XIII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

There was no significant event happened after 30 June 2024 up to the date of this interim result announcement.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. THE CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

During the Reporting Period, there was no change in the total number of ordinary shares or the share capital structure of the Company.

2. Description of changes in ordinary shares

Not applicable.

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

Not applicable.

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

Not applicable.

(II) Changes in trade-restricted shares

Not applicable.

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (account)	19,611
Total number of preference shareholders with restored voting rights as at the end of the Reporting Period (account)	Not applicable
Total number of preference shareholders with special voting rights as at the end of the Reporting Period (account)	Not applicable

As at the end of the Reporting Period, the Company had 19,611 Shareholders, including 19,475 A Share Shareholders and 136 registered H Share Shareholders.

Number of depositary receipt holders

Not applicable.

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

Unit: Share

Shareholdings of the top 10 Shareholders (excluding the stock borrowing for financing)								
Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading restriction	Number of restricted shares including shares lent by refinancing	Shares pledged, marked or frozen		Nature of shareholder
						Status of shares	Number of shares	
HKSCC NOMINEES LIMITED Note	+3,375,840	238,667,740	23.02	-	-	Unknown	-	Overseas legal person
Shanghai Pharmaceuticals Holding Co., Ltd	-	210,142,560	20.27	-	-	Nil	-	Domestic non-state-owned legal person
China New Enterprise Investment Fund II	-	156,892,912	15.14	-	-	Nil	-	Other
Yang Zong Meng	-	80,000,000	7.72	-	-	Nil	-	Overseas natural person
Wang Hai Bo	-	57,886,430	5.58	-	-	Nil	-	Domestic natural person
Su Yong	-200,000	18,477,860	1.78	-	-	Nil	-	Domestic natural person
Invesco Hong Kong Limited Note	-3,342,000	16,160,000	1.56	-	-	Unknown	-	Overseas legal person
Zhao Da Jun	-	15,620,710	1.51	-	-	Nil	-	Domestic natural person
Li Jun	-	9,018,200	0.87	-	-	Nil	-	Domestic natural person
Shanghai Pudong Emerging Industry Investment Co., Ltd.	+6,562,382	6,562,382	0.63	-	-	Nil	-	State-owned legal person

Particulars of shareholdings of the top ten Shareholders not subject to trading restriction			
	Number of circulating shares held not subject to trading restriction	Type and number of shares	
Name of shareholder		Type	Number
HKSCC NOMINEES LIMITED Note	238,667,740	Overseas listed foreign shares	238,667,740
Shanghai Pharmaceuticals	210,142,560	Overseas listed foreign shares	70,564,000
		RMB ordinary shares	139,578,560
China New Enterprise Investment Fund II	156,892,912	RMB ordinary shares	156,892,912
Yang Zong Meng	80,000,000	RMB ordinary shares	80,000,000
Wang Hai Bo	57,886,430	RMB ordinary shares	57,886,430
Su Yong	18,477,860	RMB ordinary shares	18,477,860
Invesco Hong Kong Limited Note	16,160,000	Overseas listed foreign shares	16,160,000
Zhao Da Jun	15,620,710	RMB ordinary shares	15,620,710
Li Jun	9,018,200	RMB ordinary shares	9,018,200
Shanghai Pudong Emerging Industry Investment Co., Ltd.	6,562,382	RMB ordinary shares	6,562,382
Description of special account for repurchase among the top ten Shareholders	Not applicable.		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders	Not applicable.		
Note on the connected relations or acting in concert arrangements of the above shareholders	The Company is not aware whether the above Shareholders have related party relationship or acting-in-concert arrangement.		
Note on the preference shareholders with voting rights restored and number of shares held	There are no preference shareholders in the Company.		

Note: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shanghai Pharmaceuticals and 16,160,000 H Shares held by Invesco Hong Kong Limited. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen.

Shareholders holding more than 5% of the shares, the top 10 shareholders and the top 10 shareholders with shares not subject to trading restriction participating in the lending of shares in the refinancing business

Not applicable

Changes in top 10 shareholders and top 10 shareholders with shares not subject to trading restriction as a result of lending/returning of shares through refinancing compared with the previous period

Not applicable

Number of shares held by the top 10 shareholders with limited selling conditions and the conditions under which the shares are subject to selling restrictions

Not applicable

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

Not applicable.

Number of and trade restrictions on Top 10 holders of trade-restricted depository receipts
Not applicable.

(III) Top 10 Shareholders with Voting Rights as at the End of the Reporting Period
Not applicable.

(IV) Strategic Investors or General Legal Persons becoming Top 10 Shareholders because of the New Share placing/Depositary Receipts
Not applicable.

(V) Interests and short positions of substantial shareholders in shares and underlying shares of the Company
So far as the Directors are aware, as at 30 June 2024, the persons other than a Director, Supervisor or chief executive of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares	139,578,560(L)	Interest of controlled corporation	Corporate	19.64%	20.27%
	H Shares	70,564,000(L)			21.65%	
Shanghai Pharmaceuticals	A Shares	139,578,560(L)	Beneficial owner	Corporate	19.64%	20.27%
	H Shares	70,564,000(L)			21.65%	
China New Enterprise Investment Fund II	A Shares	156,892,912(L)	Beneficial owner	Corporate	22.08%	15.14%
Yang Zong Meng	A Shares	80,000,000(L)	Beneficial owner	Personal	11.26%	7.72%
Invesco Hong Kong Limited	H Shares	16,160,000(L)	Investment manager	Corporate	4.96%	1.56%

Note: The letter "L" stands for long position.

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF

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

Unit: Share

Name	Position	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Changes in the shares held during the Reporting Period	Reasons for the changes
Zhang Wen Bo	Core Technicians	718,599	578,599	-140,000	Secondary Market Trading

Note: The above shareholdings are direct personal holdings.

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

1. Stock option

Not applicable.

2. Class I restricted stock

Not applicable.

3. Class II restricted stock

Not applicable.

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

As at 30 June 2024, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 of the Rules Governing the Listing of Securities on The Listing Rules were as follows:

Name	Position	Class of shares	Number of shares held (share)	Capacity	Type of interest	Percentage in respective class of Shares	Percentage in total number of issued shares
Zhao Da Jun	Director	A Shares	15,620,710 (L)	Beneficial owner	Personal	2.20%	1.51%
Xue Yan	Director	A Shares H Shares	1,980,000 (L) 50,000 (L)	Beneficial owner	Personal	0.28% 0.02%	0.19% 0.00%
Qu Ya Nan	Supervisor	A Shares	39,000 (L)	Beneficial owner	Personal	0.01%	0.00%

Notes: the letter "L" stands for long position.

(IV) Directors' and Supervisor's securities transactions

On 26 April 2019, the Board approved "Regulations for Directors, Supervisors and Senior Managers in relation to Holding and Transacting the Shares of the Company", which came into effect when the A shares of the Company were listed and traded on the STAR Market of the Shanghai Stock Exchange (Before that, the Company implemented the "Code of transactions in the Company's securities", which was passed on 11 August 2009 by the Board). Both codes have terms no less strict than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 of the Listing Rules. Directors and relevant employees shall comply with this code. A copy of the code is sent to each Director upon his appointment and thereafter, a notification not to deal in the securities of the Company until after the half-year results have been published would be sent to the Directors 60 days immediately preceding the date of the Board meeting in which the annual results will be approved or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and 30 days immediately preceding the date of the Board meeting in which the half-year results will be approved half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

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

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

For the six months ended 30 June 2024, all Directors, Supervisors and relevant employees have complied with the relevant requirements. No Directors, Supervisors or relevant employees has been found violating the above regulations in the previous year.

I. CHANGES IN THE CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Not applicable.

II. IMPLEMENTATION AND CHANGES OF ARRANGEMENTS RELATED TO DEPOSITARY RECEIPTS DURINGTHE REPORTING PERIOD

Not applicable.

III. SHARES WITH SPECIAL VOTING RIGHTS

Not applicable.

PARTICULARS OF PREFERENCE SHARES

Not applicable.

PARTICULARS OF CORPORATE BONDS

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

Not applicable.

II. CONVERTIBLE CORPORATE BONDS

Not applicable.

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2024 Consolidated	31 December 2023 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,222,481,006	1,195,895,997
Notes receivables	5(2)	117,527,144	174,262,319
Accounts receivables	5(3)	448,349,809	446,223,107
Advances to suppliers	5(4)	20,384,336	4,330,980
Other receivables	5(5)	3,627,563	3,539,328
Inventories	5(6)	52,712,426	43,651,360
Other current assets	5(7)	4,524,650	1,521,795
Total current assets		1,869,606,934	1,869,424,886
Non-current assets			
Long-term receivables	5(8)	991,217	958,502
Investments in other equity instruments	5(9)	24,239	15,126
Long-term equity investments	5(10)	279,219,451	287,518,193
Fixed assets	5(11)	491,649,487	228,496,043
Construction in progress	5(12)	187,189	229,962,812
Right-of-use assets	5(13)	12,681,818	16,870,559
Intangible assets	5(14)	79,569,432	86,350,098
Development costs	5(15)	737,612	-
Goodwill	5(16)	-	-
Long-term prepaid expenses	5(17)	7,619,983	11,323,048
Deferred tax assets	5(18)	99,400,104	100,873,445
Other non-current assets	5(19)	7,008,914	44,894,795
Total non-current assets		979,089,446	1,007,262,621
TOTAL ASSETS		2,848,696,380	2,876,687,507

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2024 Consolidated	31 December 2023 Consolidated
Current liabilities			
Accounts payables	5(21)	13,866,612	8,054,847
Contract liabilities	5(22)	481,053	260,736
Employee benefits payable	5(23)	16,720,994	25,084,497
Taxes payable	5(24)	14,563,394	12,200,227
Other payables	5(25)	432,361,791	453,055,613
Including: Dividends payable		72,560,047	-
Current portion of non-current liabilities	5(27)	3,240,542	6,329,026
Other current liabilities	5(26)	62,537	33,896
Total current liabilities		481,296,923	505,018,842
Non-current liabilities			
Lease liabilities	5(27)	8,982,590	10,952,722
Deferred income	5(28)	994,075	2,152,575
Total Non-current liabilities		9,976,665	13,105,297
Total liabilities		491,273,588	518,124,139
Shareholders' equity			
Paid-in capital	5(29)	103,657,210	103,657,210
Capital surplus	5(30)	1,290,228,105	1,289,293,388
Less: Treasury stock		-	-
Other comprehensive losses	5(31)	(5,717,628)	(5,858,369)
Surplus reserve	5(32)	52,150,000	52,150,000
Undistributed profits	5(33)	916,224,639	918,311,622
Total equity attributable to shareholders' of the Company		2,356,542,326	2,357,553,851
Minority interests		880,466	1,009,517
Total shareholders' equity		2,357,422,792	2,358,563,368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,848,696,380	2,876,687,507

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

COMPANY BALANCE SHEET
AS AT 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2024 Company	31 December 2023 Company
Current assets			
Cash at bank and on hand		1,092,955,646	1,067,294,432
Notes receivables	16(1)	80,679,844	139,728,373
Accounts receivables	16(2)	391,006,899	392,842,543
Advances to suppliers		18,835,786	4,365,190
Other receivables	16(3)	106,291,133	125,240,027
Inventories		33,352,134	29,993,697
Other current assets		481,748	481,748
Total current assets		1,723,603,190	1,759,946,010
Non-current assets			
Long-term receivables		991,217	958,502
Long-term equity investments	16(4)	767,820,422	776,119,164
Fixed assets		113,023,875	122,060,655
Construction in progress		-	91,679
Right-of-use assets	16(5)	12,681,818	16,870,559
Intangible assets		36,543,051	41,281,707
Development costs		737,612	-
Long-term prepaid expenses		4,974,348	5,544,361
Deferred tax assets		101,792,523	101,792,523
Other non-current assets		5,368,793	5,198,793
Total non-current assets		1,043,933,659	1,069,917,943
TOTAL ASSETS		2,767,536,849	2,829,863,953

COMPANY BALANCE SHEET (CONT'D)
AS AT 30 JUNE 2024
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2024 Company	31 December 2023 Company
Current liabilities			
Short-term borrowings			-
Accounts payables		5,169,681	4,352,301
Contract liabilities		353,414	133,097
Employee benefits payable		14,914,824	22,161,404
Taxes payable		11,864,830	11,355,321
Other payables		370,081,730	394,918,659
Including: Dividends payable		72,560,047	-
Current portion of non-current liabilities	16(6)	3,240,542	6,329,026
Other current liabilities		45,944	17,303
Total current liabilities		413,670,965	439,267,111
Non-current liabilities			
Lease liabilities	16(6)	8,982,590	10,952,722
Deferred income		414,825	414,825
Total non-current liabilities		9,397,415	11,367,547
Total liabilities		423,068,380	450,634,658
Shareholders' equity			
Paid-in capital		103,657,210	103,657,210
Capital surplus		1,373,686,350	1,372,751,633
Less: Treasury stock		-	-
Surplus reserve		52,150,000	52,150,000
Undistributed profits		814,974,909	850,670,452
Total shareholders' equity		2,344,468,469	2,379,229,295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,767,536,849	2,829,863,953

