



上海復旦張江生物醫藥股份有限公司

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

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

**(Stock Code: 1349)**

## **INTERIM REPORT**

**For the six months ended 30 June 2018**

\* *For identification purpose only*

## FIVE YEARS FINANCIAL DATA HIGHLIGHTS

### RESULTS

	Unaudited				
	Six months ended 30 June				
	2018	2017	2016	2015	2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	295,705	272,040	241,910	214,224	153,370
Operating profit	57,018	55,542	51,345	45,026	41,371
Finance costs	(3,113)	(2,862)	(2,332)	(2,720)	(1,057)
Profit before income tax	53,905	52,680	49,013	42,306	40,314
Income tax expense	(8,031)	(7,133)	(7,475)	(5,138)	(5,034)
Profit for the period	45,874	45,547	41,538	37,168	35,280
<b>Profit attributable to:</b>					
Shareholders of the Company	52,408	49,572	45,936	39,661	36,296
Non-controlling interests	(6,534)	(4,025)	(4,398)	(2,493)	(1,016)
Total comprehensive income for the period	45,915	45,367	41,538	37,168	35,280
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company	52,449	49,392	45,936	39,661	36,296
Non-controlling interests	(6,534)	(4,025)	(4,398)	(2,493)	(1,016)
EBITDA	83,862	78,710	65,524	63,433	53,356
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	RMB0.0568	RMB0.0537	RMB0.0498	RMB0.0430	RMB0.0393

### ASSETS AND LIABILITIES

	Unaudited	Audited			
	30 June	31 December			
	2018	2017	2016	2015	2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Total assets	1,246,809	1,145,134	1,120,753	1,020,265	824,481
Total liabilities	(331,107)	(252,652)	(247,699)	(254,425)	(148,062)
	915,702	892,482	873,054	765,840	676,419
<b>Capital and reserves attributable to:</b>					
Shareholders of the Company	897,149	872,390	843,554	732,630	650,975
Non-controlling interests	18,553	20,092	29,500	33,210	25,444
	915,702	892,482	873,054	765,840	676,419

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2018***

#### REVENUE

The consolidated revenue of Shahghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2018 amounted to approximately RMB295,705,000, comparing to approximately RMB272,040,000 for the same period in 2017, representing an increase of 9%. The main reason is that sales of ALA (艾拉®·鹽酸氨酮戊酸散·ALA) and FuMeiDa (复美达®·海姆泊芬·Hemoporphin), the photodynamic products of the Group, had outstanding performance during this period, representing an increase of 29% and 137%, respectively. At the same time, a new oncology drug promotion team was established which is responsible for the sales promotion of LIBOd® (里葆多®·鹽酸多柔比星脂質體·Doxorubicin liposome) during the period under review. Although the revenue contribution of LIBOd® to the Group decreased under market transition, the terminal sales kept stable.

The total revenue for the six months ended 30 June 2018 mainly came from the sale of medical products. The main source of total revenue for the six months ended 30 June 2017 was nearly the same as that of this period in 2018.

The major products of the Group are ALA and FuMeiDa from photodynamic platform, LIBOd® from Nano-drug platform and various kinds of diagnostic reagents from diagnosis technology platform. The work of sales and distribution of all products to the end customers nationwide is managed by the sales team of the Group.

Revenue of the Group from the sale of medical products for the six months ended 30 June 2018 was approximately RMB287,165,000 (representing 97.11% of the total revenue), increased by 6% from the same period in 2017 which was approximately RMB269,960,000. The contribution to the Group revenue of ALA, LIBOd® and FuMeiDa, which are the major products of the Group, was 58%, 29% and 9%, respectively.

## **COST OF SALES**

For the six months ended 30 June 2018, cost of sales of the Group was approximately RMB36,602,000, while the corresponding figure for the same period in 2017 was approximately RMB23,838,000. The ratio of cost of sales to revenue increased from 9% to 12% compared with that for the same period in 2017 and the gross profit margin decreased accordingly. The main reason is that the Group's new product went on sale last year and its gross profit margin was relatively low, which further affected the overall gross profit margin. The Group will implement the strict cost control and make efforts to keep the current gross profit margin while maintaining the existing products structure.

## **OPERATING PROFIT**

For the six months ended 30 June 2018, operating profit of the Group was approximately RMB57,018,000, compared with approximately RMB55,542,000 for the same period in 2017, representing an increase of 3%.

Expenditure and other income presented before operating profit are as follows:

- Other income

Other income for the six months ended 30 June 2018 was approximately RMB20,783,000, compared with approximately RMB32,999,000 for the same period in 2017, representing a decrease of 37%. Other income during this period includes the income from Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), a shareholder of the Company, for the strategic cooperation on innovative pharmaceutical research and development amounting to approximately RMB2,878,000, compared with approximately RMB7,670,000 for the same period in 2017. Besides, due to a decrease in government grants, the Group has recognised related income amounting to approximately RMB9,541,000 for the six months ended 30 June 2018, compared with approximately RMB17,806,000 for the same period in 2017. For more details, please refer to Note 7 to the Condensed Consolidated Interim Financial Information in this report.

- Research and development (“R&D”) costs

The Group adopts a conservative and prudent capitalization policy for R&D projects. Only the expenses incurred on those projects which were evaluated to be feasible in technology with clear objective, controllable risks and probable future economic benefits can be capitalized. Therefore, most of R&D costs were recognised as expenses as incurred. R&D costs for the six months ended 30 June 2018 were approximately RMB43,966,000, compared with approximately RMB44,379,000 for the same period in 2017, representing a decrease of 1%. The ratio of R&D costs to revenue for the six months ended 30 June 2018 was 15% (Six months ended 30 June 2017: 16%).

- Distribution and marketing costs

Distribution and marketing costs for the six months ended 30 June 2018 were approximately RMB146,737,000, compared with approximately RMB158,932,000 for the same period in 2017, representing a decrease of 8%. The ratio of distribution and marketing costs to revenue for the six months ended 30 June 2018 was 50% (Six months ended 30 June 2017: 58%). Considering the characteristics of the products of the Company and the fixed expenditures for the new product, the distribution and marketing costs were relatively high. The sales team of photodynamic drugs is trying to adopt a new sales model and sales strategies during the period under review in order to reduce the ratio of distribution and marketing costs to revenue for sale of products effectively.

- Administrative expenses

Administrative expenses for the six months ended 30 June 2018 were approximately RMB31,619,000, compared with approximately RMB22,098,000 for the same period in 2017, representing an increase of 43%. It is mainly due to the increase of operating costs such as payroll, the administrative expenses of clinics in operation and the one-time establishment fee for the newly established clinics of Derma Clinic Investment Co., Ltd.\* (德美診聯醫療投資管理有限公司) (“Derma Clinic”), the subsidiary of the Company, during the period under review.

- Other operating expenses

Other operating expenses for the six months ended 30 June 2018 were approximately RMB546,000, while that for the same period in 2017 were approximately RMB250,000. It is mainly due to the increment of losses arising from the disposals of fixed assets by the Group during the period under review.

## **FINANCE COSTS**

For the six months ended 30 June 2018, finance costs of the Group were approximately RMB3,113,000, compared with approximately RMB2,862,000 for the same period in 2017, representing an increase of 9%. It is mainly due to the increase of interest rate of borrowings during the period under review.

