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 2019

* *For identification purpose only*

FIVE YEARS FINANCIAL DATA HIGHLIGHTS

RESULTS

	Unaudited Six months ended 30 June				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**390,693**	295,705	272,040	241,910	214,224
Operating profit	**94,454**	57,018	55,542	51,345	45,026
Finance costs	**(3,500)**	(3,113)	(2,862)	(2,332)	(2,720)
Profit before income tax	**90,954**	53,905	52,680	49,013	42,306
Income tax expense	**(7,971)**	(8,031)	(7,133)	(7,475)	(5,138)
Profit for the period	**82,983**	45,874	45,547	41,538	37,168
Profit attributable to:					
Shareholders of the Company	**89,630**	52,408	49,572	45,936	39,661
Non-controlling interests	**(6,647)**	(6,534)	(4,025)	(4,398)	(2,493)
Total comprehensive income for the period	**82,988**	45,915	45,367	41,538	37,168
Total comprehensive income attributable to:					
Shareholders of the Company	**89,635**	52,449	49,392	45,936	39,661
Non-controlling interests	**(6,647)**	(6,534)	(4,025)	(4,398)	(2,493)
EBITDA	**125,351**	83,862	78,710	65,524	63,433
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	**RMB0.0971**	RMB0.0568	RMB0.0537	RMB0.0498	RMB0.0430

ASSETS AND LIABILITIES

	Unaudited	Audited			
	30 June	31 December			
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,521,621**	1,459,363	1,145,134	1,120,753	1,020,265
Total liabilities	**(509,343)**	(466,079)	(252,652)	(247,699)	(254,425)
	1,012,278	993,284	892,482	873,054	765,840
Capital and reserves attributable to:					
Shareholders of the Company	**1,007,096**	982,071	872,390	843,554	732,630
Non-controlling interests	**5,182**	11,213	20,092	29,500	33,210
	1,012,278	993,284	892,482	873,054	765,840

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 amounted to approximately RMB390,693,000, comparing to approximately RMB295,705,000 for the same period in 2018, representing an increase of 32%. The main reason is that sales of ALA (艾拉®，鹽酸氨酮戊酸散，ALA), LIBOd® (里葆多®，鹽酸多柔比星脂質體，Doxorubicin liposome) and FuMeiDa (复美达®，海姆泊芬，Hemoporfin), had outstanding performance with steady growth during this period.

The total revenue for the six months ended 30 June 2019 mainly came from the sale of medical products. The main source of total revenue for the six months ended 30 June 2018 was nearly the same as that of this period in 2019.

The major products of the Group are ALA and FuMeiDa from photodynamic platform and LIBOd® from Nano-drug platform. The Company has entered into the market promotion service agreement with Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd.* (輝正（上海）醫藥科技有限公司, "Shanghai Huizheng") for providing marketing services for LIBOd® in China since 1 November 2018. Except for LIBOd®, the work of sales and distribution of the other products is taken by the sales team of the Group.

Revenue of the Group from the sale of medical products for the six months ended 30 June 2019 was approximately RMB389,350,000 (99.7% of the total revenue), representing an increase of 36% from the same period in 2018 which was approximately RMB287,165,000. The contribution to the Group revenue of ALA, LIBOd® and FuMeiDa, which are the major products of the Group, was 52.6%, 37.7% and 8.6%, respectively.

COST OF SALES

For the six months ended 30 June 2019, cost of sales of the Group was approximately RMB39,427,000, while the corresponding figure for the same period in 2018 was approximately RMB36,602,000. The ratio of cost of sales to revenue decreased from 12% to 10% compared with that for the same period in 2018 and the gross profit margin increased accordingly. The Group has been consistent in strict cost control. Maintaining the current product structure, we will try our best to increase the gross profit.

OPERATING PROFIT

For the six months ended 30 June 2019, operating profit of the Group was approximately RMB94,454,000 compared with approximately RMB57,018,000 for the same period in 2018, representing an increase of 66%.