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

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2024 Consolidated	For the six months ended 30 June 2023 Consolidated
Revenue	5(36)	408,123,863	522,827,706
Less: Cost of sales	5(36), 5(42)	(29,399,848)	(41,577,068)
Taxes and surcharges	5(37)	(2,804,503)	(2,271,436)
Selling expenses	5(38), 5(42)	(114,492,701)	(249,225,184)
General and administrative expenses	5(39), 5(42)	(23,374,240)	(27,454,732)
R&D expenses	5(40), 5(42)	(154,592,537)	(117,953,593)
Financial income - net	5(41)	1,676,234	428,551
Including: Interest expenses		(270,795)	(1,821,983)
Interest income		1,983,068	2,335,387
Add: Other income	5(43)	21,113,893	4,020,809
Investment losses	5(44)	2,763,144	2,848,966
Including: Share of losses of associates and joint ventures		(7,491,235)	(7,427,169)
Credit impairment losses	5(45)	(35,750,682)	(28,554,785)
Asset impairment losses	5(46)	(1,179,920)	(1,280,316)
Gains on disposals of assets	5(47)	141,121	1,473,451
Operating profit		72,223,824	63,282,369
Add: Non-operating income	5(48)	296,167	424,260
Less: Non-operating expenses	5(49)	(333,040)	(273,831)
Total profit		72,186,951	63,432,798
Less: Income tax expenses	5(50)	(1,842,938)	5,171,973
Net profit		70,344,013	68,604,771
Classified by continuity of operations			
Net profit from continuing operations		70,344,013	68,604,771
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Net profit attributable to equity holders of the company		70,473,064	68,437,509
Minority interests		(129,051)	167,262

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2024 Consolidated	For the six months ended 30 June 2023 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income that will not be reclassified to profit or loss			
Changes in the fair value of investments in other equity instruments		9,113	(237,562)
Other comprehensive income that will be reclassified to profit or loss			
Differences on translation of foreign currency financial statements		131,628	129,974
		140,741	(107,588)
Total comprehensive income		70,484,754	68,497,183
Attributable to the shareholders of the Company		70,613,805	68,329,921
Attributable to minority interests		(129,051)	167,262
		70,484,754	68,497,183
Earnings per share			
Basic earnings per share	5(51)	0.07	0.07
Diluted earnings per share	5(51)	0.07	0.07

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

COMPANY INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2024 Company	For the six months ended 30 June 2023 Company
Revenue	16(7)	340,740,051	466,212,239
Less: Cost of sales	16(7)	(38,151,571)	(30,122,898)
Taxes and surcharges		(2,016,364)	(1,220,148)
Selling expenses		(94,043,128)	(229,654,176)
General and administrative expenses		(16,926,497)	(18,573,462)
R&D expenses		(122,993,003)	(118,933,516)
Financial income - net		1,537,797	186,872
Including: Interest expenses		(270,795)	(1,897,666)
Interest income		1,834,427	2,084,538
Add: Other income		2,291,590	2,615,063
Investment losses	16(8)	2,201,295	3,337,434
Including: Share of losses of associates and joint ventures		(7,491,235)	(7,427,169)
Credit impairment reverse/(losses)		(35,614,724)	(28,449,590)
Asset impairment losses		(1,407)	(1,406,489)
Gains on disposals of assets		141,121	904,425
Operating profit		37,165,160	44,895,754
Add: Non-operating income		27,480	405,030
Less: Non-operating expenses		(328,136)	(216,648)
Total profit		36,864,504	45,084,136
Less: Income tax expenses		-	6,257,921
Net profit		36,864,504	51,342,057
Classified by continuity of operations			
Net profit from continuing operations		36,864,504	51,342,057
Net profit from discontinued operations		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		36,864,504	51,342,057

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2024 Consolidated	For the six months ended 30 June 2023 Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		432,134,075	429,335,303
Cash received relating to other operating activities	5(52)(a)	23,786,622	9,303,743
Sub-total of cash inflows		455,920,697	438,639,046
Cash paid for goods and services		(233,081,528)	(360,207,970)
Cash paid to and on behalf of employees		(129,094,366)	(129,186,381)
Payments of taxes and surcharges		(24,061,498)	(10,720,250)
Cash paid relating to other operating activities	5(52)(b)	(42,033,756)	(47,278,602)
Sub-total of cash outflows		(428,271,148)	(547,393,203)
Net cash flows from operating activities	5(53)(a)	27,649,549	(108,754,157)
Cash flows used in investing activities			
Cash received from subsidiaries		1,742,224	-
Net cash received from disposal of fixed assets		614,468	1,407,211
Cash received relating to other investing activities	5(52)(c)	2,019,254,379	2,123,995,425
Sub-total of cash inflows		2,021,611,071	2,125,402,636
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(8,284,403)	(54,110,831)
Cash paid relating to other investing activities	5(52)(d)	(2,009,000,000)	(2,080,000,000)
Sub-total of cash outflows		(2,017,284,403)	(2,134,110,831)
Net cash flows used in investment activities		4,326,668	(8,708,195)
Cash flows (from)/used in financing activities			
Cash received from investment		-	66,861,643
Sub-total of cash inflows		-	66,861,643
Cash payments for distribution of dividends, profits or interest expenses		-	(2,705,716)
Cash payments relating to other financing activities	5(52)(e)	(5,522,836)	(4,997,714)
Sub-total of cash outflows		(5,522,836)	(7,703,430)
Net cash flows (used in)/from financing activities	5(53)(b)	(5,522,836)	59,158,213
Effect of foreign exchange rate changes on cash and cash equivalents		131,628	129,974
Net (decrease)/increase in cash and cash equivalents	5(53)(c)	26,585,009	(58,174,165)
Add: Cash and cash equivalents at the beginning of the period	5(53)(c)	1,195,895,997	1,289,302,664
Cash and cash equivalents at the end of the period	5(53)(c)	1,222,481,006	1,231,128,499

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

COMPANY CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2024 Company	For the six months ended 30 June 2023 Company
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		347,700,489	357,857,959
Cash received relating to other operating activities		5,705,492	58,986,274
Sub-total of cash inflows		353,405,981	416,844,233
Cash paid for goods and services		(181,076,268)	(330,367,179)
Cash paid to and on behalf of employees		(106,007,563)	(111,979,019)
Payments of taxes and surcharges		(16,913,839)	(10,014,880)
Cash paid relating to other operating activities		(50,645,198)	(90,058,479)
Sub-total of cash outflows		(354,642,868)	(542,419,557)
Net cash flows from operating activities		(1,236,887)	(125,575,324)
Cash flows used in investing activities			
Cash received from subsidiaries		1,742,224	-
Net cash received from disposal of fixed assets		24,466	904,425
Cash received relating to other investing activities		1,913,692,530	1,994,483,893
Sub-total of cash inflows		1,915,459,220	1,995,388,318
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(4,072,046)	(18,604,454)
Cash paid relating to other investing activities		(1,879,000,000)	(1,950,000,000)
Sub-total of cash outflows		(1,883,072,046)	(1,968,604,454)
Net cash flows used in investing activities		32,387,174	26,783,864
Cash flows used in/(from) financing activities			
Cash received from investing			
Cash received from borrowings		-	66,861,643
Sub-total of cash inflows		-	66,861,643
Cash payments for distribution of dividends, profits or interest expenses		-	(2,705,716)
Cash payments to repay borrowings			
Cash payments relating to other financing activities		(5,489,073)	(4,857,461)
Sub-total of cash outflows		(5,489,073)	(7,563,177)
Net cash flows used in/(from) financing activities		(5,489,073)	59,298,466
Effect of foreign exchange rate changes on cash and cash equivalents		-	-
Net (decrease)/increase in cash and cash equivalents		25,661,214	(39,492,994)
Add: Cash and cash equivalents at the beginning of the period		1,067,294,432	1,187,769,137
Cash and cash equivalents at the end of the period		1,092,955,646	1,148,276,143

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to shareholders of the Company					Minority interests	Total shareholders' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits		
Balance at 1 January 2024	103,657,210	1,289,293,388	(5,858,369)	52,150,000	918,311,622	1,009,517	2,358,563,368
Movements for the six months ended 30 June 2024							
Total comprehensive income							
Net profit	-	-	-	-	70,473,064	(129,051)	70,344,013
Other comprehensive income	-	-	140,741	-	-	-	140,741
Profit distribution							
Profit distribution to shareholders	-	-	-	-	(72,560,047)	-	(72,560,047)
Others	-	934,717	-	-	-	-	934,717
Balance at 30 June 2024	103,657,210	1,290,228,105	(5,717,628)	52,150,000	916,224,639	880,466	2,357,422,792

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

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan unless otherwise stated)

Item	Paid-in capital	Capital surplus	Less: Treasury stock	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2023	102,900,000	1,303,199,293	-	52,150,000	863,671,837	2,321,921,130
Movements for the six months ended 30 June 2023						
Total comprehensive income						
Net profit	-	-	-	-	51,342,057	51,342,057
Capital contribution by shareholders						
Capital contribution by shareholders	757,210	66,104,433	-	-	-	66,861,643
Amount of share-based payments included in shareholders' equity	-	(1,842,812)	-	-	-	(1,842,812)
Profit distribution						
Profit distribution to shareholders	-	-	-	-	(72,560,047)	(72,560,047)
Others	-	998,110	-	-	-	998,110
Balance at 30 June 2023	103,657,210	1,368,459,024	-	52,150,000	842,453,847	2,366,720,081
Balance at 1 January 2024	103,657,210	1,372,751,633	-	52,150,000	850,670,452	2,379,229,295
Movements for the six months ended 30 June 2024				-		
Total comprehensive income			-	-		
Net profit	-	-	-	-	36,864,504	36,864,504
Profit distribution		-	-	-		
Profit distribution to shareholders	-	-	-	-	(72,560,047)	(72,560,047)
Others	-	934,717	-	-	-	934,717
Balance at 30 June 2024	103,657,210	1,373,686,350	-	52,150,000	814,974,909	2,344,468,469

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

1 General information

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") was established in the People's Republic of China ("PRC") on 11 November 1996 with initial registered capital and paid-in capital of RMB 5,295,000.

On 20 October 2000, the registered and paid-up capital of the Company was increased from RMB 5,295,000 to RMB 53,000,000 after successive capital increases and shareholding changes.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability. The registered capital and share capital of the Company were RMB 53,000,000, divided into 53,000,000 RMB-denominated ordinary shares, with a par value of RMB 1.00 each.

On 20 January 2002, all shares of the Company, being 53,000,000 RMB-denominated ordinary shares with a par value of RMB 1.00 each, were subdivided into 530,000,000 RMB-denominated ordinary shares ("Domestic Shares") with a par value of RMB 0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 foreign ordinary shares ("H Shares") of RMB 0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Therefore, the registered capital and share capital of the Company increased to RMB 71,000,000, divided into 710,000,000 shares, with a par value of RMB 0.10 each.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares at a price of HKD 1.70 each, and the registered capital and share capital of the Company increased to RMB 85,200,000,divided into 852,000,000 shares, with a par value of RMB 0.10 each.

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

On 12 June 2020, the Company completed a placing of 120,000,000 RMB-denominated ordinary A shares with a par value of RMB 0.10 each and was listed on the STAR market of Shanghai Stock Exchange on 19 June 2020. After the completion of the issuance, the Company's registered capital and share capital increased to RMB 104,300,000, divided into 1,043,000,000 shares, with a par value of RMB 0.10 each.

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

On May 11, 2023, in accordance with the Restricted Stock incentive Plan implemented in 2021, the Company issued RMB 7,572,100 ordinary A-shares with A par value of RMB 0.1 per share to 205 incentive subjects who met the vesting conditions, after which the registered capital and share capital of the Company were changed to RMB 103,657,210.

The main business activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, and sale of self-developed biopharmaceutical knowledge in China, providing contract based research, manufacturing and selling pharmaceutical and diagnostic products to customers, and providing other medical services.

1 General information (Cont'd)

Subsidiaries comprised in the consolidated financial statements as of 30 June 2024 are set out in Note 7.

These financial statements are authorised for issue by the Board of Directors of the Company on 12 August 2024.

2 Significant accounting policies and accounting estimates

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

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

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the six month ended 30 June 2024 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position as at 30 June 2024 and of their financial performance, cash flows and other information for the six month ended 30 June 2024 then ended.

(3) Accounting year

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

2 Significant accounting policies and accounting estimates (Cont'd)

(4) Recording currency

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

(5) Preparation of consolidated financial statements

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

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

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

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(6) Cash and cash equivalents

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

(7) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(8) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

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

2 Significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(i) Classification and measurement (Cont'd)

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

Debt instruments

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

Measured at amortised cost

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

Measured at fair value through OCI

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

2 Significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Debt instruments (Cont'd)

Measured at fair value through profit or loss

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

Equity instruments

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment

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

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

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

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

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

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

Group of notes receivables 1	Bank acceptance notes
Group of notes receivables 2	Commercial acceptance notes
Group of accounts receivables	All trade receivables, the overdue date is taken as the starting point of aging
Group of other receivables 1	Amounts due from subsidiaries
Group of other receivables 2	Amounts due from related parties
Group of other receivables 3	Deposits and guarantees
Group of other receivables 4	Petty cash for employees
Group of other receivables 5	Others
Group of long-term receivables 1	Deposits and guarantees

For accounts receivable divided into portfolios and notes receivable formed from daily business activities such as selling goods and providing services, the Group refers to historical credit loss experience, combines current conditions with predictions of future economic conditions, calculates expected credit losses through default risk exposure and expected credit loss rate for the entire duration. For other receivables and long-term receivables divided into portfolios, the Group refers to historical credit loss experience, combines current conditions with predictions of future economic conditions, calculates expected credit losses based on default risk exposure and expected credit loss rate over the next 12 months or the entire duration.

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

(iii) De-recognition

A financial asset is derecognized when one of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset is terminated; (2) the financial asset is transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the party to which the financial asset is transferred; and (3) the financial asset is transferred and the Group relinquishes control of the financial asset although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

2 Significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(iii) De-recognition

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

(b) Financial liability

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

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

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

(c) Determination of fair value of financial instruments

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

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

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

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion, estimated contract fulfilment costs and expenses necessary to make the sale and related taxes. For inventory produced and sold in the same region with the same or similar end use, the Group shall consolidate the provision for inventory impairment. Among them, for pharmaceutical and diagnostic products, the Group makes provisions for inventory impairment based on factors such as inventory age, storage status, historical sales discounts, and expected future sales.

(d) The Group adopts the perpetual inventory system.