## **INCOME TAX**

Effective from 1 January 2008, the Group except for Fernovelty (Hong Kong) Holding Co., Ltd.\* (“Fernovelty Holding”) is required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People’s Republic of China as approved by the National People’s Congress on 16 March 2007. The Company and one of the subsidiaries, Shanghai Tracing Bio-technology Co., Ltd. were recognised as high-tech enterprises, and their applicable tax rates are 15% for the six months ended 30 June 2018. The applicable tax rates of the rest Mainland China subsidiaries are 25% for the six months ended 30 June 2018.

The Hong Kong subsidiary, Fernovelty Holding was incorporated in 2016 and is subject to profits tax rate of 16.5% in Hong Kong.

As at 30 June 2018, the applicable tax rate and tax policy of the Group remained unchanged as compared with those of the full year of 2017.

## **PROFIT FOR THE PERIOD**

For the six months ended 30 June 2018, the profit of the Group was approximately RMB45,874,000, compared with that of approximately RMB45,547,000 for the same period in 2017, representing an increase of approximately 1%.

## **PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

Profit attributable to the shareholders of the Company of approximately RMB52,408,000 was recorded in the unaudited interim consolidated statement of comprehensive income for the six months ended 30 June 2018, compared with that of approximately RMB49,572,000 for the same period in 2017, representing an increase of approximately 6%.

## ***BUSINESS REVIEW***

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 treatment as well as developing novel and more effective treatments/medicines as our core position, so as to realize our mission that “The More We Explore, the Healthier Human Beings Will Be”.

During the period under review, the Group stuck to the direction of drug development on the basis of the platforms, namely, genetic engineering, photodynamic technology and nano technology, and has committed to seeking new clinical indications to be tackled by selected drugs and developing new medicines and innovative treatments to tackle selected diseases. At the same time, the Group has explored and developed in the fields of molecular targeting, immunotherapy and other fields in order to have a new R&D direction.

In the area of R&D, the clinical trial approval for high bio-activity recombinant human TNF receptor (重組親和力TNF受體) for the treatment of arthritis has been obtained in May 2014, and the project has completed clinical trial phase I. The drug is mainly used to treat self-immunological diseases, such as arthritis.

The antibody-drug conjugates (“ADC”) have shown obvious advantages on tumor treatment in clinical trials, which has much better effects than the conventional antibody plus chemotherapy drugs. In order to follow the development trend in bio-pharmaceutical area, the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection (“CD30-DM1”) for the treatment of tumors has completed pre-clinical study and obtained the drug clinical trial approval from the State Drug Administration. Details of this were set out in the indicative announcement issued by the Company on 18 July 2018. The project was elected in the 4th list of the 12th five-year Key New Drugs Creation for Key Science and Technology project and obtained national financial aid.

Aminolevulinic Acid Hydrochloride used for the treatment of CIN infected by HPV (“CIN”) has entered into clinical trial phase II. Currently the cause of the disease is known but there is no effective therapy for it. Our product will be the first therapy of CIN. Striving to perfect the screening work of the follow-up therapeutic regimens synchronous with the research in clinical stage, the Group put a lot of time and effort in the design and optimization of operation process and other clinical programs work, which causes the slow process of development.

Aminolevulinic Acid Hydrochloride used for the treatment of moderate and severe acne has obtained the clinical trial approval, and entered into clinical trial phase I.

Aminolevulinic Acid Hydrochloride used for the adjunctive therapy of brain gliomas has completed pre-clinical study, and will start to apply the clinical trial approval soon.

Duteroporphyrin (多替泊芬) for the treatment of tumors has entered into the clinical trial phase II. The treatment of hilarcholan-giocarcinoma proceed slowly due to the difficulty in seeking eligible patients who meet the criteria.

FuMeiDa (the brand name of Hemoporfin), the first photodynamic drug for the treatment of port-wine stain ("PWS"), is a new drug with new target, new compound and new indication. PWS is the most common congenital vascular malformation characterized by ectatic capillaries in the papillary layer of the dermis. The visible manifestation of this disorder is often considered a disfigurement. 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. After injection into the blood, Hemoporfin spreads quickly to the surrounding tissues and tends to distribute specifically in vascular endothelial cells. It would selectively damage the photosensitizer-rich vascular endothelium by the use of laser or LEDs with certain wavelength. The dilated and abnormal capillaries in the lesions of patients will be cleared by photodynamic reaction and further effects of coagulation system. PWS had no good treatment before. As one of the second generation photosensitizer, compared with traditional therapies, Hemoporfin is featured by stable chemical structure, lower photosensitization, faster 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. FuMeiDa went on sale last year and the Group has started clinical trial phase IV for it. The international registration of this drug has been officially launched.



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. LIBOd® is mainly used for the treatment of AIDS-relating Kaposi's sarcoma, breast cancer and ovarian cancer. Taking into account the tremendous market capacity of breast cancer, registration for the drug is being carried out in the United States ("U.S."). After the clinical studies are confirmed, the Group will be required to further obtain the verification of good quality management system of our production plant by the U.S. Food and Drug Administration ("FDA") before the drug can be launched to the U.S. market.

In respect of commercialization, ALA which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOd® which is indicated for the treatment of tumor and FuMeiDa which is indicated for the treatment of PWS, as three major products of the Group, together contributed 96% of the revenue generated by the Group.

Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd.\* ("Taizhou Pharmaceutical"), a subsidiary of the Company, planned to choose several generic drugs which can be produced with FuMeiDa on the same production line and submit the application of registration. The registration application of Parecoxib Sodium (帕瑞昔布钠) for analgesia has been submitted.

As at 30 June 2018, nine clinics of Derma Clinic have been in operation in Beijing, Chongqing, Shenzhen, Changsha and other cities.

### ***FUTURE PROSPECTS***

With an overall consideration of research resources, risks and cycles, the Group has focused drug development on tumors, skin and self-immunological diseases, reducing the number of researches on innovative drugs, expanding the number and strengthening the progress of commercialized drugs.

- **The projects for innovative research**, such as the research on a new antibody-drug conjugate (ADC) for the treatment of tumors; the research for the treatment of CIN; the research on anti-tumor immunity rejection factors in Wnt signaling pathway; the research on drugs to decrease the recurrence rate of bladder cancer; the research on drugs for self-immunological diseases; the research on drugs for the treatment of moderate and severe acne; the research on drugs for Parkinson treatment and the research on drugs for bone marrow transplantation, etc. The projects of such kind focus on the diseases with unmet needs and severe deficiencies of clinical treatment and are therefore of great importance in the areas of science and clinical treatment. But as they are surely endowed with great uncertainties, it takes efforts to do the exploration.
- **The projects for commercialization purpose**, including international registration of listed products, such as the international registration of Doxorubicin Hydrochloride Liposome and the international registration of Hemoporphin; the commercialization of those high-end reagents which broke through technical hurdles such as Nanoparticle Albumin-bound Paclitaxel; those drugs which broke through patent limitation such as new generic drugs for the indication of biliary cirrhosis as well as other innovative or generic solid modified-release drugs and those drugs which planned to submit the clinical trial application such as a photodynamic drug for the treatment of brain gliomas. This kind of projects is of specific importance in clinical treatment and has completed the research on technology. Continuously pushing the clinical research and commercialization is the main purpose in our current stage which will expand the number of drugs as well as the production scale and make contribution to the revenue and profit of the Group in short or mid-terms.