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

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

(10) Long-term equity investments

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

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(a) Determination of investment cost

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

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

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

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

Investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in owner's equity of the investee other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee.

Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interests in the investees, based on which the investment income or losses are recognised on the Company's financial statements. When preparing the consolidated financial statements, for the portion of unrealised gains and losses attributable to the Group arising from downstream transactions in which the Group invests or sells assets to the investees, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised revenue and costs or asset disposal gains and losses attributable to the Group, and adjust investment income or losses accordingly; for the portion of unrealised gains and losses attributable to the Group arising from the upstream transactions in which the investees invest or sell assets to the Group, on the basis of the elimination result on the Company's financial statements, the Group should eliminate the portion of unrealised gains and losses included in the carrying amount of the relevant assets, and adjust the carrying amount of long-term equity investments accordingly. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

2 Significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

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

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

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

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

(d) Impairment of long-term equity investments

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

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation method of fixed assets

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

2 Significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

(b) Depreciation method of fixed assets (Cont'd)

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

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	8 to 20 years	0%-10%	4.50% to 12.50%
Machinery and equipment	3 to 10 years	0%-10%	9.00% to 33.33%
Electronic equipment and office equipment	3 to 10 years	0%-10%	9% to 33.33%
Motor vehicles	5 to 8 years	0%-10%	11.25% to 20.00%

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

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

(d) Disposal of fixed assets

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

(12) Construction in progress

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

2 Significant accounting policies and accounting estimates (Cont'd)

(13) Intangible assets

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

(a) Land use rights

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

(b) Proprietary technology

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

(c) R&D technology

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

(d) Software

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

(e) Periodical review of useful life and amortisation method

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

2 Significant accounting policies and accounting estimates (Cont'd)

(13) Intangible assets (Cont'd)

(f) R&D

The research and development expenses of this group mainly include expenses such as materials consumed for the implementation of research and development activities, salaries of R&D department employees, depreciation and amortization of R&D equipment and software assets, R&D testing, R&D technical service fees.

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

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

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

(g) Impairment of intangible assets

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

(14) Long-term prepaid expenses

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

2 Significant accounting policies and accounting estimates (Cont'd)

(15) Impairment of long-term assets

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

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

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

(16) Employee benefits

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

(a) Short-term employee benefits

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

2 Significant accounting policies and accounting estimates (Cont'd)

(16) Employee benefits (Cont'd)

(b) Post-employment benefits

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

Basic pensions

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

(17) Profit distribution

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

(18) Revenue

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

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

(a) Sales of goods

The Group recognises revenue when delivers the pharmaceutical and diagnostic products to the carrier designated by the customer, or after the customer's acceptance or after control transfer to customer. The credit period granted to customers by the Group is determined based on the characteristics of customers' credit risk, which is consistent with industry practice and there is no significant financing component. The Group's obligations to transfer goods to customers for consideration received from customers are shown as contract liabilities. The portion of the Group that has obtained unconditional payment rights is recognized as accounts receivable, while the remaining portion is recognized as contract assets. The Group presents contract assets and contract liabilities under the same contract as net amounts.

2 Significant accounting policies and accounting estimates (Cont'd)

(18) Revenue (Cont'd)

(b) Technology transfer

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

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

(c) Development, technical services and labour services

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

(19) Government grants

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

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

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

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(20) Deferred income

For the amounts obtained from third parties and subsequent benefit periods, including government grants and amounts received under long-term agreements, the company records them into deferred income when obtained, and amortises them into the current profit and loss systematically according to the expected income period.

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. For temporary differences arising from non merger transactions that do not affect accounting profits or taxable income (or deductible losses), and the initially recognized assets and liabilities do not result in equal taxable temporary differences and deductible temporary differences, the corresponding deferred income tax assets and deferred income tax liabilities are not recognized. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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

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

Deferred tax assets and liabilities are offset when:

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

2 Significant accounting policies and accounting estimates (Cont'd)

(22) Lease

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

The Group as the lessee

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

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

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

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

When a lease change is not accounted for as a separate lease, except for contract changes that can be simplified as stipulated by the Ministry of Finance, the Group re determines the lease term on the effective date of the lease change and uses the revised discount rate to discount the revised lease payment amount and re measure the lease liability. If the lease change causes the scope to narrow or the lease term is shortened, the Group will correspondingly reduce the carrying amount of the right-of-use assets, and the relevant gains or losses from the partial or complete termination of the lease are included in the current profit and loss. If other lease changes cause the lease liability to be remeasured, the Group adjusts the carrying amount of right-of-use assets accordingly.

2 Significant accounting policies and accounting estimates (Cont'd)

(23) Segment information

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

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

(24) Share-based payments

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

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

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements

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

(a) Critical accounting judgements

(i) Government grants

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

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

(b) Critical accounting estimates and key assumptions

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

(i) Useful life of fixed assets

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

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

2 Significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(ii) Impairment of receivables

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

(iii) Income tax and deferred income tax assets

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

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

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

3 Taxation

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

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

(a) In 2023, the Company obtained the "High-tech Enterprise Certificate" (Certificate number is GR202331000166) issued by Shanghai Science and Technology Commission, Shanghai Municipal Finance Bureau, Shanghai Municipal State Taxation Bureau and Shanghai Municipal Local Taxation Bureau. The certificate is valid for 3 years. In accordance with the relevant provisions of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the Company's applicable enterprise income tax rate for the six months ended 30 June 2024 was 15% (for the six months ended 30 June 2023:15%).

In 2021, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), a subsidiary of the Company, obtained the *Certificate of the High and New Technological Enterprise* (Certificate No. GR202132007432), with a term of validity of three years, jointly issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and STA Jiangsu Provincial Tax Service. Under Article 28 of the *Enterprise* Income *Tax Law of the People's Republic of China*, the income tax rate applicable to Taizhou Pharmaceutical for the six months ended 30 June 2024 was 15% (for the six months ended 30 June 2023:15%).

In 2023, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the *Certificate of the High and New Technological Enterprise* (Certificate No. GR202231000054), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, STA Shanghai Municipal Tax Service and Shanghai Local Taxation Bureau. Under Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the income tax rate applicable to Tracing Bio-technology for the six months ended 30 June 2024 was 15% (for the six months ended 30 June 2023: 15%). Tracing Bio-technology had no taxable income for the six months ended 30 June 2024 and 2023, thus no income tax expenses were accrued.

Fernovelty (Hong Kong) Holding Co., Limited ("Fernovelty Holding"), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rates regime, where applicable tax rate for taxable profits within HKD 2,000,000 is 8.25% while that for taxable profits in excess of HKD 2,000,000 is 16.5%. For the six months ended 30 June 2024 and 2023, Fernovelty Holding had no taxable profits, thus no HK profits tax was accrued.

4 Subsidiaries

See Note 7 for details.

5 Notes to consolidated financial statement items

(1) Cash at bank and on hand

	30 June 2024	31 December 2023
Cash on hand	37,767	16,803
Cash at bank	1,222,443,239	1,195,879,194
Including: cash at bank and on hand overseas	21,272,160	21,140,199
	1,222,481,006	1,195,895,997

As at 30 June 2024 and 31 December 2023, no cash at bank was restricted.

(2) Notes receivables

	30 June 2024	31 December 2023
Bank acceptance notes	117,593,427	174,115,330
Commercial acceptance notes	-	263,665
Less: Provision for bad debts	(66,283)	(116,676)
	117,527,144	174,262,319

(a) As at 30 June 2024, the Group had no pledged notes receivable as presented in notes receivable.

(b) In for the six months ended 30 June 2024, the Group endorsed the bank acceptance and almost all the risks and rewards on the ownership of the bank acceptance have been transferred to other parties, and the carrying value of the corresponding terminated recognition bank acceptance is RMB 5,160,881 (for the six months ended 30 June 2023: RMB 36,963,277).

As at 30 June 2024, the Group listed notes receivable endorsed or discounted but not yet mature as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	338,545	1,880,000

(i) For the six months ended 30 June 2024, just a partial portion of the bank acceptance notes were endorsed or discounted by the Group which were classified as financial assets at amortised cost.

5 Notes to consolidated financial statement items (Cont'd)

(2) Notes receivables (Cont'd)

(c) Provision for bad debts

The Group's notes receivable are generated from the sale of goods, provision of services and other daily business activities. Regardless of whether there is a significant financing component, the Group will use the expected credit losses throughout its lifetime to measure loss reserves.

The provision for doubtful accounts of other receivables is analyzed by category as follows:

	30 June 2024				31 December 2023			
	Book Balance		Bad debts		Book Balance		Bad debts	
	Amount	%	Amount	%	Amount	%	Amount	%
Provision of bad debts made on a collective basis(i)	117,593,427	100%	(66,283)	0.06%	174,378,995	100%	(116,676)	0.07%

(i) Provision of bad debts made on a collective basis is analyzed as follows:

Portfolio - Bank Acceptance notes:

As at 30 June 2024, the Group measured the provision for doubtful accounts on the basis of expected credit losses over the entire duration, and the relevant amount was RMB 66,283 (as at 31 December 2023: RMB 116,628), which was recognised in profit and loss for the period at RMB 66,283 (for the six months ended 30 June 2023: 0). The Group believes that the bank acceptance bills held in the portfolio do not have significant credit risk and will not incur significant losses as a result of bank defaults.

Portfolio - Commercial Acceptance notes:

At 30 June 2024, the Group measured the provision for doubtful accounts on the basis of expected credit losses over the whole life of the commercial acceptances within the portfolio, with the relevant amount of RMB 0 (31 December 2023: RMB 48), which was recognised in profit or loss for the current period at RMB 0 (as at 2023: RMB 48).

5 Notes to consolidated financial statement items (Cont'd)

(3) Accounts receivables

	30 June 2024	31 December 2023
Accounts receivables	520,325,955	482,216,788
Less: Provision for bad debts	(71,976,146)	(35,993,681)
	448,349,809	446,223,107

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

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

	30 June 2024	31 December 2023
Within 1 year	474,133,983	476,025,167
1 to 2 years	46,191,972	6,191,621
	520,325,955	482,216,788

(b) As at 30 June 2024, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

	Account Balance	Provision for bad debts	% of total balance
Total top five accounts receivables	291,935,123	(30,259,916)	56.11%

(c) Provision for bad debts

	31 December 2023	Change amount in the current period			30 June 2024
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	(35,993,681)	(35,982,465)	195,000	(195,000)	(71,976,146)

For receivables, regardless of whether there is a significant financing component, the Group will use the expected credit losses throughout its lifetime to measure loss reserves.

The provision for doubtful accounts of other receivables is analyzed by category as follows:

	30 June 2024				31 December 2023			
	Book Balance		Bad debt		Book Balance		Bad debt	
	Amount	%	Amount	%	Amount	%	Amount	%
Provision for bad debts on a single basis(i)	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	520,325,955	100%	(71,976,146)	13.83%	482,216,788	100%	(35,993,681)	7.46%
	520,325,955	100%	(71,976,146)	13.83%	482,216,788	100%	(35,993,681)	7.46%

5 Notes to consolidated financial statement items (Cont'd)

(3) Accounts receivables (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) As at 30 June 2024 and 31 December 2023, the Group did not make provision for bad debts for accounts receivables on an individual basis.

(ii) As at 30 June 2024, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group — sales receivable:

	30 June 2024		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	267,610,549	3.56%	(9,528,793)
Overdue within 120 days	106,916,742	10.25%	(10,957,601)
Overdue 121 days to 1 year	133,999,028	29.62%	(39,690,116)
Overdue 1 to 2 years	11,799,636	100.00%	(11,799,636)
	520,325,955		(71,976,146)

As at 31 December 2023, provision for bad debts made on a collective basis for accounts receivables is analysed as follows:

Group — sales receivable:

	31 December 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	165,952,062	1.71%	(2,839,649)
Overdue within 120 days	113,108,180	4.98%	(5,628,392)
Overdue 121 days to 1 year	196,964,925	10.83%	(21,334,019)
Overdue 1 to 2 years	6,191,621	100.00%	(6,191,621)
	482,216,788		(35,993,681)

(d) No book balance of accounts receivable actually written off during the period.

5 Notes to consolidated financial statement items (Cont'd)

(4) Advances to suppliers

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

	30 June 2024		31 December 2023	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	19,775,020	97.01%	3,970,311	91.67%
1 to 2 years	609,316	2.99%	360,669	8.33%
	20,384,336	100.00%	4,330,980	100.00%

As at 30 June 2024, prepayments older than one year were RMB 609,316 (December 31 2023: RMB 360,669), mainly for raw materials and services.

(b) As at 30 June 2024, the top five advances to suppliers based on the balance of the debtors are summarised and analysed as follows:

	Amount	% of total balance
Total top five advances to suppliers	7,208,000	35.36%

(5) Other receivables

	30 June 2024	31 December 2023
Deposits receivable	2,200,208	2,200,248
Receivable for equipment	1,005,419	1,182,619
Petty cash for employees receivable	301,645	248,140
Guarantees receivable	20,000	228
Others	204,760	-
	3,732,032	3,631,235
Less: Provision for bad debts	(104,469)	(91,907)
	3,627,563	3,539,328

The Group does not have amounts that are attributed to other parties and reported in other receivables as a result of centralised management of funds.

5 Notes to consolidated financial statement items (Cont'd)

(5) Other receivables (Cont'd)

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

	30 June 2024	31 December 2023
Within 1 year	1,483,002	1,296,283
1 to 2 years	8,243	152,142
2 to 3 years	191,019	864,846
Above 3 years	2,049,768	1,317,964
	3,732,032	3,631,235

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

The provision for doubtful accounts of other receivables is analyzed by category as follows:

	30 June 2024				31 December 2023			
	Book Balance		Bad debt		Book Balance		Bad debt	
	Amoun	%	Amour	%	Amount	%	Amount	%
Provision for bad debts on a single basis(i)					-	-	-	-
Provision of bad debts made on a collective basis(ii)	3,732,032	100%	(104,469)	2.80%	3,631,235	100%	(91,907)	2.53%
	3,732,032	100%	(104,469)	2.80%	3,631,235	100%	(91,907)	2.53%

(i) As at 30 June 2024 and 31 December 2023, the Group had no other receivables separately provided for doubtful accounts.

(ii) As at 30 June 2024, the provision for bad debts of other receivables at Stage 1 are analysed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	2,220,208	3.07%	(68,063)
Receivable for equipment	1,005,419	3.09%	(31,057)
Petty cash for employees	301,645	1.77%	(5,349)
Others	204,760	0.00%	-
	3,732,032		(104,469)

5 Notes to consolidated financial statement items (Cont'd)

(5) Other receivables (Cont'd)

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

(ii) As at 31 December 2023, the provision for bad debts of other receivables at Stage 1 are analysed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	2,200,476	3.10%	(68,065)
Receivable for equipment	1,182,619	1.54%	(18,255)
Petty cash for employees	248,140	2.25%	(5,587)
	3,631,235		(91,907)

As at 30 June 2024 and 31 December 2023, the Group did not have other receivables at Stage 2.

As at 30 June 2024 and 31 December 2023, the Group did not have other receivables at Stage 3.

(c) Provision for bad debt

	31 December 2023	Accrual	Reverse	30 June 2024
Provision for bad debts of other receivables	(91,907)	(12,562)	-	(104,469)

(d) As at 30 June 2024, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Company1	Deposits receivables	1,267,464	Above 3 years	33.96%	(39,307)
Company2	Deposits receivables	572,004	Above 3 years	15.33%	(17,739)
Company3	Receivable for equipment	182,400	Within 1 year	4.89%	(5,657)
Company4	Receivable for equipment	140,000	Within 1 year	3.75%	(4,342)
Company5	Receivable for equipment	138,000	Within 1 year	3.70%	(4,280)
		2,299,868		61.63%	(71,325)

(e) As at 30 June 2024 and 31 December 2023, the Group had no overdue dividends receivable.

5 Notes to consolidated financial statement items (Cont'd)

(6) Inventories

(a) The inventories are classified as follows:

	30 June 2024			31 December 2023		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	22,910,930	(2,763)	22,908,167	17,860,280	(11,665)	17,848,615
Work in progress	5,780,365	(18,620)	5,761,745	4,473,021	(43,068)	4,429,953
Finished goods	23,603,725	(1,091,956)	22,511,769	20,754,996	(662,517)	20,092,479
Turnover materials	1,530,745	-	1,530,745	1,280,313	-	1,280,313
	53,825,765	(1,113,339)	52,712,426	44,368,610	(717,250)	43,651,360

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

	31 December 2023	Decrease in the current period			30 June 2024
		Accrual	Reverse	Resale and write-off	
Raw materials	(11,665)	(31,817)	-	40,720	(2,763)
Work in progress	(43,068)	(18,620)	-	43,068	(18,620)
Finished goods	(662,517)	(1,129,483)	-	700,043	(1,091,956)
	(717,250)	(1,179,920)	-	783,831	(1,113,339)

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

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

5 Notes to consolidated financial statement items (Cont'd)

(7) Other current assets

	30 June 2024	31 December 2023
Prepaid income tax	4,387,817	481,748
Input VAT to be deducted	136,833	1,040,047
	4,524,650	1,521,795

(8) Long-term receivables

	30 June 2024	31 December 2023
Receivables for deposits and guarantees	1,022,941	989,178
Less: Provision for bad debts	(31,724)	(30,676)
	991,217	958,502

(a) Provision for bad debts and movement for book balance

The provision for doubtful long-term receivable by category is analyzed as follows:

	30 June 2024				31 December 2023			
	Book Balance		Bad debt		Book Balance		Bad debt	
	Amount	%	Amount	%	Amount	%	Amount	%
Provision for bad debts on a single basis(i)	-	-	-	-	-	-	-	-
Provision of bad debts made on a collective basis(ii)	1,022,941	100%	(31,724)	3.10%	989,178	100%	(30,676)	3.10%
	1,022,941	100%	(31,724)	3.10%	989,178	100%	(30,676)	3.10%

(i) At 30 June 2024 and 31 December 2023, the Group had no provision for bad debts on a single basis.

(ii) As at 30 June 2024, the provision for bad debts of long-term receivables at Stage 1 are analyzed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	1,022,941	3.10%	(31,724)

As at 31 December 2023, the provision for bad debts of long-term receivables at Stage 1 are analyzed as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Deposits and guarantees	989,178	3.10%	(30,676)

5 Notes to consolidated financial statement items (Cont'd)

(8) Long-term receivables (Cont'd)

(a) Provision for bad debts and movement for book balance (Cont'd)

As at 30 June 2024 and 31 December 2023, the Group did not have long-term receivables at Stage 2.

As at 30 June 2024 and 31 December 2023, the Group did not have long-term receivables at Stage 3.

(9) Investments in other equity instruments

	30 June 2024	31 December 2023
Investments in equity instruments		
Equity of listed companies	24,239	15,126

	30 June 2024	31 December 2023
Kintara Therapeutics, Inc. ("Kintara")		
—Costs	5,623,983	5,623,983
—Accumulated changes in fair value	(5,599,744)	(5,608,857)
	24,239	15,126

The Company held 12,592 common shares of Kintara Therapeutics, Inc. ("Kintata"). Based on the date of completion of the acquisition with the closing price on the day, the fair value of the equity instruments of Kintara held by the Company was RMB 5,623,983.

As at 30 June 2024, based on the closing price on the day, the fair value of the equity instruments of Kintara held by the Company was RMB 24,239.

(10) Long-term equity investments

	30 June 2024	31 December 2023
Joint ventures (Note 7(2))(b)	52,716,620	56,538,459
Associates (Note 7(2))(c)	226,835,587	231,312,490
	279,552,207	287,850,949
Less: Provision for impairment of long-term equity investments	(332,756)	(332,756)
	279,219,451	287,518,193

5 Notes to the consolidated financial statements (Cont'd)

(10) Long-term equity investments (Cont'd)

(a) Joint ventures

		Changes in the current period									
	31 December 2023	Increase in investment	Decrease in investment	Share of net gain or loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2024	Ending balance of provision for impairment
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF").	56,538,459	-	-	(2,079,615)	-	-	(1,742,224)	-	-	52,716,620	-

As at 30 June 2024, the Group's subscribed capital contribution ratio is 29.85%, and the paid-up capital contribution ratio is 30.47%.

5 Notes to the consolidated financial statements (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Associates

		Changes in the current period									
	31 December 2023	Increase in investment	Decrease in investment	Share of net gain or loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2024	Ending balance of provision for impairment
Shanghai WD Pharmaceutical Co., Ltd. ("WD Pharmaceutical")	230,979,734	-	-	(5,411,620)	-	934,717	-	-	-	226,502,831	-
Shanghai Lead Discovery Limited Company ("Lead Discovery")	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma Clinic Investment Co., Ltd.("Derma")	-	-	-	-	-	-	-	-	-	-	-
	231,312,490	-	-	(5,411,620)	-	934,717	-	-	-	226,835,587	(332,756)

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

5 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets

	Buildings	Machinery and equipments	Electronic equipment and office equipment	Motor vehicles	Total
Cost					
31 December 2023	199,223,836	375,950,835	9,104,708	3,953,835	588,233,214
Increase in the current period					
Purchase	-	52,566,272	26,548	-	52,592,820
Transfer from Construction in progress	170,235,889	63,563,500	-	-	233,799,389
Decrease in the current period	-	(5,745,274)	(955,061)	-	(6,700,335)
30 June 2024	369,459,725	486,335,333	8,176,195	3,953,835	867,925,088
Accumulated depreciation					
31 December 2023	(103,483,424)	(247,047,319)	(6,905,757)	(1,922,786)	(359,359,286)
Increase in the current period	(5,359,524)	(16,808,820)	(400,717)	(177,517)	(22,746,578)
Decrease in the current period	-	5,341,389	866,759	-	6,208,148
30 June 2024	(108,842,948)	(258,514,750)	(6,439,715)	(2,100,303)	(375,897,716)
Provision for impairment					
31 December 2023 and 30 June 2024	-	(366,340)	(11,545)	-	(377,885)
Carrying amount					
30 June 2024	260,616,777	227,454,243	1,724,935	1,853,532	491,649,487
31 December 2023	95,740,412	128,537,176	2,187,406	2,031,049	228,496,043

In for the six months ended 30 June 2024, the amounts of depreciation expenses were RMB 22,746,578 (for the six months ended 30 June 2023: RMB 23,890,974), of which charged to operating costs, capitalised development expenditure, selling expenses, administrative expenses, research and development expenses and construction in progress were RMB 7,616,633, RMB 0, RMB 6,143,690, RMB 2,344,778, RMB 6,546,097 and RMB 95,380 respectively (for the six months ended 30 June 2023: of which charged to cost of sales, capitalised development costs, selling expenses, general and administrative expenses, R&D expenses and construction in progress were RMB 5,978,657, RMB 1,943, RMB 7,407,986, RMB 1,056,616, RMB 9,445,772 and 0 respectively).

The original amount of fixed assets transferred from construction in progress was RMB 233,799,389(for the six months ended 30 June 2023: RMB 662,199).

As at 30 June 2024 and 31 December 2023, the Group had no fixed assets that were temporarily idle and fixed assets that had not completed the property right certificate.

(12) Construction in progress

	30 June 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Taizhou Pharmaceutical production plant construction project – Phase 2	-	-	-	229,871,133	-	229,871,133
Other	187,189	-	187,189	91,679	-	91,679
	187,189	-	187,189	229,962,812	-	229,962,812

5 Notes to the consolidated financial statements (Cont'd)

(12) Construction in progress (Cont'd)

(i) Movements in significant construction in progress projects

Project name	Budget	31 December 2023	Increase in the current period	Transfer to fixed asset in the current period	30 June 2024	% of budget	Project progress	Sources of funds
Taizhou Pharmaceutical production plant construction project – Phase 2 -ADC workshop production line	150,000,000	118,861,821	1,995,510	(120,857,331)	-	100%	100%	owned capital
- Taizhou Phase II plant main project	112,820,000	111,009,312	1,379,362	(112,388,674)	-	100%	100%	owned capital
	262,820,000	229,871,133	3,374,872	(233,246,005)	-			

As at 30 June 2024 and 31 December 2023, the Group had no impairment of construction in progress.

5 Notes to the consolidated financial statements (Cont'd)

(13) Right-of-use assets

	Buildings
Cost	
31 December 2023	36,680,001
Increase in the current period	
New lease contracts	159,662
Decrease in the current period	
Lease expiry	(93,940)
30 June 2024	36,745,723
Accumulated depreciation	
31 December 2023	(19,809,442)
Increase in the current period	
Accruals	(4,348,403)
Decrease in the current period	
Lease expiry	93,940
30 June 2024	(24,063,905)
Carrying amount	
30 June 2024	12,681,818
31 December 2023	16,870,559

(14) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2023	50,403,679	8,843,164	101,587,498	13,827,893	174,662,234
Increase in the current period					
Purchase	-	-	188,679	-	188,679
30 June 2024	50,403,679	8,843,164	101,776,177	13,827,893	174,850,913
Accumulated amortisation					
31 December 2023	(12,593,056)	(8,393,164)	(56,092,617)	(9,419,142)	(86,497,979)
Increase in the current period	(537,550)	-	(5,815,629)	(616,166)	(6,969,345)
30 June 2024	(13,130,606)	(8,393,164)	(61,908,246)	(10,035,308)	(93,467,324)
Provision for impairment					
31 December 2023 and 30 June 2024	-	(450,000)	(1,364,157)	-	(1,814,157)
Carrying amount					
30 June 2024	37,273,073	-	38,503,774	3,792,585	79,569,432
31 December 2023	37,810,623	-	44,130,724	4,408,751	86,350,098

5 Notes to the consolidated financial statements (Cont'd)

(14) Intangible assets (Cont'd)

In for the six months ended 30 June 2024, the amortisation of intangible assets was RMB 6,969,345 (for the six months ended 30 June 2023: RMB 3,064,239).

(15) Research and Development Costs

The Group's for the six months ended 30 June 2024 research and development costs by nature are listed as follows:

	for the six months ended 30 June 2024		
	Research expense	Development expense	Total
Outsourcing research and development expenses	55,618,334	-	55,618,334
Payroll expense	43,950,526	7,143	43,957,669
R&D department expenses	19,656,393	334,227	19,990,620
Material expense	24,015,533	396,242	24,411,775
Depreciation expense	11,351,751	-	11,351,751
	154,592,537	737,612	155,330,149

The Group's for the six months ended 30 June 2023 research and development costs by nature are listed as follows:

	for the six months ended 30 June 2023		
	Research expense	Development expense	Total
Outsourcing research and development expenses	42,407,543	188,342	42,595,885
Payroll expense	34,364,501	351,347	34,715,848
R&D department expenses	17,786,210	95,629	17,881,839
Material expense	14,727,002	-	14,727,002
Depreciation expense	9,445,772	1,943	9,447,715
Share-based payments expenses	(777,435)	-	(777,435)
	117,953,593	637,261	118,590,854

(a) The movement of the Group's capitalised development expenditure in for the six months ended 30 June 2024 is analysed as follows:

	31 December 2023	Increase in the current period	Decrease in the current period		30 June 2024
			Credited to profit or loss	Recognised as intangible assets	
Consistency evaluation of medications	-	737,612	-	-	737,612

In for the six months ended 30 June 2024, there was no impairment on the Group's development expenditure projects (for the six months ended 30 June 2023: nil).