Insisting on the research of innovative drugs and strengthening the commercialization development of drugs fully embody the concept of the Group “stand on solid ground and look up at the starry sky”. We know that modern medical procedure is implemented jointly by clinicians who perform disease diagnosis based on big data and researchers who continuously explore pathogenesis and innovative therapy or drugs. A real pharmaceutical company should take the responsibility of new drugs development which is the mission of the Company and the significance of its existence. As an R&D company which emphasizes on the research from needs of clinical treatment, our choices face challenges but we never give up. And we also realize that the commercialization of drugs is the basis for the growth of the Company. Only by constantly expanding the Company’s product group and maintaining the growth of profits can we expand the Company’s scale and make it stable, laying the foundation for further research and development and long-term healthy development of the Group.

In addition, we will try our best to avoid involving in trouble of homoplasy as a result of selecting projects by the use of Chinese method from the drugs or targets which were well-developed overseas. We believe that time will tell, our efforts will be worthwhile both in the areas of clinical treatments for patients and the payback for investors.

We strengthened the development and improvement of our technology. At present, we have made progress on antibody technology, cross-linking technology and nano-drug technology. In addition, we increased the investment in the research of solid high-end drugs so that we have the ability to improve and optimize those drugs which have been already launched to the market and provide us with more methods to solve the deficiency of clinical treatment. We are looking forward to exploring and developing more drugs with the support of these technologies in the near future.

In the area of commercialization, the Group has realized production and sales of diagnostic reagents, ALA, LIBOd® and FuMeiDa. As more products are continuously launched to the market, it is expected that the future sales revenue will be increasing continuously.

All the product lines for existing products in sale of the Group passed GMP Certification (“GMP Certification”) of China Food and Drug Administration (“CFDA”). Our objective is to set up the production lines which can meet international standards so that our products could be sold worldwide. The management has considered to apply the GMP certification of FDA for two product lines in Shanghai and Taizhou. In the future, the timetable will be made according to specific commercialization projects.

Moreover, considering that more drugs are going to be registered, Taizhou Pharmaceutical has constructed two production lines for producing the material and injection of Hemoporfin. To make the two production lines at full capacity before further new self-developed innovative drugs obtaining production approval, the Group will choose several generic drugs which can be produced with Hemoporfin on the same production line and planned to submit the application for registration. The work of technology research of these generic drugs has been completed and the registration will be applied for according to the production plan of the production line. More investments on production lines will be made in Taizhou in the next few years so as to make Taizhou Pharmaceutical become the centralized production base of the Group.

The Group has successfully accomplished the transformation from purely R&D to equal emphasis 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.

## **DIVIDEND**

The board of Directors (“Board”) did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: Nil).

## **CHARGE ON ASSETS**

As at 30 June 2018, seven intellectual properties of the Group were pledged as securities of bank borrowings. These intellectual properties do not have any carrying values in the Group’s financial statements for the six months ended 30 June 2018.

Saved as disclosed above, there were no other charges on the Group’s assets as at 30 June 2018.

## **SIGNIFICANT INVESTMENTS**

The Board approved the Company to establish a subsidiary named Derma Clinic with independent third parties, including Zhong He Hou De Investment Management Co., Ltd.\* (中和厚德投資管理有限公司) in Shanghai, China on 12 December 2014. The Company received the approval and completed the registration and filing procedures with the relevant authorities regarding the establishment of Derma Clinic on 4 August 2015. Derma Clinic will make investment to establish and operate nationwide skin beauty chain clinics, by taking advantage of the brand effect and market share of the Company in the skin beauty field of medical market. Derma Clinic’s registered capital is RMB50,000,000. As at 30 June 2018, the Company has paid all parts of its capital contribution. Details of this transaction were set out in the announcements issued by the Company on 12 December 2014 and 4 August 2015.

The Board approved the Company to enter into the cooperation framework agreement with Shanghai BVCF Healthcare Investment Management Company Limited\* (上海百奧財富醫療投資管理有限公司) (“Shanghai BVCF”) in respect of the subscription for the shares of Yiwu BVCF Investment Management Partnership (Limited Partnership) (“BVCF Fund”) on 14 November 2017. According to the cooperation framework agreement, the BVCF Fund was set up by Shanghai BVCF, with a size of approximately RMB300,000,000, of which the Company subscribed for RMB60,000,000, accounting for 20% of the fund size. If the size of the fund is reduced, the subscription amount of the Company will be decreased proportionately. If the total amount of the fund is less than RMB200,000,000 (including the part that shall be subscribed by the Company according to the cooperation framework agreement), it shall be deemed that the establishment of the BVCF Fund is unsuccessful, and BVCF Fund shall refund all the amounts which the Company has paid. For more details, please refer to the announcement of the Company dated 14 November 2017. As at 30 June 2018, the filing procedures of the fund are still in process and the Company has not paid for the subscription amount.

On 15 December 2017, the Board approved the Company to establish a new subsidiary, Shanghai Baosu Pharmaceutical Technology Co., Ltd.\* (上海葆溯醫藥科技有限公司) (“Baosu Pharmaceutical”), which would be responsible for the sales and promotion of LIBOd® nationwide from 1 January 2018. Baosu Pharmaceutical’s registered capital is RMB20,000,000, and the Company holds 55% equity interest in it. The Company received the approval and completed the registration and filing procedures with the relevant authorities on 28 February 2018. As at 30 June 2018, the Company has not paid any capital contribution.

Saved as disclosed above, the Group had no other significant investment during the six months ended 30 June 2018.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

The Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2018.

## **BANK BORROWINGS**

As at 30 June 2018, the outstanding amount of the loans of the Group was RMB150,000,000, which includes:

On 1 August 2017, the unsecured bank borrowing of RMB60,000,000 was taken by the Company, bore a floating interest rate per annum (As at 30 June 2018: 4.35%). The borrowing was due for repayment on 1 August 2018.

On 21 November 2017, the secured bank borrowing of RMB40,000,000 was taken by the Company, bore a fixed interest rate at 4.35% per annum. The borrowing is due for repayment on 20 November 2018.

On 4 January 2018, the secured bank borrowing of RMB10,000,000 was taken by the Company, bore a fixed interest rate at 4.35% per annum. The borrowing is due for repayment on 3 January 2019.

On 9 April 2018, the unsecured bank borrowing of RMB40,000,000 was taken by the Company, bore a floating interest rate per annum (As at 30 June 2018: 4.57%). The borrowing is due for repayment on 8 April 2019.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Taizhou Pharmaceutical, the subsidiary of the Company, has the plan to construct a new production plant to meet future production needs. At present, it is still in the plan.

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

## **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 "Stock Exchange"), proceeds from the share placement, grants from the municipal government authorities and commercial loans.

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB492,838,000.

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 2018 and 31 December 2017, the cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

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

## **FOREIGN EXCHANGE EXPOSURE**

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.