5 Notes to the consolidated financial statements (Cont'd)

(16) Goodwill

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024
Goodwill-cost	8,937,000	-	-	8,937,000
Less: Provision for impairment	(8,937,000)	-	-	(8,937,000)
	-	-	-	-

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

(17) Long-term prepaid expenses

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024
Improvement to right-of-use assets	5,471,531	-	(569,813)	4,901,718
Others	5,851,517	-	(3,133,252)	2,718,265
	11,323,048	-	(3,703,065)	7,619,983

(18) Deferred tax assets

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

(a) Deferred tax assets

	30 June 2024		31 December 2023	
	Deductible temporary differences and losses	Deferred tax assets	Deductible temporary differences and losses	Deferred tax assets
Deductible loss	299,352,048	44,902,805	207,049,196	31,057,380
Accrued expenses	248,748,858	37,312,327	386,454,496	57,968,174
Provision for credit impairment	95,931,622	14,389,744	59,985,940	8,997,891
Amortisation of intangible assets	17,400,944	2,610,142	16,133,822	2,420,073
Lease liability (Notes5(28))	12,223,132	1,833,470	17,281,748	2,592,262
Provision for asset impairment	1,113,339	167,001	717,250	107,588
Government grants	579,250	86,888	1,737,750	260,663
	675,349,193	101,302,377	689,360,202	103,404,031
Including:				
Expected to be recovered within 1 year (inclusive)		57,445,468		71,710,778
Expected to be recovered after 1 year		43,856,909		31,693,253
		101,302,377		103,404,031

5 Notes to the consolidated financial statements (Cont'd)

(18) Deferred tax assets (Cont'd)

(b) Unoffset deferred income tax liabilities

	30 June 2024		31 December 2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
ROU Asset (Note2(26))	12,681,818	1,902,273	16,870,559	2,530,586
Including:				
Expected to be recovered within 1 year (inclusive)		629,127		1,039,083
Expected to be recovered after 1 year		1,273,146		1,491,503
		1,902,273		2,530,586

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

	30 June 2024	31 December 2023
Deductible temporary differences	12,924,043	13,330,930
Deductible losses	105,332,828	55,863,258
	118,256,871	69,194,188

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

	30 June 2024	31 December 2023
2024	1,254,614	1,254,614
2025	-	-
2026	402,028	402,028
2027	10,802,118	10,802,118
2028	12,084,885	12,084,885
2029	8,052,658	8,052,658
2030	739,391	739,724
2031	8,423,466	8,423,466
2032	3,749,577	3,749,577
2033	4,580,602	10,354,188
2034	55,243,489	—
	105,332,828	55,863,258

(e) Deferred tax assets and net deferred tax liabilities after set-off are shown as follows:

	30 June 2024		31 December 2023	
	contra amount	Balance after contra	contra amount	Balance after contra
Deferred tax assets	(1,902,273)	99,400,104	(2,530,586)	100,873,445
Deferred tax liabilities	1,902,273	-	2,530,586	-

5 Notes to the consolidated financial statements (Cont'd)

(19) Other non-current assets

	30 June 2024	31 December 2023
Advances for equipment	7,008,914	44,894,795

(20) Asset impairment and loss provisions

(a) Provision for asset impairment

	31 December 2023	Increase in the current period	Decrease in the current period		30 June 2024
			Reverse	Write-off	
Provision for impairment of goodwill	8,937,000	-	-	-	8,937,000
Provision for impairment of fixed assets	377,885	-	-	-	377,885
Provision for decline in the value of inventories	717,250	1,179,920	-	(783,831)	1,113,339
Provision for impairment of intangible assets	6,814,157	-	-	-	6,814,157
Provision for impairment of long-term equity investments	332,756	-	-	-	332,756
	17,179,048	1,179,920	-	(783,831)	17,575,137

5 Notes to the consolidated financial statements (Cont'd)

(20) Asset impairment and loss provisions (Cont'd)

(b) Provision for credit impairment

	31 December 2023	Increase in the current period	Decrease in the current period		30 June 2024
			Reverse	Write-off	
Provision for bad debts of accounts receivables	35,993,681	35,982,465	(195,000)	195,000	71,976,146
Provision for Bad debts of notes receivable	116,676	-	(50,393)	-	66,283
Provision for bad debts of other receivables	91,907	12,562	-	-	104,469
Provision for bad debts of long-term receivables	30,676	1,048	-	-	31,724
	36,232,940	35,996,075	(245,393)	195,000	72,178,622

(21) Accounts payables

	30 June 2024	31 December 2023
Accounts payables	13,866,612	8,054,847

(i) As at 30 June 2024, the amount of accounts payables with ageing above 1 year was RMB 246,602 (As at 31 December 2023: RMB 393,416).

(ii) The ageing of accounts payables was analysed as follows:

	30 June 2024	31 December 2023
Within 1 year	13,620,010	7,661,431
1-2 years	131,714	196,170
Above 2 years	114,888	197,246
	13,866,612	8,054,847

5 Notes to the consolidated financial statements (Cont'd)

(22) Contract liabilities

	30 June 2024	31 December 2023
Advance for goods	481,053	260,736

(23) Employee benefits payable

	30 June 2024	31 December 2023
Short-term employee benefits payable (a)	16,006,617	24,375,314
Defined contribution plans payable (b)	714,377	709,183
	16,720,994	25,084,497

(a) Short-term employee benefits payable

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024
Wages and salaries, bonus, allowances and subsidies	23,785,625	83,704,891	(92,517,308)	14,973,208
Staff welfare	-	750	(750)	-
Social security contributions	566,025	7,674,673	(7,671,632)	569,066
Including: Medical insurance	552,938	7,479,265	(7,476,274)	555,929
Work injury insurance	12,343	167,886	(167,835)	12,394
Maternity insurance	744	27,522	(27,523)	743
Housing funds	13,493	9,096,545	(9,083,946)	26,092
Labour union funds and employee education funds	10,171	709,614	(281,534)	438,251
	24,375,314	101,186,473	(109,555,170)	16,006,617

(b) Defined contribution plans payable

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024
Basic pensions	685,376	15,970,419	(15,965,382)	690,413
Unemployment insurance	23,807	658,337	(658,180)	23,964
	709,183	16,628,756	(16,623,562)	714,377

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

5 Notes to the consolidated financial statements (Cont'd)

(24) Taxes payable

	30 June 2024	31 December 2023
Unpaid VAT	13,881,556	6,988,917
Enterprise income tax payable	681,838	3,597,472
Withholding of individual income tax for employees	-	1,613,838
	14,563,394	12,200,227

(25) Other payables

	30 June 2024	31 December 2023
Marketing and sales expenses payable	241,812,381	334,185,365
Dividends payable (Note 9(6)(c))	72,560,047	-
Guarantees payable	53,590,367	50,209,969
Long-term assets payable	48,645,422	47,165,016
Sales commission payable	4,783,592	4,783,592
Others	10,969,982	16,711,671
	432,361,791	453,055,613

As at 30 June 2024, other payables with an ageing of more than 1 year were RMB 55,434,500(as at 31 December 2023：RMB 59,320,221). Other payables with an ageing of more than 1 year were mainly long-term assets payable and guarantees payable, because the payment point for the long-term assets payable was not reached, the amount was not settled.

(26) Other current liabilities

	30 June 2024	31 December 2023
Output VAT to be recognised	62,537	33,896

(27) Lease liabilities

	30 June 2024	31 December 2023
Lease liabilities	12,223,132	17,281,748
Less: Current portion of non-current liabilities	(3,240,542)	(6,329,026)
	8,982,590	10,952,722

(i) As at 30 June 2024 and 30 June 2023, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(ii) As at 30 June 2024, the minimum lease payments needed to be paid within 1 year for the short-term lease contracts which were simplified according to the new lease standard of the Group was RMB 108,975 (30 June 2023: RMB 100,849), and is to be paid in one year.

5 Notes to the consolidated financial statements (Cont'd)

(28) Deferred income

	30 June 2024	31 December 2023
Government grants (a)	994,075	2,152,575

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024	Cause of formation
Government grants (a)	2,152,575	16,200,000	(17,358,500)	994,075	Receipt of government grants

(a) Government grants

			Decrease in the current period		
	31 December 2023	Increase in the current period	Recognised in other income	Recognised in non-operating income	30 June 2024
Government grants related to assets	1,737,750	-	(1,158,500)	-	579,250
Government grants related to revenue	414,825	16,200,000	(16,200,000)	-	414,825
	2,152,575	16,200,000	(17,358,500)	-	994,075

5 Notes to the consolidated financial statements (Cont'd)

(29) Share capital

		Change in the current period					
	31 December 2023	Issue new shares	Scrip issue	Transferred from reserve	Others	Subtotal	30 June 2024
Listed tradable shares - Foreign shares listed overseas	32,600,000	-	-	-	-	-	32,600,000
Listed tradable shares - Domestic listed RMB-denominated ordinary A shares	71,057,210	-	-	-	-	-	71,057,210
Total share capital	103,657,210	-	-	-	-	-	103,657,210

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

5 Notes to the consolidated financial statements (Cont'd)

(30) Capital surplus

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024
Share premium	1,218,100,783	-	-	1,218,100,783
Share-based payments (Note 6)	70,819,623	-	-	70,819,623
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	5,640,871	934,717	-	6,575,588
Other	(5,267,889)	-	-	(5,267,889)
	1,289,293,388	934,717	-	1,290,228,105

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Share premium	1,151,996,350	66,104,433	-	1,218,100,783
Share-based payments (Note 6)	72,662,435	-	(1,842,812)	70,819,623
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	350,152	5,290,719	-	5,640,871
Other	-	-	(5,267,889)	(5,267,889)
	1,225,008,937	71,395,152	(7,110,701)	1,289,293,388

5 Notes to the consolidated financial statements (Cont'd)

(31) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income for the six months ended 30 June 2024 income statement				
	31 December 2023	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	30 June 2024	Amount before income tax	Less: other comprehensive income transferred out this period	Deduct: income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that will not be reclassified to profit or loss									
Changes in fair value of other equity instrument investments	(5,608,857)	9,113	-	(5,599,744)	9,113	-	-	9,113	-
Other comprehensive income that will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(249,512)	131,628	-	(117,884)	131,628	-	-	131,628	-
	(5,858,369)	140,741	-	(5,717,628)	140,741	-	-	140,741	-

	Other comprehensive income in the balance sheet				Other comprehensive income for the six months ended 30 June 2023 income statement				
	31 December 2022	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	30 June 2023	Amount before income tax	Less: other comprehensive income transferred out this period	Deduct: income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders
Other comprehensive income that will not be reclassified to profit or loss									
Changes in fair value of other equity instrument investments	(5,019,742)	(237,562)	-	(5,257,304)	(237,562)	-	-	(237,562)	-
Other comprehensive income that will be reclassified to profit or loss									
Differences on translation of foreign currency financial statements	(181,279)	129,974	-	(51,305)	129,974	-	-	129,974	-
	(5,201,021)	(107,588)	-	(5,308,609)	(107,588)	-	-	(107,588)	-

5 Notes to the consolidated financial statements (Cont'd)

(32) Surplus reserve

	31 December 2023	Increase in the current period	Decrease in the current period	30 June 2024
Statutory surplus reserve	52,150,000	-	-	52,150,000

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

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit (after making up for prior years' losses) for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. By the resolution of the Board of Directors, the Company did not withdraw the statutory surplus reserve due to the amount of accumulated statutory surplus reserve had reached 50% of the registered capital at the six months ended 30 June 2024.

(33) Undistributed profits

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Undistributed profits at the beginning of the period	918,311,622	882,244,301
Add: Net profit attributable to shareholders of the Company	70,473,064	68,437,509
Less: Dividends payable to the Company's shareholders	(72,560,047)	(72,560,047)
Undistributed profits at the end of the period	916,224,639	878,121,763

In accordance with the shareholders' meeting on 27th June 2024, the Company recommends the payment of a final dividend of RMB 0.07 per ordinary share, calculated on 1,036,572,100 issued shares, totaling RMB 72,560,047 to all shareholders for the year of 2023.

5 Notes to the consolidated financial statements (Cont'd)

(34) Revenue and cost of sales

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Main operations revenue	408,123,863	522,827,706

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Main operations cost	(29,399,848)	(41,577,068)

(a) Main operations revenue and cost

	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
- Sales of pharmaceutical and diagnostic products	408,113,244	(29,399,848)	522,658,189	(41,468,116)
- Income from services	10,619	-	169,517	(108,952)
	408,123,863	(29,399,848)	522,827,706	(41,577,068)

(b) The Group's operating income is broken down as follows:

	For the six months ended 30 June 2024		
	Pharmaceutical products	Others	Total
Main operations revenue Including: Confirmed at a certain point	408,113,244	10,619	408,123,863

	For the six months ended 30 June 2023		
	Pharmaceutical products	Others	Total
Main operations revenue Including: Confirmed at a certain point	522,658,189	169,517	522,827,706

5 Notes to the consolidated financial statements (Cont'd)

(35) Taxes and surcharges

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Payment standard
Real estate tax	876,876	873,670	1.2% of the 70% real estate's original cost
City maintenance and construction tax	744,875	456,524	5% or 7% of the VAT paid
Educational surcharge	744,875	414,947	5% of the VAT paid
Urban land use tax	273,309	273,309	The actual land area occupied, RMB 3-5/m^2
Others	164,568	252,986	
	2,804,503	2,271,436	

(36) Selling expenses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Salary costs	51,883,700	53,578,710
Marketing and academic promotion fees	33,277,026	164,462,971
Conference fees	7,370,106	4,965,012
Depreciation and amortisation	6,159,097	8,448,764
Travel expenses	5,578,734	7,960,648
Business hospitality	5,542,516	5,909,040
Depreciation of right-of-use assets	2,012,981	2,019,092
Office expenses	754,574	991,081
Rental fees	252,594	228,385
Shipping fees	109,208	156,042
Share-based payments expenses	-	(880,376)
Others	1,552,165	1,385,815
	114,492,701	249,225,184