## **EMPLOYEES AND SALARIES**

As at 30 June 2018, the Group had a total of 735 employees, as compared to 621 employees as at 30 June 2017. Staff costs including Directors' remuneration for the six months ended 30 June 2018 were approximately RMB67,238,000, compared with approximately RMB50,694,000 for the same period in 2017. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group.

## USE OF PROCEEDS

On 4 February 2013, the Company completed a placing of 142,000,000 H shares with a par value of RMB0.10 each at a price of HKD1.70. The amount of net proceeds from the placing was approximately HKD233,909,000 (equivalent to approximately RMB185,575,000) (after deducting all applicable costs and expenses, including commissions, legal fees and levies). The net proceeds were applied in the planned projects described in the circular of the Company dated 14 May 2012 and the announcement of the Company dated 16 January 2013.

Particulars of the proceeds from the placing were used as follows:

	Budget	Unaudited Amount that has been utilized for the six months ended	Unaudited Remaining balance as at	Notes
	RMB'000	30 June 2018 RMB'000	30 June 2018 RMB'000	
<b>R&amp;D projects</b>				
- the clinical study project regarding using ALA for the treatment of cervical intraepithelial neoplasia	20,000	1,207	445	Note
- the pre-clinical study and clinical study project regarding using ALA for the treatment of brain glioma	10,000	-	-	
- the pre-clinical and clinical study project of paclitaxel albumin nanoparticles	20,000	-	-	
- the pre-clinical and clinical study project of CD30-DM1	30,000	-	-	
<b>To repay the debts of the Company</b>	20,000	-	-	
<b>For the working capital of the Company</b>	85,575	-	-	
<b>Total</b>	<u>185,575</u>	<u>1,207</u>	<u>445</u>	

*Note:* The project is the first therapy of CIN and the Company strives to perfect the screening work of the follow-up therapeutic regimens synchronous with the research in clinical stage. Therefore, the Company put a lot of time and effort in the design and optimization of operation process and other clinical programs work, which caused the slow process of development and the delayed use of proceeds. It is estimated that the remaining amount of RMB445,000 will be fully used in 2018.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2018, the interests (if any) of the Directors, supervisors of the Company (the "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 (the "Model Code") under Appendix 10 of the Listing Rules were as follows:

Name	Position	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in Domestic Shares	Percentage in total number of issued shares
Wang Hai Bo	Director	Domestic Shares	57,886,430 (L)	Beneficial owner	Personal	9.93%	6.27%
Su Yong	Director	Domestic Shares	22,312,860 (L)	Beneficial owner	Personal	3.83%	2.42%
Zhao Da Jun	Director	Domestic Shares	19,260,710 (L)	Beneficial owner	Personal	3.30%	2.09%
Wang Luo Chun	Supervisor	Domestic Shares	1,170,000 (L)	Beneficial owner	Personal	0.20%	0.13%
Yu Dai Qing	Supervisor	Domestic Shares	870,000 (L)	Beneficial owner	Personal	0.15%	0.09%

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



## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2018, 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 SFO, or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the 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 of the Company):

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.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceuticals	Domestic Shares	139,578,560 (L)	Beneficial owner	Corporate	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic Shares	156,892,912 (L)	Beneficial owner	Corporate	26.91%	17.00%
Yang Zong Meng	Domestic Shares	80,000,000 (L)	Beneficial owner	Personal	13.72%	8.67%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.25%	3.32%
Shanghai Fudan Asset Operating Limited* (上海復旦資產經營有限公司)	Domestic Shares	30,636,286 (L)	Beneficial owner	Corporate	5.25%	3.32%
Invesco Hong Kong Limited	H Shares	25,236,000 (L)	Investment manager	Corporate	7.42%	2.73%

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2018, the Company had adopted a code of conduct for Directors' securities transactions on terms no less strict than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules. Having made specific enquiries with all Directors, the Directors have been complying with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2018.

## **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 2018.

## **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 Yiu Kin, Mr. Xu Qing and Mr. Shen Bo. Mr. Lam Yiu Kin 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 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 2018 before proposing to the Board for approval.

## **OTHER MATTERS**

### ***Proposed Issue of A Shares***

All resolutions proposed at the extraordinary general meeting of the Company, the class meeting of holders of H Shares of the Company and the class meeting of holders of Domestic Shares of the Company all held on 11 August 2015 were duly passed, which included the resolutions of proposed issue of not more than 27,000,000 A Shares of the Company with a nominal value of RMB0.10 each (“Issue of A Shares”), the proposal on authorization to the Board to deal with matters relating to the Issue of A Shares and the proposed amendments to the articles of association of the Company (“Articles of Association”).

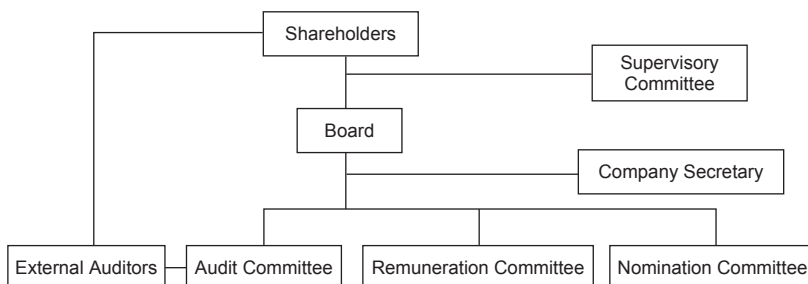
At the 2015, 2016 and 2017 annual general meeting of the Company, the class meeting of holders of H Shares of the Company and the class meeting of holders of Domestic Shares of the Company held on 13 May 2016, 9 June 2017 and 8 June 2018, the resolution of proposed extension of the validity period of the resolution in respect of the proposed Issue of A shares as well as the resolution of proposed extension of the authorization period to the Board to deal with matters relating to the Issue of A Shares were considered and approved. Currently, the validity periods of the relevant resolutions have been both extended by 12 months from the date of the 2017 annual general meeting and the class meetings of holders of H Shares and Domestic Shares at 8 June 2018.

Pursuant to i) changes in regulations on state-owned capital and state-owned equity; ii) the Group’s performance declined substantially in the previous year; iii) the requirements of relevant regulations on the issuance of A shares, the Company has not filed its application to the China Securities Regulatory Commission with respect to the Issue of A Shares as of 30 June 2018.

Details of the proposed Issue of A Shares are set out in the Company’s announcement dated 29 May 2015 and circulars dated 24 June 2015, 13 April 2016, 29 March 2017 and 18 April 2018.

## 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) Principles of the Audit Committee;
- c) Principles of the Remuneration Committee;
- d) Principles of the Nomination Committee;
- e) Principles regarding transactions in the Company's securities;
- f) Regulations for information disclosure;
- g) Regulations for internal control management;
- h) Daily management documents of the Company.

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

Major aspects which deviate from the provisions as set out in the Code:

- The positions of the chairman and the general manager rest on the same person. 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.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	6	295,705	272,040
Cost of sales	8	<u>(36,602)</u>	<u>(23,838)</u>
<b>Gross profit</b>		<b>259,103</b>	<b>248,202</b>
Other income	7	20,783	32,999
Research and development costs	8	(43,966)	(44,379)
Distribution and marketing costs	8	(146,737)	(158,932)
Administrative expenses	8	(31,619)	(22,098)
Other expenses	8	<u>(546)</u>	<u>(250)</u>
<b>Operating profit</b>		<b>57,018</b>	<b>55,542</b>
Finance costs		<u>(3,113)</u>	<u>(2,862)</u>
<b>Profit before income tax</b>		<b>53,905</b>	<b>52,680</b>
Income tax expense	9	<u>(8,031)</u>	<u>(7,133)</u>
<b>Profit for the period</b>		<b>45,874</b>	<b>45,547</b>
<b>Other comprehensive income/(losses):</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<u>41</u>	<u>(180)</u>
<b>Total comprehensive income for the period</b>		<b><u>45,915</u></b>	<b><u>45,367</u></b>
<b>Profit attributable to:</b>			
Shareholders of the Company		52,408	49,572
Non-controlling interests		<u>(6,534)</u>	<u>(4,025)</u>
		<b><u>45,874</u></b>	<b><u>45,547</u></b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		52,449	49,392
Non-controlling interests		<u>(6,534)</u>	<u>(4,025)</u>
		<b><u>45,915</u></b>	<b><u>45,367</u></b>
<b>Basic and diluted earnings per share for profit attributable to the shareholders of the Company</b>			
	11	<b><u>RMB0.0568</u></b>	<b><u>RMB0.0537</u></b>

The notes on pages 25 to 44 form an integral part of this interim consolidated financial information.

## INTERIM CONSOLIDATED BALANCE SHEET

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Leasehold land payments	12	<b>29,783</b>	30,178
Property, plant and equipment	12	<b>308,309</b>	314,638
Goodwill	12	<b>4,937</b>	4,937
Intangible assets	12	<b>12,966</b>	13,927
Deferred costs	12	<b>48,851</b>	50,073
Deferred income tax assets		<b>11,436</b>	4,992
Financial assets at fair value through other comprehensive income		<b>13,775</b>	–
Available-for-sale financial assets		–	13,775
Other non-current assets	13	<b>4,044</b>	4,708
		<hr/> <b>434,101</b>	<hr/> 437,228
<b>Current assets</b>			
Inventories		<b>36,859</b>	39,667
Trade receivables	14	<b>239,711</b>	170,816
Other receivables, deposits and prepayments		<b>31,842</b>	22,521
Amounts due from related parties		<b>10,688</b>	3,215
Cash and cash equivalents		<b>492,838</b>	468,144
Restricted cash		<b>770</b>	3,543
		<hr/> <b>812,708</b>	<hr/> 707,906
<b>Total assets</b>		<hr/> <b>1,246,809</b>	<hr/> <b>1,145,134</b>

## INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2018 <i>RMB'000</i>	Audited 31 December 2018 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Deferred revenue	15	<u>12,164</u>	<u>13,323</u>
<b>Current liabilities</b>			
Trade payables	16	6,438	5,521
Other payables and accruals		138,142	81,367
Contract liabilities		2,634	–
Current income tax liabilities		11,536	1,116
Amount due to a related party		3,690	3,690
Borrowings	17	150,000	140,000
Deferred revenue	15	6,503	7,635
		<u>318,943</u>	<u>239,329</u>
<b>Total liabilities</b>		<u>331,107</u>	<u>252,652</u>
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital		92,300	92,300
Reserves		804,849	780,090
		<u>897,149</u>	<u>872,390</u>
<b>Non-controlling interests</b>		<u>18,553</u>	<u>20,092</u>
<b>Total equity</b>		<u>915,702</u>	<u>892,482</u>
<b>Total equity and liabilities</b>		<u><u>1,246,809</u></u>	<u><u>1,145,134</u></u>

The notes on pages 25 to 44 form an integral part of this interim consolidated financial information.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2018 <i>RMB'000</i>	Unaudited Six months ended 30 June 2017 <i>RMB'000</i>
<b>Operating activities</b>		
Cash generated from operations	24,705	32,844
Interest paid	(3,113)	(2,862)
Interest received	1,762	1,565
Income tax paid	(4,055)	(10,698)
	<hr/>	<hr/>
Net cash generated from operating activities	19,299	20,849
<b>Investing activities</b>		
Purchase of property, plant and equipment	(15,925)	(30,341)
Additions to deferred costs	(348)	(941)
Purchase of intangible assets	(137)	(2,225)
Purchase of available-for-sale financial assets	-	(13,775)
Proceeds from disposal of property, plant and equipment	174	320
Investments in financial products	(939,900)	(777,000)
Cash received upon maturity of financial products	946,495	782,906
	<hr/>	<hr/>
Net cash used in investing activities	(9,641)	(41,056)
<b>Financing activities</b>		
Capital contribution from non-controlling interests	4,995	4,996
Proceeds from borrowings	50,000	40,000
Repayments of borrowings	(40,000)	-
	<hr/>	<hr/>
Net cash generated from financing activities	14,995	44,996
<b>Net increase in cash and cash equivalents</b>		
	24,653	24,789
Cash and cash equivalents at beginning of the period	468,144	511,284
Exchange gains/(losses) on cash and cash equivalents	41	(180)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>492,838</b>	<b>535,893</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 25 to 44 form an integral part of this interim consolidated financial information.



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital RMB'000	Capital accumulation reserve RMB'000	Statutory common reserve fund RMB'000	Retained earnings RMB'000	Currency translation reserve RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	92,300	412,293	46,150	292,905	(94)	29,500	873,054
Profit/(loss) for the period	-	-	-	49,572	-	(4,025)	45,547
Other comprehensive income/(loss):							
Currency translation differences	-	-	-	-	(180)	-	(180)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	49,572	(180)	(4,025)	45,367
<b>Total transactions with owners, recognised directly in equity</b>							
Capital contribution from non-controlling interests	-	-	-	-	-	5,551	5,551
Dividends relating to 2016	-	-	-	(46,150)	-	-	(46,150)
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	(46,150)	-	5,551	(40,599)
Balance at 30 June 2017	<u>92,300</u>	<u>412,293</u>	<u>46,150</u>	<u>296,327</u>	<u>(274)</u>	<u>31,026</u>	<u>877,822</u>
Balance at 1 January 2018	<u>92,300</u>	<u>412,293</u>	<u>46,150</u>	<u>322,042</u>	<u>(395)</u>	<u>20,092</u>	<u>892,482</u>
Profit/(loss) for the period	-	-	-	52,408	-	(6,534)	45,874
Other comprehensive income/(loss):							
Currency translation differences	-	-	-	-	41	-	41
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	52,408	41	(6,534)	45,915
<b>Total transactions with owners, recognised directly in equity</b>							
Capital contribution from non-controlling interests	-	-	-	-	-	4,995	4,995
Dividends relating to 2017	-	-	-	(27,690)	-	-	(27,690)
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	(27,690)	-	4,995	(22,695)
Balance at 30 June 2018	<u>92,300</u>	<u>412,293</u>	<u>46,150</u>	<u>346,760</u>	<u>(354)</u>	<u>18,553</u>	<u>915,702</u>

The notes on pages 25 to 44 form an integral part of this interim consolidated financial information.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **1. GENERAL INFORMATION**

The Company was established in the People's Republic of China ("PRC") on 11 November 1996 as a limited liability company with an initial registered capital of RMB5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000 and 12 September 2000 from the existing or the then shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB5,295,000 to RMB53,000,000.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability.