5 Notes to the consolidated financial statements (Cont'd)

(37) General and administrative expenses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Salary costs	10,655,652	14,562,242
Administrative expenses	3,644,733	2,425,392
Audit fees	2,478,176	2,546,590
Depreciation and amortisation	1,418,970	1,599,898
Property fees	1,347,370	614,585
Consulting fees	132,075	1,128,784
Share-based payments expenses	-	(209,264)
Others	3,697,264	4,786,505
	23,374,240	27,454,732

(38) R&D expenses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Outsourced R&D expenses	55,618,334	42,407,543
Salary costs	43,950,526	34,364,501
Information and materials costs	24,015,533	14,727,002
R&D department expenses	19,656,393	17,786,210
Depreciation	11,351,751	9,445,772
Share-based payments expenses	-	(777,435)
	154,592,537	117,953,593

(39) Financial income - net

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Interest costs	-	1,365,000
Add：Interest costs on lease liabilities	270,795	456,983
Interest expenses	270,795	1,821,983
Less: Interest income	(1,983,068)	(2,335,387)
Exchange losses - net	-	144
Others	30,039	84,709
	(1,676,234)	(428,551)

5 Notes to the consolidated financial statements (Cont'd)

(40) Expenses by nature

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

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Changes in inventories of finished goods and work in progress	(4,856,116)	4,503,234
Consumed raw materials and low value consumables, etc.	31,688,294	29,575,391
Marketing and sales expenses	50,409,812	181,809,124
Share-based payments expenses	-	(1,842,812)
Employee benefit expenses	117,815,229	116,719,641
Less: Amounts capitalised in development costs	(7,143)	(351,347)
	117,808,086	116,368,294
Outsourced R&D expenses	55,618,334	42,407,543
Depreciation and amortisation	33,418,988	28,536,304
Less: Amounts capitalised in development costs	(182,368)	(1,943)
	33,236,620	28,534,361
R&D department expenses	19,656,393	17,786,210
Depreciation of right-of-use assets	4,348,403	4,068,597
Quality inspection expenses	3,540,266	2,851,056
Audit Fees	2,478,176	2,546,590
-audit services	2,250,000	2,367,925
-non-audit services	228,176	178,665
Rental (i)	625,416	506,034
Others	7,325,642	7,096,955
	321,859,326	436,210,577

(i) As mentioned in Note 2(22), the rental expenses of short-term leases and low-value leases are directly included in the current profit and loss, and the amount for the six months ended 30 June 2024 is RMB 625,416(for the six months ended 30 June 2023: RMB 506,034).

5 Notes to the consolidated financial statements (Cont'd)

(41) Other income

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Government subsidy		
- Related to assets	1,158,500	1,158,500
- Related to revenue	16,200,000	-
Others	3,755,393	2,862,309
	21,113,893	4,020,809

(42) Investment income

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Financial product income	10,254,379	10,276,135
Loss of long-term equity investment accounted by equity method	(7,491,235)	(7,427,169)
	2,763,144	2,848,966

In for the six months ended 30 June 2024 and 2023, the bank wealth management products purchased by the Group were measured at fair value and their changes were included in the current profit and loss. As at 30 June 2024 and 31 December 2023, the Group had no balance of wealth management products.

(43) Credit impairment reverse

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Accounts receivables bad debt losses	35,787,465	28,497,539
Other receivables bad debt losses	12,562	57,246
Long-term receivables bad debt losses	1,048	-
Reversal for Bad debts of note receivable	(50,393)	-
	35,750,682	28,554,785

5 Notes to the consolidated financial statements (Cont'd)

(44) Asset impairment losses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Impairment losses on inventories	1,179,920	1,280,316

(45) Gains on disposals of assets

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Amount included in for the six months ended 30 June 2024 non-recurring profit and loss
Gains on disposals of fixed assets	141,121	1,473,451	141,121

(46) Non-operating income

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Amount included in for the six months ended 30 June 2024 non-recurring profit and loss
Others	296,167	424,260	296,167

(47) Non-operating expenses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Amount included in for the six months ended 30 June 2024 non-recurring profit and loss
Losses from scrap of fixed assets	163,040	196,648	163,040
Others	170,000	77,183	170,000
	333,040	273,831	333,040

5 Notes to the consolidated financial statements (Cont'd)

(48) Income tax expenses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Current income tax	387,596	481,293
Deferred income tax	1,455,342	(5,653,266)
	1,842,938	(5,171,973)

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

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Total profit	72,186,951	63,432,798
Income tax expenses calculated at applicable tax rate 25%	18,046,737	15,858,200
Effect of favourable tax rates	(7,218,661)	(6,342,630)
Deductible tax losses and temporary differences for which no deferred tax asset was recognise	8,011,069	(4,654)
Additional deduction of R&D expenses	(19,048,025)	(14,830,599)
Costs, expenses and losses not deductible for tax purposes	1,837,272	1,344,933
Utilisation of previously unrecognised and unrealised profits or losses arising from intra-group transactions	(37,500)	(37,500)
Utilisation of previously unrecognised deductible temporary differences	(83)	(121,366)
Deductible losses of unrecognized deferred income tax assets in previous years recognized in the current period	-	(1,019,892)
Others	252,129	(18,465)
Income tax expenses	1,842,938	(5,171,973)

5 Notes to the consolidated financial statements (Cont'd)

(49) Earnings per share

(a) Basic earnings per share

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

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Consolidated net profit attributable to ordinary shareholders of the Company	70,473,064	68,437,509
Weighted average number of ordinary shares outstanding	1,036,572,100	1,031,524,030
Basic earnings per share	0.07	0.07
Among them:		
— Basic earnings per share from continuing operations:	0.07	0.07
— Basic earnings per share from discontinuing operations:	-	-

(b) Diluted earnings per share

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

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Consolidated net profit attributable to ordinary shareholders of the Company	70,473,064	68,437,509
Weighted average number of ordinary shares outstanding	1,036,572,100	1,031,524,030
Add: Weighted average number increased due to the issue of restricted shares	-	-
The adjusted weighted average of the Company's outstanding common shares	1,036,572,100	1,031,524,030
Diluted earnings per share	0.07	0.07
Among them:		
— Basic earnings per share from continuing operations:	0.07	0.07
— Basic earnings per share from discontinuing operations:	-	-

5 Notes to the consolidated financial statements (Cont'd)

(50) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Government grants	17,957,388	3,342,309
Interest income	1,993,971	1,936,723
Deposits and guarantees	3,550,000	3,999,036
Others	285,263	25,675
	23,786,622	9,303,743

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Administrative expenses and data fees	20,761,501	18,927,175
Business hospitality	6,864,836	5,975,592
Travel expenses	5,578,734	8,448,764
Consulting service fees	3,594,857	1,720,414
Conference fees	1,892,363	200,815
Advertising expenses	596,198	306,062
Guarantees		9,244,312
Others	2,745,267	2,455,468
	42,033,756	47,278,602

(c) Cash received relating to other investing activities

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Selling wealth management products	2,019,254,379	2,123,995,425

(d) Cash paid relating to other investing activities

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Buying wealth management products and fixed deposits	2,009,000,000	2,080,000,000

5 Notes to the consolidated financial statements (Cont'd)

(50) Notes to the cash flow statement (Cont'd)

(e) Cash paid relating to other financing activities

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Payment of lease liabilities	5,489,073	4,997,714
Payment of lease garantees	33,763	-
	5,522,836	4,997,714

In for the six months ended 30 June 2024, the total lease-related cash outflow paid by the Group was RMB 6,148,252 (for the six months ended 30 June 2023: RMB 5,503,748). Except for the amount of the above-mentioned lease liabilities payment included in financing activities, the remaining cash outflows were included in operating activities.

(51) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Net profit	70,344,013	68,604,771
Add: Asset impairment losses	1,179,920	1,280,316
Credit impairment reverse	35,750,682	28,554,785
Depreciation of right-of-use assets	4,348,403	4,068,597
Depreciation of fixed assets	22,651,198	23,889,031
Amortisation of intangible assets	6,577,458	3,064,239
Amortisation of long-term prepaid expenses	642,467	1,581,091
Gains on disposals of fixed assets and other long-term assets	(141,121)	(1,473,451)
Losses on scrapping of fixed assets	163,040	196,648
Financial expenses	270,795	1,423,319
Investment losses	(2,763,144)	(2,848,966)
Decrease/increase in deferred tax assets	1,455,341	(5,653,266)
Increase in inventories	(10,240,986)	(10,298,606)
Share-based payments expenses increased	-	(1,842,812)
Increase in operating receivables	(7,452,688)	(125,116,584)
Decrease in operating payables	(93,977,329)	(91,045,753)
Decrease in deferred income	(1,158,500)	(3,137,516)
Net cash flows from operating activities	27,649,549	(108,754,157)

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement (Cont'd)

(a) Supplementary information to the cash flow statement (Cont'd)

Significant operating, investing and financing activities that do not involve cash receipts and payments

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Offset of Three party debt	28,331,334	-
Purchase of long-term assets by bank acceptance notes	7,040,881	39,240,067
Increase in right-of-use assets in the current period	159,662	423,300
Purchase of inventories by bank acceptance notes	-	3,671,103
	35,531,877	43,334,470

Net increase / (decrease) in cash and cash equivalents

	30 June 2024	30 June 2023
Cash at the end of the period	1,222,481,006	1,231,128,499
Less: Cash at the beginning of the period	(1,195,895,997)	(1,289,302,664)
Net increase/(decrease) in cash and cash equivalents	26,585,009	(58,174,165)

5 Notes to the consolidated financial statements (Cont'd)

(51) Supplementary information to the cash flow statement (Cont'd)

(b) Movements in liabilities arising from financing activities

	Lease Liability (including maturity within one year)
31 December 2023	17,281,748
Net cash flows from financing activities	(5,489,073)
Interest accrued during the period	270,795
Movements which doesn't involved in cash receipts and payments	159,662
30 June 2024	12,223,132

(c) Cash

	30 June 2024	30 June 2023
Cash at bank and on hand	1,222,481,006	1,231,128,499
Less: Restricted cash at bank	-	-
Cash	1,222,481,006	1,231,128,499

(52) Foreign currency items

	30 June 2024		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand - USD	2,984,812	7.1268	21,272,160

	31 December 2023		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand - USD	2,984,766	7.0827	21,140,202

6 Share-based payments

(1) Equity-settled share-based payments

Restricted shares (Type 2) scheme

(a) Abstract

Pursuant to the proposal of *About the 2021 restricted shares scheme (draft) and the related summary* approved on the Group's 1st general meeting of shareholders of A-share and H-share in 2021 which was held on 27 May 2021, and the *proposal of The adjustment of the list, number and price of incentive objects granted for the first time in the 2021 restricted shares scheme*, the *proposal of Granting restricted shares to incentive objects for the first time* and the other relevant proposals approved at the 10th (Interim) meeting of the seventh Board of Directors held on 22 July 2021, the Group implemented the restricted share scheme to incentive objects. The total amount were 32.77 million restricted shares (Type 2) at RMB 8.90/share as the grant price, and 258 incentive objects.

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

Pursuant to the *proposal of Granting reserved restricted shares to incentive objects* approved at the 15th (Interim) meeting of the seventh Board of Directors and the 15th (Interim) meeting of the seventh Board of Supervisors held on 26th May 2023, the Company granted 523 million reserved restricted shares to 125 incentive objects at the incentive price of RMB 8.90/share.

The above incentive plan will evaluate the performance of the company and the individual target of the incentive. Within 2 years from the date of the first grant of the incentive object, the annual amount of vested interests shall account for 50% of the total amount of vested interests, 50%, and the premise of each vested interest is to meet the corresponding vesting conditions.

(b) Movements of restricted shares for the six months ended 30 June 2024

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
No. of restricted shares issued at the beginning of the period	-	24,574,000
No. of restricted shares granted for the period	-	-
No. of restricted shares exercised for the period	-	(7,572,100)
No. of restricted shares expired for the period	-	(2,586,900)
No. of restricted shares issued at the end of the period	-	14,415,000

6 Share-based payment (Cont'd)

(1) Equity-settled share-based payments (Cont'd)

Restricted shares (Type 2) scheme (Cont'd)

(b) Movements of restricted shares for the six months ended 30 June 2024 (Cont'd)

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

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Selling expenses	-	(880,376)
General and administrative expenses	-	(209,264)
R&D expenses	-	(777,435)
Cost of sales	-	24,263
	-	(1,842,812)

(c) As of 30 June 2024, due to the Company's performance failing to meet the vesting conditions, among the remaining portion of the Type2 restricted stock and granted for the first time, the residual portion during the waiting period has lapsed.

7 Equity in other subjects

(1) Equity in significant subsidiaries

(a) The structure of the Group

Name	Corporate category	Principal place of business	Place of registration	Principal activities	Registered capital/information on issued equity and claims	Share proportion		Acquisition method
						Direct	Indirect	
Taizhou Pharmaceutical	Limited liability company	Taizhou Jiangsu	No. 1 Yaocheng Avenue, Taizhou City, Jiangsu Province	Production of freeze-dried powder injections and APIs; research and development of pharmaceuticals and medical devices, technology development, technology transfer, technology consulting and technology promotion services, sales of Class II medical devices.	100,000,000	100.00%	-	Set up
Tracing Bio-technology	Limited liability company	Shanghai	No. 308 Cailun Road, Shanghai	Research and development of medical diagnostic products (except human stem cells, genetic diagnosis and therapeutic technology development and application) and related technical services, sales of daily necessities and Class II clinical laboratory analysis instruments and software.	74,800,000	94.92%	-	Set up
Fernovelty Holding	Limited liability company	Hong Kong	LOCKHART RD. WANCHAI,RM. 1501, 15F	Invest in overseas medical projects.	35,271,750	100.00%	-	Set up

(b) Subsidiaries with significant minority interests

As at 30 June 2024 and 31 December 2023, the Group determined that there was no significant minority interest in the subsidiary, taking into accou factors such as whether the subsidiary was a listed company, the proportion of its minority shareholders' equity to the Group's consolidated shareholde equity, and the proportion of minority shareholders' profit and loss to the Group's consolidated net profit.