On 20 January 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 ordinary shares ("Domestic Shares") with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares ("H Shares") of RMB0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the share capital of the Company was increased to RMB71,000,000.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares with a par value of RMB0.10 each at a price of HKD 1.70, and the share capital of the Company was increased to RMB85,200,000.

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 Domestic Shares as restricted shares to directors, senior management, mid-level management and key research staff of the Group on 24 June 2013 and 21 October 2013 at a price of RMB0.51 with a par value of RMB0.10 each. Upon completion of the grants, the share capital of the Company was increased to RMB92,300,000.

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

## **1. GENERAL INFORMATION (continued)**

As at 30 June 2018, the Company had direct interests of 65%, 69.77%, 84.68%, 50.04%, 55% and 100% in six subsidiaries, namely Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian"), Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), Shanghai Tracing Bio-technology Co., Ltd. ("Tracing"), Derma Clinic Investment Co., Ltd. ("Derma Clinic"), Shanghai Baosu Pharmaceutical Technology Co., Ltd. ("Baosu Pharmaceutical") and Fernovelty (Hong Kong) Holding Co., Ltd. ("Fernovelty Holding"), respectively.

The Group is principally engaged in the research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and providing other medical services in the PRC.

The address of the Company's registered office is 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, PRC.

This condensed consolidated interim financial information is presented in Renminbi ("RMB") thousands, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 17 August 2018.

This condensed consolidated interim financial information has not been audited.

## **2. BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **3. ACCOUNTING POLICIES**

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements of the Company for the year ended 31 December 2017, as described in those consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **Changes in accounting policies and disclosures:**

##### **(a) New and amended standards of IFRS adopted by the Group**

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

- (i) IFRS 9 Financial instruments, and
- (ii) IFRS 15 Revenue from contracts with customers.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting IFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details below.

### 3. ACCOUNTING POLICIES (continued)

#### (a) New and amended standards of IFRS adopted by the Group (continued)

	31 December 2017 As originally presented RMB'000	IFRS 9 RMB'000	IFRS 15 RMB'000	1 January 2018 Restated RMB'000
<b>Non-current assets</b>				
Leasehold land payments	30,178	–	–	30,178
Property, plant and equipment	314,638	–	–	314,638
Goodwill	4,937	–	–	4,937
Intangible assets	13,927	–	–	13,927
Deferred costs	50,073	–	–	50,073
Deferred income tax assets	4,992	–	–	4,992
Financial assets at fair value through other comprehensive income	–	13,775	–	13,775
Available-for-sale financial assets	13,775	(13,775)	–	–
Other non-current assets	4,708	–	–	4,708
	<u>437,228</u>	<u>–</u>	<u>–</u>	<u>437,228</u>
<b>Current assets</b>				
Inventories	39,667	–	–	39,667
Trade receivables	170,816	–	–	170,816
Other receivables, deposits and prepayments	22,521	–	–	22,521
Amounts due from related parties	3,215	–	–	3,215
Cash and cash equivalents	468,144	–	–	468,144
Restricted cash	3,543	–	–	3,543
	<u>707,906</u>	<u>–</u>	<u>–</u>	<u>707,906</u>
<b>Total assets</b>	<u>1,145,134</u>	<u>–</u>	<u>–</u>	<u>1,145,134</u>

### 3. ACCOUNTING POLICIES (continued)

#### (a) New and amended standards of IFRS adopted by the Group (continued)

	31 December 2017 As originally presented <i>RMB'000</i>	IFRS 9 <i>RMB'000</i>	IFRS 15 <i>RMB'000</i>	1 January 2018 Restated <i>RMB'000</i>
<b>Non-current liabilities</b>				
Deferred revenue	13,323	–	–	<b>13,323</b>
<b>Current liabilities</b>				
Trade payables	5,521	–	–	<b>5,521</b>
Other payables and accruals	81,367	–	(1,851)	<b>79,516</b>
Contract liabilities	–	–	1,851	<b>1,851</b>
Current income tax liabilities	1,116	–	–	<b>1,116</b>
Amount due to a related party	3,690	–	–	<b>3,690</b>
Borrowings	140,000	–	–	<b>140,000</b>
Deferred revenue	7,635	–	–	<b>7,635</b>
	<u>239,329</u>	<u>–</u>	<u>–</u>	<u><b>239,329</b></u>
<b>Total liabilities</b>	<u>252,652</u>	<u>–</u>	<u>–</u>	<u><b>252,652</b></u>
<b>Capital and reserves attributable to shareholders of the Company</b>				
Share capital	92,300	–	–	<b>92,300</b>
Reserves	780,090	–	–	<b>780,090</b>
	<u>872,390</u>	<u>–</u>	<u>–</u>	<u><b>872,390</b></u>
<b>Non-controlling interests</b>	<u>20,092</u>	<u>–</u>	<u>–</u>	<u><b>20,092</b></u>
<b>Total equity</b>	<u>892,482</u>	<u>–</u>	<u>–</u>	<u><b>892,482</b></u>
<b>Total equity and liabilities</b>	<u><u>1,145,134</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u><b>1,145,134</b></u></u>

There is no impact on the statement of profit or loss and other comprehensive income by adopting IFRS 9 and IFRS 15.

### 3. ACCOUNTING POLICIES (continued)

#### (a) New and amended standards of IFRS adopted by the Group (continued)

##### (i) *IFRS 9, Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB13,775,000 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to IFRS 9.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The Group has trade receivables for sales of products that are subject to IFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under IFRS 9 for these receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on 1 January 2018 and the financial information during the six months ended 30 June 2018.

### 3. ACCOUNTING POLICIES (continued)

#### (a) New and amended standards of IFRS adopted by the Group (continued)

##### (i) IFRS 9, Financial Instruments (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

##### (ii) IFRS 15, Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. Following adjustment were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	IAS 18 carrying amount 31 December 2017 RMB'000	Reclassification RMB'000	IFRS 15 carrying amount 1 January 2018 RMB'000
Other payables and accruals	81,367	(1,851)	79,516
Contract liabilities	–	1,851	1,851

The Group manufactures and sells medical products and provides medical services in the market.

A receivable is recognized when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The accounting treatments are the same before and after adopting the IFRS 15.



### 3. ACCOUNTING POLICIES (continued)

#### (a) New and amended standards of IFRS adopted by the Group (continued)

##### (ii) *IFRS 15, Revenue from Contracts with Customers (continued)*

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Due to the strict term for return, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognized. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying IFRS 15.

The Group didn't introduce any customer loyalty programme which is likely to be affected by the IFRS 15.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

No additional cost occurs to fulfil the contract was identified.

As a result, other than certain reclassification of contract liabilities, the adoption of IFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on sales of products is not changed.

##### (iii) *Accounting policies effective from 1 January 2018*

###### *Financial assets – impairment*

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 3. ACCOUNTING POLICIES (continued)

#### (a) New and amended standards of IFRS adopted by the Group (continued)

##### (iii) Accounting policies effective from 1 January 2018 (continued)

###### *Revenue Recognition*

The Group manufactures and sells medical products and provides medical services in the market.

For the distributor customers, sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Distributors have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

#### (b) New standards, amendments and interpretations of IFRS not yet adopted

The following new standards, amendments and interpretations of IFRS which are relevant to the Group's operations have been issued but are not yet effective and have not been early adopted by the Group. The Group is still in the process of assessing the impacts on adoption of these new standards, amendments and interpretations and is yet to conclude whether or not it will result in substantial changes to the consolidated financial statements of the Group.

IFRS 16	"Leases"
IFRS 17	"Insurance Contracts"
IFRIC 23	"Uncertainty over Income Tax Treatments"
IFRS 10 and IAS 28 (Amendments)	Amendments to "Consolidated Financial Statements" and "Investments in Associates and Joint Ventures" regarding sale or contribution of assets between an investor and its associate or joint venture

#### 4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's consolidated financial statements for the year ended 31 December 2017.

#### 5. FINANCIAL RISK MANAGEMENT

##### 5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2017.

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

##### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

#### 6. REVENUE

The Group is principally engaged in the research, development and selling of self-developed bio-pharmaceutical know-how, manufacturing and selling of medical products and providing other medical services in the PRC. Revenue recognised during the period are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of medical products	<b>287,165</b>	269,960
Service income	<b>7,764</b>	1,621
Others	<b>776</b>	459
	<b><u>295,705</u></b>	<b><u>272,040</u></b>

## 7. OTHER INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants	<b>9,541</b>	17,806
Cooperation agreement with Shanghai Pharmaceuticals ( <i>note (a)</i> )	<b>2,878</b>	7,670
Gains on investments in financial products ( <i>note (b)</i> )	<b>6,595</b>	5,906
Interest income	<b>1,762</b>	1,565
Others	<b>7</b>	52
	<b>20,783</b>	<b>32,999</b>

- (a) On 23 February 2011, the Company and Shanghai Pharmaceuticals signed an innovative drug research and development strategic cooperation agreement (the "Agreement") in relation to four of the existing drug research projects undertaken by the Group and the Agreement was renewed on 19 March 2013 and 10 May 2017 respectively. According to the Agreement, Shanghai Pharmaceuticals will pay 80% of the ongoing research and development ("R&D") expenses of these projects from 1 January 2011 (inclusive), and the Group and Shanghai Pharmaceuticals will share equally the future benefits generated from the commercialization of these projects. In addition, Shanghai Pharmaceuticals also agreed to pay 80% of the R&D expenses on these research projects prior to 1 January 2011 (the "Pre-2011 Costs") but the payments of the Pre-2011 Costs are subject to the completion of certain milestones between 2011 and six months ended 30 June 2018 as set out in the Agreement.
- (b) The gains represented the gains on investments in financial products upon maturity.

## 8. EXPENSES BY NATURE

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of leasehold land payments	<b>395</b>	395
Amortisation of deferred costs (included in 'Cost of sales')	<b>1,670</b>	1,901
Amortisation of intangible assets	<b>1,098</b>	765
Provision for impairment of trade receivables	<b>661</b>	347
Provision for impairment of inventories	–	2
Changes in inventories of finished goods and work in progress	<b>(73)</b>	(7,530)
Raw materials and consumables used	<b>17,195</b>	13,135
Depreciation of property, plant and equipment	<b>23,781</b>	20,421
Less: Amounts capitalised in deferred costs	<b>(100)</b>	(314)
	<b>23,681</b>	20,107
Losses on disposal of property, plant and equipment	<b>376</b>	71
Operating lease rentals in respect of land and buildings	<b>5,534</b>	1,884
Outsourced research and development costs	<b>10,288</b>	10,013
Employee benefit expenses	<b>67,238</b>	50,694
Less: Amounts capitalised in property, plant and equipment	<b>(13)</b>	(534)
Amounts capitalised in deferred costs	<b>(163)</b>	(229)
	<b>67,062</b>	49,931
Marketing and sales promotion expenses	<b>79,260</b>	103,828
Post-marketing study expenses	<b>26,343</b>	22,661
Quality inspection expenses	<b>4,387</b>	4,217
Clinical trial expenses	<b>41</b>	4,107
Others	<b>21,552</b>	23,663
	<b>259,470</b>	249,497
Total cost of sales, research and development costs, distribution and marketing costs, administrative expenses and other expenses	<b>259,470</b>	249,497

## 9. INCOME TAX EXPENSE

Effective from 1 January 2008 and except for Fernoelty Holding, the Company and its subsidiaries are required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company and Tracing were recognised as high-tech enterprises, and the applicable tax rate of the Company and Tracing is 15% for the six months ended 30 June 2018 (Six months ended 30 June 2017: 15%). The applicable tax rates of the other Mainland China subsidiaries are 25% for the six months ended 30 June 2018 (Six months ended 30 June 2017: 25%).

Fernoelty Holding was incorporated in Hong Kong in October 2016 as a subsidiary of the Group and is subject to Hong Kong profits tax at the rate of 16.5% for the six months ended 30 June 2018 (Six months ended 30 June 2017: 16.5%). Since it did not have estimated assessable profit for the six months ended 30 June 2018, Hong Kong profits tax has not been provided.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	<b>14,475</b>	5,586
Deferred income tax	<b>(6,444)</b>	1,547
	<b><u>8,031</u></b>	<b><u>7,133</u></b>

## 10. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: Nil).

## 11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Profit attributable to shareholders of the Company (RMB'000)	<b>52,408</b>	49,572
Weighted average number of ordinary shares in issue ('000)	<b>923,000</b>	923,000
Basic earnings per share (RMB)	<b><u>0.0568</u></b>	<b><u>0.0537</u></b>

There is no difference between the basic and diluted earnings per share for the six months ended 30 June 2018 and 30 June 2017 as there were no dilutive potential ordinary shares during the periods then ended.

## 12. CAPITAL EXPENDITURE

	Unaudited				
	Leasehold land payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Deferred costs <i>RMB'000</i>
<b>Cost</b>					
At 1 January 2018	37,356	482,955	8,937	20,968	64,085
Additions	–	18,002	–	137	448
Disposals	–	(1,770)	–	–	–
	<u>37,356</u>	<u>499,187</u>	<u>8,937</u>	<u>21,105</u>	<u>64,533</u>
At 30 June 2018	<u>37,356</u>	<u>499,187</u>	<u>8,937</u>	<u>21,105</u>	<u>64,533</u>
<b>Accumulated amortisation/ depreciation</b>					
At 1 January 2018	7,178	168,317	–	7,041	13,359
Charge for the period	395	23,781	–	1,098	1,670
Disposals	–	(1,220)	–	–	–
	<u>7,573</u>	<u>190,878</u>	<u>–</u>	<u>8,139</u>	<u>15,029</u>
At 30 June 2018	<u>7,573</u>	<u>190,878</u>	<u>–</u>	<u>8,139</u>	<u>15,029</u>
<b>Accumulated Impairment</b>					
At 1 January 2018 and 30 June 2018	–	–	4,000	–	653
	<u>–</u>	<u>–</u>	<u>4,000</u>	<u>–</u>	<u>653</u>
<b>Net book value</b>					
At 30 June 2018	<u>29,783</u>	<u>308,309</u>	<u>4,937</u>	<u>12,966</u>	<u>48,851</u>