7 Equity in other subjects(Cont'd)

(2) Equity in joint ventures and associates

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

The Group takes into account factors such as whether joint ventures and associates are listed companies, the proportion of their book value to the total consolidated assets of the Group, the proportion of long-term equity investment income accounted for by the equity method to the consolidated net profit of the Group, and determines the important joint ventures and associates as follows:

	Principal place of business	Place of registration	Principal activities	Whether strategic to the Group's activities	Share proportion	
					Direct	Indirect
Joint venture –						
Changzhou BVCF	Changzhou	Changzhou	Healthcare investment	No	30.47%	-
Associates –						
WD Pharmaceutical	Shanghai	Shanghai	Research and experimental development	No	40.36%	-

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

(b) Summarised financial information for material joint ventures

Changzhou BVCF

	30 June 2024	31 December 2023
Current assets	9,480,008	13,193,192
Non-current assets	162,417,201	170,391,217
Total assets	171,897,209	183,584,409
Current liabilities	(5,980,740)	(5,125,941)
Equity attributable to shareholders of the Company	165,916,469	178,458,468
Share of net assets by shareholding	50,554,748	54,380,437
Carrying amount of investments in joint ventures	52,716,620	56,538,459

7 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(b) Summarised financial information for material joint ventures (Cont'd)

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
General and administrative expenses	(1,167,600)	(2,190,200)
Financial expenses	18,257	116,633
Profit in changes of fair value losses	(5,702,158)	(1,292,085)
Net profits	(6,824,603)	(3,365,652)
Total comprehensive income	(6,824,603)	(3,365,652)
Dividends received by the Group from joint ventures for the period	-	-

(c) Summarised financial information for material associates

(i) WD Pharmaceutical

	30 June 2024	31 December 2023
Current assets	48,327,392	64,921,799
Non-current assets	495,139,215	492,611,145
Total assets	543,466,607	557,532,944
Current liabilities	(3,958,076)	(7,320,618)
Non-current liabilities	(473,510)	(84,741)
Total liabilities	(4,431,586)	(7,405,359)
Equity attributable to shareholders of the Company	539,035,021	550,127,585
Share of net assets by shareholding	217,554,534	222,031,493
Carrying amount of investments in associate	226,502,831	230,979,734

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
General and administrative expenses	(4,081,467)	(6,503,523)
R&D expenses	(10,031,463)	(10,118,989)
Net loss	(13,408,375)	(16,229,908)
Total comprehensive loss	(13,408,375)	(16,229,908)
Dividends received by the Group from associate for the period	-	-

7 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

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

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

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

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

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

8 Segment information

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

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

9 Related parties and related party transactions

(1) The parent company

The Company has no parent company or ultimate controlling party.

(2) Significant subsidiaries

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

(3) Joint ventures and associates

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

9 Related parties and related party transactions (Cont'd)

(4) Other related parties

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

(5) Related party transactions

(a) Pricing policies

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

9 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(b) Sales of goods

Related party	Related party transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	26,045,885	22,619,384
Shanghai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	14,217,645	7,727,954
China Medical Foreign Trading Liao Ning Co., Ltd.	Sale of pharmaceutical products	2,876,346	3,993,497
SPH Ningbo Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	750,556	423,510
Shandong Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	718,327	133,327
SPH Changzhou Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	682,983	729,676
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Sale of pharmaceutical products	634,046	797,671
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	534,870	1,014,524
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	508,306	697,102
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	413,827	585,978
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sale of pharmaceutical products	341,492	950,358
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	Sale of pharmaceutical products	297,282	2,113,885
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd .	Sale of pharmaceutical products	-	9,279,297
Inner Mongolia Keyuan Xinhai Pharmaceutical Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	-	726,645
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sale of pharmaceutical products	(1,878,204)	212,235
		46,143,361	52,005,043

(c) Provision of services

Related party	Related party transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
WD Pharmaceutical	Manufacturing consignment	-	148,278

9 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(d) Purchase of goods and acceptance of service

Related party	Related party transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Shanghai Pharmaceutical Group (Benxi) North Pharmaceutical Co., Ltd.	Outsourced R&D	-	351,415

(e) Remuneration of key management

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Remuneration of key management	4,185,920	4,837,100

(6) Receivables from and payables to related parties

(a) Accounts receivables

	30 June 2024		31 December 2023	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	20,133,888	(880,283)	6,748,004	(190,560)
China Medical Foreign Trading Liao Ning Co., Ltd.	5,834,520	(1,900,207)	5,348,759	(2,451,465)
SPH Keyuan Xinhai Pharmaceutical Shaanxi Co., Ltd .	5,254,373	(3,529,289)	5,465,164	(410,169)
Shanghai Pharmaceutical Co., Ltd.	2,753,820	(120,401)	3,579,966	(77,206)
Shanghai Pharmaceutical Holding Zhenjiang Co., Ltd.	1,417,553	(659,844)	1,323,491	(86,303)
Shanghai Suzuken Chinese Medicine Co., Ltd.	1,180,117	(51,596)	10,259,323	(5,389,490)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	598,834	(124,995)	247,098	(14,365)
SPH Ningbo Pharmaceutical Co., Ltd.	563,964	(73,713)	83,631	(1,804)
Beijing Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	525,128	(31,893)	261,640	(17,061)
SPH Changzhou Pharmaceutical Co., Ltd.	486,682	(21,278)	499,830	(32,593)
Jiangxi Nanhua Pharmaceutical Co., Ltd.	467,624	(32,370)	-	-
Shandong Pharmaceutical Co., Ltd.	259,290	(11,337)	25,110	(542)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	-	-	243,432	(5,250)
	39,475,793	(7,437,206)	34,085,448	(8,676,808)

9 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

(b) Advances to suppliers

	30 June 2024	31 December 2023
Shanghai SPH New ASIA Pharmaceutical Co., Ltd	-	16,800

9 Related parties and related party transactions (Cont'd)

(7) Benefits and interests of directors

(a) Directors and chief executive's emoluments

The emoluments in respect of each of the executive directors, supervisors and chief executives paid/payable by the Group for the six months ended 30 June 2024 are as follows:

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Share-based payment expenses	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Zhao Da Jun		662,100	102,530				764,630
Mrs. Xue Yan		602,100	72,720				674,820
Independent directors							
Mr. Wang Hong Guang		100,000					100,000
Mr. Lin Zhao Rong		100,000					100,000
Mr. Xu Pei Long		100,000					100,000
Supervisors							
Mr. Huang Jian	-	75,000					75,000
Mr. Zhou Ai Guo	-	-					-
Mrs. Qu Ya Nan	-	152,040	49,300				201,340

9 Related parties and related party transactions (Cont'd)

(7) Benefits and interests of directors (Cont'd)

(a) Directors and chief executive's emoluments (Cont'd)

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

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

9 Related parties and related party transactions (Cont'd)

(7) Benefits and interests of directors (Cont'd)

(b) Directors' retirement benefits

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

(c) Directors' termination benefits

There are no directors' termination benefits for the directors.

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

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

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

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

(8) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2024 include XXX directors (for the six months ended 30 June 2023: 3 directors), whose emoluments are reflected in Note 9(7). The emoluments paid and payable to the other XXX individuals (for the six months ended 30 June 2023: 2 individuals) for the six months are as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Salary and allowance	1,640,500	1,170,000
Social pension	122,810	77,480
Housing funds, medical insurance and other social insurance	125,160	79,030
	1,888,470	1,326,510

	Head count	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Emoluments bands:		
HKD 0 – HKD 1,000,000	3	2
HKD 2,000,000 – HKD 2,500,000	-	-
	3	2

10 Contingencies

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

The Group had no significant pending litigation or arbitration.

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

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

11 Commitments

(1) Capital commitments

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

	30 June 2024	31 December 2023
Buildings, machinery and equipment	4,265,400	19,655,372

12 Subsequent events after the balance sheet date

(1) Description of profit distribution

	Amount
Proposed dividend distribution	20,731,442

By the resolution of the shareholder meeting on 27th June 2024, the shareholder meeting approved the profit distribution plan for 2024 mid-term. The shareholder meeting authorized the broad of directors to formulate specific profit distribution plan for mid-term dividend distribution, subject to the conditions for profit distribution.

By the resolution of the broad of directors on 12th August 2024, the board proposed that the company should distribute a mid-term dividend of RMB 20,731,442 to all shareholders, subject to the conditions for profit distribution authorized by the shareholder meeting and has not been recognized as a liability in the financial statement (Note 5 (25))

13 Financial instruments and risks

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

(1) Market risk

(a) Foreign exchange risk

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

13 Financial instruments and risks (Cont'd)

(1) Market risk (Cont'd)

(b) Interest rate risk

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

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group adjusts timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2024 and 2023, the Group did not enter into any interest rate swap agreements.

As at 30 June 2024 and 31 December 2023, the Group had no significant interest rate risk.

(c) Other price risk

The Group's other price risk arises mainly from various investments in equity instruments with a risk of changes in the prices of the equity instruments.

The Group had no significant price risk.

(2) Credit risk

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

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

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

As at 30 June 2024, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2023: Nil).

13 Financial instruments and risks (Cont'd)

(3) Liquidity risk

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

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

	30 June 2024				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Accounts payables	13,866,612	-	-	-	13,866,612
Other payables	432,361,791	-	-	-	432,361,791
Lease liabilities	3,693,702	2,282,066	6,188,284	2,062,761	14,226,813
	449,922,105	2,282,066	6,188,284	2,062,761	460,455,216

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-time borrowing	-	-	-	-	-
Accounts payables	8,054,847	-	-	-	8,054,847
Other payables	453,055,613	-	-	-	453,055,613
Lease liabilities	7,086,946	3,018,756	6,188,284	3,094,142	19,388,128
	468,197,406	3,018,756	6,188,284	3,094,142	480,498,588

14 Fair value estimates

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

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

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

Level 3: Unobservable inputs for the asset or liability.

14 Fair value estimates (Cont'd)

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

As at 30 June 2024, continuing assets measured at fair value are shown in the three levels above as follows:

	Level 1	Level 2	Level 3	Total
Financial assets-				
Wealth management products	-	-	-	-
Investments in other equity instruments	24,239	-	-	24,239
	24,239	-	-	24,239

As at June 30 2023, continuing assets measured at fair value are shown in the three levels above as follows:

	Level 1	Level 2	Level 3	Total
Financial assets-				
Wealth management products	-	-	-	-
Investments in other equity instruments	366,679	-	-	366,679
	366,679	-	-	366,679

The above level 3 asset changes are as follows:

	Wealth management products
1 January 2023	-
Purchase	2,080,000,000
Sell	(2,090,276,135)
Gain or loss included in profit or loss	10,276,135
30 June 2023	-
1 January 2024	-
Purchase	2,009,000,000
Sell	(2,019,254,379)
Gain or loss included in profit or loss	10,254,379
30 June 2024	-

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

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

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

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

15 Capital management

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

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

The Group's total capital is added by the shareholders' equity as shown in the consolidated balance sheet and the net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated with net debt divided by the total capital, while the net debt equals borrowings after netting off cash at bank and on hand. As at 30 June 2024 and 31 December 2023, the Group has no borrowing balance. Therefore, the debt ratio was not applicable.

16 Notes to the Company's financial statements

(1) Notes receivables

	30 June 2024	31 December 2023
Bank acceptance notes	80,746,127	139,581,384
Commercial acceptance notes	-	263,665
Less: Provision for bad debts	(66,283)	(116,676)
	80,679,844	139,728,373

(a) As at 30 June 2024, the Company had no pledged notes receivable as presented in notes receivable

(b) At for the six months ended 30 June 2024, the Company endorsed notes, and as a result, all significant risks and rewards of ownership have been transferred to other party, leading to the derecognition of the notes with a book value of RMB 1,743,489 (for the six months ended 30 June 2023: RMB 36,625,170)

As at 30 June 2024, the Company's notes receivables endorsed or discounted but not yet due are as follows:

	De-recognised	Not de-recognised
Bank acceptance notes (i)	338,545	1,880,000

(i) In for the six months ended 30 June 2024, a partial portion of the bank acceptance notes were endorsed or discounted by the Company which were classified as financial assets at amortised cost.

(c) Provision for bad debts

The Company's notes receivables are generated from daily business activities such as the sales of goods and the provision of labour services. Regardless of whether there was a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime.

16 Notes to the Company's financial statements(Cont'd)

(1) Notes receivables (Cont'd)

(c) Provision for bad debts (Cont'd)

The provision for doubtful accounts on notes receivable is analyzed by category as follows:

	30 June 2024				31 December 2023			
	Book balance		Bad debts		Book balance		Bad debts	
	Amount	%	Amount	%	Amount	%	Amount	%
Provision of bad debts made on a collective basis(i)	80,746,127	100%	(66,283)	0.08%	139,845,049	100%	(116,676)	0.08%

(i) The analysis of notes receivable for the combined provision for doubtful accounts is as follows:

Portfolio - Bank Acceptance notes:

At 30 June 2024, the Company measured the provision for doubtful accounts based on expected credit losses over the entire duration of the company, and the relevant amount was RMB 66,283 (December 31, 2023: RMB 116,628), which was recognized in the current period's profit and loss of RMB 66,283 (for the six months ended 30 June 2023: RMB116,628). As at 30 June 2024 and 31 December 2023, the Company considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Portfolio - Commercial Acceptance notes:

At 30 June 2024, the Company measured the allowance for bad debts on the basis of expected credit losses over the entire duration of the commercial acceptances in this portfolio, with the relevant amount of RMB 0 (December 31, 2023: RMB 48), which was included in the current profit or loss of RMB 0(for the six months ended 30 June 2023: RMB48).