## 12. CAPITAL EXPENDITURE (continued)

	Unaudited				
	Leasehold land payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Deferred costs <i>RMB'000</i>
<b>Cost</b>					
At 1 January 2017	37,356	447,551	8,937	15,116	62,214
Additions	–	24,748	–	2,580	1,255
Disposals	–	(13,417)	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2017	<u>37,356</u>	<u>458,882</u>	<u>8,937</u>	<u>17,696</u>	<u>63,469</u>
<b>Accumulated amortisation/ depreciation</b>					
At 1 January 2017	6,388	143,318	–	5,380	9,711
Charge for the period	395	20,421	–	765	1,901
Disposals	–	(13,026)	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2017	<u>6,783</u>	<u>150,713</u>	<u>–</u>	<u>6,145</u>	<u>11,612</u>
<b>Net book value</b>					
At 30 June 2017	<u>30,573</u>	<u>308,169</u>	<u>8,937</u>	<u>11,551</u>	<u>51,857</u>

## 13. OTHER NON-CURRENT ASSETS

	<b>Unaudited 30 June 2018 <i>RMB'000</i></b>	<b>Audited 31 December 2017 <i>RMB'000</i></b>
Equipment prepayments	<u>4,044</u>	<u>4,708</u>



#### 14. TRADE RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 <i>RMB'000</i>
Accounts receivable ( <i>note (a)</i> )	<b>197,197</b>	116,143
Less: Provision for impairment	<b>(1,066)</b>	(405)
	<hr/>	<hr/>
Accounts receivable-net	<b>196,131</b>	115,738
	<hr/>	<hr/>
Notes receivable ( <i>note (b)</i> )	<b>43,580</b>	55,078
	<hr/>	<hr/>
	<b>239,711</b>	170,816
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2018 and 31 December 2017, the fair value of the trade receivables approximated their carrying amounts, which are all denominated in RMB.

- (a) Accounts receivable are arisen from sales of products, with no interest charged. The credit period granted to customers is between 1 to 4 months. The ageing analysis of accounts receivable based on invoice date, before provision for impairment as at 30 June 2018 and 31 December 2017, are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 <i>RMB'000</i>
Within credit terms	<b>170,584</b>	95,301
Past due within 30 days	<b>6,017</b>	14,504
Past due over 30 days and within 60 days	<b>17,159</b>	5,190
Past due over 60 days and within 90 days	<b>945</b>	19
Past due over 90 days and within one year	<b>1,677</b>	1,041
Past due over one year	<b>815</b>	88
	<hr/>	<hr/>
	<b>197,197</b>	116,143
	<hr/> <hr/>	<hr/> <hr/>

- (b) Notes receivable are arisen from sales of products, with no interest charged. They are all bank acceptance notes with maturities less than six months.

## 15. DEFERRED REVENUE

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Government grants	<b>16,422</b>	18,713
Technology transfer	<b>2,245</b>	2,245
	<b>18,667</b>	20,958
Less: Amounts to be realized within one year	<b>(6,503)</b>	(7,635)
	<b>12,164</b>	13,323

## 16. TRADE PAYABLES

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Accounts payable ( <i>note (a)</i> )	<b>6,438</b>	5,521

As at 30 June 2018 and 31 December 2017, all trade payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

All the Group's trade payables are denominated in RMB.

- (a) As at 30 June 2018 and 31 December 2017, the ageing analysis of accounts payable based on invoice date are as follows:

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Within 30 days	<b>5,056</b>	4,310
31 days to 60 days	<b>137</b>	809
61 days to 90 days	<b>163</b>	243
Over 90 days but less than one year	<b>952</b>	30
Over one year	<b>130</b>	129
	<b>6,438</b>	5,521

## 17. BORROWINGS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	<b>RMB'000</b>
Current		
Short-term bank borrowings, unsecured ( <i>note (a)</i> )	<b>100,000</b>	100,000
Short-term bank borrowing, secured ( <i>note (b)</i> )	<b>50,000</b>	40,000
	<b><u>150,000</u></b>	<b><u>140,000</u></b>

- (a) As at 30 June 2018, an unsecured short-term bank borrowing of RMB60,000,000 was taken by the Company, bore a floating interest rate at 4.35% per annum and was due for repayment on 1 August 2018.

As at 30 June 2018, an unsecured short-term bank borrowing of RMB40,000,000 was taken by the Company, bore a floating interest rate at 4.57% per annum and was due for repayment on 8 April 2019.

- (b) As at 30 June 2018, a secured short-term bank borrowing of RMB40,000,000 was taken by the Company and bore a fixed interest rate at 4.35% per annum. The borrowing was mortgaged by the Company's 7 intellectual properties and was due for repayment on 20 November 2018. These intellectual properties do not have any carrying value in the Group's financial statements.

As at 30 June 2018, a secured short-term bank borrowing of RMB10,000,000 was taken by the Company and bore a fixed interest rate at 4.35% per annum. The borrowing was mortgaged by the Company's 7 intellectual properties and was due for repayment on 3 January 2019. These intellectual properties do not have any carrying value in the Group's financial statements.

Interest expense on borrowings for the six months ended 30 June 2018 was RMB3,113,000 (Six months ended 30 June 2017: RMB2,862,000).

## 18. RELATED PARTY TRANSACTIONS

### (i) Transactions

During the six months ended 30 June 2018 and 30 June 2017, significant related party transactions were those carried out with a substantial shareholder, Shanghai Pharmaceuticals, and its subsidiary in the ordinary course of business of the Group as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>With Shanghai Pharmaceutical Co., Ltd. and its subsidiaries:</b>		
Sales of medical products	<u>17,502</u>	<u>5,804</u>
<b>With Shanghai Pharmaceuticals:</b>		
Cash received under the Cooperation Agreement (Note 7(a))	<u>-</u>	<u>470</u>

### (ii) Balances

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Amounts due from related parties:</b>		
Shanghai Pharmaceutical Co., Ltd. and its subsidiaries	<u>7,140</u>	<u>2,545</u>
Shanghai Pharmaceuticals	<u>3,548</u>	<u>670</u>
	<u>10,688</u>	<u>3,215</u>
<b>Amount due to a related party:</b>		
Shanghai Pharmaceuticals	<u>3,690</u>	<u>3,690</u>

## 19. SEGMENT INFORMATION

The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

In recent years, the Group has been focusing on the commercialization of its own drugs after research and development. The outcomes of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. As a result of such strategic shift in business focus, the revenue generated from technology transfer is not significant. Accordingly, the management considers that the Group only operates a single business segment and hence no segment information is presented.

The Company and all its subsidiaries except Fernovelty Holding operate in Mainland China and the Group's revenue is principally derived in Mainland China.

By Order of the Board  
**Wang Hai Bo**  
*Chairman*

As at the date of this report, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)

Mr. Su Yong (*Executive Director*)

Mr. Zhao Da Jun (*Executive Director*)

Mr. Shen Bo (*Non-executive Director*)

Ms. Yu Xiao Yang (*Non-executive Director*)

Mr. Zhou Zhong Hui (*Independent Non-executive Director*)

Mr. Lam Yiu Kin (*Independent Non-executive Director*)

Mr. Xu Qing (*Independent Non-executive Director*)

Mr. Yang Chun Bao (*Independent Non-executive Director*)

**Shanghai, the PRC**

17 August 2018