(2) Accounts receivables

	30 June 2024	31 December 2023
Accounts receivables	462,402,200	428,586,337
Less: Provision for bad debts	(71,395,301)	(35,743,794)
	391,006,899	392,842,543

16 Notes to the Company's financial statements (Cont'd)

(2) Accounts receivables (Cont'd)

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

	30 June 2024	31 December 2023
Within 1 year	416,210,228	422,394,716
1 to 2 years	46,191,972	6,191,621
	462,402,200	428,586,337

(b) As at 30 June 2024, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance
Total top five accounts receivables	234,598,619	(30,152,020)	50.73%

(c) Provision for bad debts

	31 December 2023	Change amount in the period			30 June 2024
		Accrual	Reverse	Write-off	
Provision for bad debts of accounts receivables	(35,743,794)	(35,651,507)	-	-	(71,395,301)

For the accounts receivables, regardless of whether there was a significant financing component, the Company calculated loss provisions in accordance with the lifetime expected credit losses.

The provision for doubtful accounts receivable by category is analyzed as follows:

	30 June 2024				31 December 2023			
	Book balance		Bad debts		Book balance		Bad debts	
	Amount	%	Amount	%	Amount	%	Amount	%
Provision for bad debts on a single basis(i)					-	-	-	-
Provision of bad debts made on a collective basis(ii)	462,402,200	100%	(71,395,301)	15.44%	428,586,337	100%	(35,743,794)	8.34%
	462,402,200	100%	(71,395,301)	15.44%	428,586,337	100%	(35,743,794)	8.34%

16 Notes to the Company's financial statements (Cont'd)

(2) Accounts receivables (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) As at 30 June 2024 and 31 December 2023, the Company did not make provision for bad debts for accounts receivables on an individual basis.

(ii) As at 30 June 2024, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group - sales receivable:

	30 June 2024		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	216,050,047	4.37%	(9,446,024)
Overdue within 120 days	101,026,438	10.82%	(10,932,474)
Overdue 121 days to 1 year	133,526,079	29.37%	(39,217,167)
Overdue 1 to 2 years	11,799,636	100.00%	(11,799,636)
	462,402,200		(71,395,301)

As at 31 December 2023, the analysis of accounts receivables for the provision of bad debts made on a collective basis is as follows:

Group - sales receivable:

	31 December 2023		
	Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Not overdue	112,321,611	2.31%	(2,589,762)
Overdue within 120 days	113,108,180	4.98%	(5,628,392)
Overdue 121 days to 1 year	196,964,925	10.83%	(21,334,019)
Overdue 1 to 2 years	6,191,621	100.00%	(6,191,621)
	428,586,337		(35,743,794)

16 Notes to the Company's financial statements (Cont'd)

(3) Other receivables

	30 June 2024	31 December 2023
Amounts due from subsidiaries	103,026,990	122,368,411
Amounts due from related parties	23,753,000	23,753,000
Deposits receivable	2,194,708	2,194,748
Receivable for equipment	1,001,435	588,635
Petty cash for employees receivable	172,469	180,140
	130,148,602	149,084,934
Less: Provision for bad debts	(23,857,469)	(23,844,907)
	106,291,133	125,240,027

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

	30 June 2024	31 December 2023
Within 1 year	60,627,663	120,264,169
1 to 2 years	43,577,652	2,935,455
2 to 3 years	191,019	824,846
Above 3 years	25,752,268	25,060,464
	130,148,602	149,084,934

16 Notes to the Company's financial statements (Cont'd)

(3) Other receivables (Cont'd)

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

The analysis of bad debt provisions of other receivables by category is as follows:

	30 June 2024			
	Book balance		Bad debts	
	Amount	%	Amount	%
Provision for bad debts made on an individual basis	23,753,000	81.75%	(23,753,000)	100.00%
Provision of bad debts made on a collective basis	106,395,602	18.25%	(104,469)	0.10%
	130,148,602	100.00%	(23,857,469)	18.33%

	31 December 2023			
	Book balance		Bad debts	
	Amount	%	Amount	%
Provision for bad debts made on an individual basis	23,753,000	15.93%	(23,753,000)	100.00%
Provision of bad debts made on a collective basis	125,331,934	84.07%	(91,907)	0.07%
	149,084,934	100.00%	(23,844,907)	15.99%

(i) As at 30 June 2024, the analysis of bad debt provisions of other receivables in Stage 1 is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Amounts due from subsidiaries	103,026,990		
Deposits and guarantees	2,194,708	3.10%	(68,063)
Receivable for equipment	1,001,435	3.10%	(31,057)
Petty cash for employees receivable	172,469	3.10%	(5,349)
	106,395,602		(104,469)

As at 30 June 2024 and 31 December 2023, the Company had no other receivables in Stage 2.

As at 30 June 2024, the analysis of bad debt provisions of other receivables in Stage 3 is as follows:

16 Notes to the Company's financial statements (Cont'd)

(3) Other receivables (Cont'd)

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

(i) (Cont'd)

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Made on an individual basis:			
Amounts due from related parties	23,753,000	100.00%	(23,753,000)

(ii) As at 31 December 2023, the analysis of bad debt provisions of other receivables in Stage 1 is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Made on a collective basis:			
Amounts due from subsidiaries	122,368,411		-
Deposits and guarantees	2,194,748	3.10%	(68,065)
Receivable for equipment Others	588,635	3.10%	(18,255)
Petty cash for employees receivable	180,140	3.10%	(5,587)
	125,331,934		(91,907)

As at 31 December 2023 and 31 December 2022, the Company had no other receivables in Stage 2.

As at 31 December 2023, the analysis of bad debt provisions of other receivables in Stage 3 is as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts
Made on an individual basis:			
Amounts due from subsidiaries			
Amounts due from related parties	23,753,000	100.00%	(23,753,000)

(c) Provision for bad debts

	31 December 2023	Accrual	Reverse	30 June 2024
Provision for bad debts of other receivables	(23,844,907)	(12,562)	-	(23,857,469)

16 Notes to the Company's financial statements (Cont'd)

(3) Other receivables (Cont'd)

(d) As at 30 June 2024, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	% of total amount	Provision for bad debts
Subsidiary1	Advance payment	59,453,369	Within 1 year	45.68%	-
	Advance payment	43,573,622	1 to 2 years	33.48%	-
Related party	Borrowing	23,753,000	Above 3 years	18.25%	(23,753,000)
Company1	Deposit	1,267,464	Above 3 years	0.97%	(39,307)
Company2	Deposit	572,004	Above 3 years	0.44%	(17,739)
Company3	Receivable for equipment Others	182,400	Within 1 year	0.14%	(5,657)
		128,801,859		98.96%	(23,815,703)

(4) Long-term equity investments

	30 June 2024	31 December 2023
Subsidiaries (a)	562,425,831	562,425,831
Joint ventures (b)	52,716,620	56,538,459
Associates (c)	226,835,587	231,312,490
	841,978,038	850,276,780
Less: Provision for impairment of long-term equity investments		
- Subsidiaries	(73,824,860)	(73,824,860)
- Associates	(332,756)	(332,756)
	(74,157,616)	(74,157,616)
	767,820,422	776,119,164

16 Notes to the Company's financial statements (Cont'd)

(4) Long-term equity investments (Cont'd)

(a) Subsidiaries

	31 December 2023	Changes in the current period				30 June 2024	Ending balance of provision for impairment	Cash dividends declared this period
		Increase in investment	Decrease in investment	Provision for impairment	Others			
Taizhou Pharmaceutical	444,381,021	-	-	-	-	444,381,021	-	-
Tracing Bio-technology	22,723,000	-	-	-	-	22,723,000	(60,050,060)	-
Fernovelty Holding	21,496,950	-	-	-	-	21,496,950	(13,774,800)	-
	488,600,971	-	-	-	-	488,600,971	(73,824,860)	-

16 Notes to the Company's financial statements (Cont'd)

(4) Long-term equity investments (Cont'd)

(b) Joint ventures

		Changes in the current period								
	31 December 2023	Increase in investment	Decrease in investment	Share of net loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2024	Ending balance of provision for impairment
Changzhou BVCF	56,538,459	-	-	(2,079,615)	-	-	(1,742,224)	-	-	52,716,620	

(c) Associates

		Changes in the current period								
	31 December 2023	Increase in investment	Decrease in investment	Share of net loss under equity method	Adjustments in OCI	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	30 June 2024	Ending balance of provision for impairment
WD Pharmaceutical	230,979,734	-	-	(5,411,620)	-	934,717	-	-	-	226,502,831	-
Lead Discovery	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma	-	-	-	-	-	-	-	-	-	-	-
	231,312,490	-	-	(5,411,620)	-	934,717	-	-	-	226,835,587	(332,756)

16 Notes to the Company's financial statements (Cont'd)

(5) Right-of-use assets

	Buildings
Cost	
31 December 2023	36,680,001
Increase in the current period	
New lease contracts	159,662
Decrease in the current period	
Lease expiry	(93,940)
30 June 2024	36,745,723
Accumulated depreciation	
31 December 2023	(19,809,442)
Increase in the current period	
Accrual	(4,348,403)
Decrease in the current period	
Lease expiry	93,940
30 June 2024	(24,063,905)
Carrying amount	
30 June 2024	12,681,818
31 December 2023	16,870,559

(6) Lease liabilities

	30 June 2024	31 December 2023
Lease liabilities	12,223,132	17,281,748
Less: Current portion of non-current liabilities	(3,240,542)	(6,329,026)
	8,982,590	10,952,722

As at 30 June 2024, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

16 Notes to the Company's financial statements (Cont'd)

(7) Revenue and cost of sales

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Main operations revenue	340,740,051	466,212,239

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Main operations cost	(38,151,571)	(30,122,898)

(a) Main operations revenue and cost

	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
- Sales of pharmaceutical and diagnostic products	325,317,864	(22,740,003)	461,405,408	(25,337,306)
- Provision of technology service	15,422,187	(15,411,568)	4,806,831	(4,785,592)
	340,740,051	(38,151,571)	466,212,239	(30,122,898)

(b) The Company's operating income is broken down as follows:

	For the six months ended 30 June 2024		
	Pharmaceutical products	Others	Total
Main operations revenue			
Including: Confirmed at a certain point	325,317,864	15,422,187	340,740,051

16 Notes to the Company's financial statements (Cont'd)

(7) Revenue and cost of sales (Cont'd)

(c) The Company's operating income is broken down as follows (Cont'd):

	For the six months ended 30 June 2023		
	Pharmaceutical products	Service	Total
Main operations revenue			
Including: Confirmed at a certain point	461,405,408	4,806,831	466,212,239

(8) Investment losses

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Income from wealth management products	9,510,795	9,941,409
Losses of long-term equity investment accounted by equity method	(7,491,235)	(7,427,169)
Interest income from entrusted loans	181,735	823,194
	2,201,295	3,337,434

The Company did not have any significant restrictions on repatriation of investment income.

1 Statement of non-recurring profit or loss for the six months ended 30 June 2024

	For the six months ended 30 June 2024
Profit or loss from disposals of non-current assets	141,121
Government grants recognised in profit or loss for the current period, excluding those that are closely related to the normal business operations, and are granted in line with the national policies, regulations and standards, and have an on-going impact on the Company's profit or loss	21,113,893
Except for the effective hedging activities related to the normal business operations, profit or loss arising from changes in fair value of financial assets and financial liabilities held, as well as those arising from disposals of financial assets and financial liabilities	10,254,379
Other non-operating income and expenses excluding the above items	(36,873)
	31,472,519
Effect of income tax	(4,655,340)
Effect of minority interests (net of tax)	(22,196)
	26,794,983

(1) Basis for preparation of statement of non-recurring profit or loss for the six months ended 30 June 2024

The China Securities Regulatory Commission issued the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profit or Loss (2023 Revision) ("Explanatory Announcement No.1 2023 Version") in 2023, which came into effect since the date of issuance. The Group prepared the statement of non-recurring profit or loss for the year ended 31 December 2023 in accordance with the Explanatory Announcement No.1 2023 Version.

Pursuant to the Explanatory Announcement No.1 2023 Version, non-recurring profit or loss refers to profit or loss arising from transactions and events that are not directly related to the Company's normal business operations, also from transactions and events that are related to the Company's normal business operations, but will interfere with the right judgement of users of the financial statements on the Company's operation performance and profitability due to their special nature and occasional occurrence.

(2) The application of the Explanatory Announcement No.1 2023 Version has no impact on non-recurring profit or loss for the year ended 31 December 2022.

2 Reconciliation of domestic and foreign financial statements

On 24 February 2020, according to the approval of the temporary shareholders' meeting, the Group started to use the consolidated financial statements prepared under CAS to file the annual report with the Stock Exchange of Hong Kong from the year ended 31 December 2019. Since that, the Group did not prepare the reconciliation between the financial statements prepared under CAS and IFRS.

3 Return on net assets and earnings per share

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	For the six months ended 30 June 2024	For the six months ended 30 June 2024	For the six months ended 30 June 2024
Net profit attributable to ordinary shareholders of the Company	2.99%	0.07	0.07
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.85%	0.04	0.04

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	For the six months ended 30 June 2023	For the six months ended 30 June 2023	For the six months ended 30 June 2023
Net profit attributable to ordinary shareholders of the Company	2.98%	0.07	0.07
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.40%	0.05	0.05

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk), Shanghai Stock Exchange (http://www.sse.com.cn) and the Company (http://www.fd-zj.com). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be despatched to the shareholders and made available for review on the aforesaid websites in due course.

By order of the Board
Zhao Da Jun
Chairman

As at the date on the publication of this announcement, the Board comprises:

Mr. Zhao Da Jun (Executive Director)
Ms. Xue Yan (Executive Director)
Mr. Shen Bo (Non-executive Director)
Ms. Yu Xiao Yang (Non-executive Director)
Mr. Wang Hong Guang (Independent Non-executive Director)
Mr. Lam Siu Wing (Independent Non-executive Director)
Mr. Xu Pei Long (Independent Non-executive Director)

Shanghai, the PRC

12 August 2024

* *For identification purpose only*