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

- Other income and gains – net

  Other income and gains – net for the six months ended 30 June 2019 was approximately RMB18,303,000, compared with approximately RMB20,783,000 for the same period in 2018, representing a decrease of 12%. Other income and gains – net during this period includes the gain from the sale of 30.04% of equity interest in Derma Clinic Investment Co., Ltd.* (德美診聯醫療投資管理有限公司, "Derma Clinic"), a subsidiary of the Company, amounting approximately RMB8,150,000. For more details, please refer to Note 21 to the Condensed Consolidated Interim Financial Information in this report. Besides, due to a decrease in government grants, the Group has recognised related income amounting to approximately RMB2,100,000 during the period under review, compared with approximately RMB9,541,000 for the same period in 2018. 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 2019 were approximately RMB51,196,000, compared with approximately RMB43,966,000 for the same period in 2018, representing an increase of 16%. The ratio of R&D costs to revenue for the six months ended 30 June 2019 was 13% (Six months ended 30 June 2018: 15%).

- Distribution and marketing costs

  Distribution and marketing costs for the six months ended 30 June 2019 were approximately RMB194,585,000, compared with approximately RMB146,737,000 for the same period in 2018, representing an increase of 33%. The ratio of distribution and marketing costs to revenue for the six months ended 30 June 2019 was 50% (Six months ended 30 June 2018: 50%).

- Administrative expenses

  Administrative expenses for the six months ended 30 June 2019 were approximately RMB28,372,000, compared with approximately RMB31,619,000 for the same period in 2018, representing a decrease of 10%. It is mainly due to the disposal of a subsidiary during the period under review, resulting in lower administrative expenses such as labor cost and rent expenses.

- Other operating expenses

  Other operating expenses for the six months ended 30 June 2019 were approximately RMB962,000, while that for the same period in 2018 were approximately RMB546,000. 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 2019, finance costs of the Group were approximately RMB3,500,000, compared with approximately RMB3,113,000 for the same period in 2018, representing an increase of 12%. It is mainly due to the recognition of interest expense for lease with the adoption of IFRS16, amounting to approximately RMB563,000 during the period under review.

INCOME TAX

Effective from 1 January 2008, the Group except for Fernovelty (Hong Kong) Holding Co., Ltd.* (風屹（香港）控股有限公司, "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 (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company and two of its subsidiaries, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd.* ((泰州復旦張江藥業有限公司, "Taizhou Fudan-Zhangjiang") and Shanghai Tracing Bio-technology Co., Ltd.* (上海溯源生物技術有限公司, "Tracing Bio-technology") were recognised as high-tech enterprises, and their applicable tax rates are 15% for the six months ended 30 June 2019. The applicable tax rates of the rest subsidiaries in Mainland China are 25% for the six months ended 30 June 2019.

The Hong Kong subsidiary, Fernovelty Holding was incorporated in 2016 and is subject to profits tax rate of 16.5% in Hong Kong. Effective from 1 January 2018, a two-tier profits tax rates system is implemented under which the first HK$2 million of assessable profits of corporations will be taxed at 8.25% whereas the remaining amount will be taxed at the standard rate of 16.5%. Since Fernovelty Holding did not have estimated assessable profit for the six months ended 30 June 2019, Hong Kong profits tax has not been provided.

As at 30 June 2019, except for Taizhou Fudan-Zhangjiang which enjoyed preferential tax rate as a high-tech enterprise, the applicable tax rate and tax policy of the other Company of the Group remained unchanged as compared with those of the half year of 2018.

PROFIT FOR THE PERIOD

For the six months ended 30 June 2019, the profit of the Group was approximately RMB82,983,000, compared with that of approximately RMB45,874,000 for the same period in 2018, representing an increase of approximately 81%.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to the shareholders of the Company of approximately RMB89,630,000 was recorded in the unaudited interim consolidated statement of comprehensive income for the six months ended 30 June 2019, compared with that of approximately RMB52,408,000 for the same period in 2018, representing an increase of approximately 71%.

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, so as to realize our mission that "The More We Explore, the Healthier Human Beings Will Be".

Drug procurement with designated quantity in "4 + 7" cities which was a major milestone has been implemented under the background of pharmaceutical system reform. It changed the commercial foundation of the pharmaceutical industry which regards the development of generic drugs and ME-TOO drugs as new drugs in the past few decades. In near future, medicines in China will surely be back to the drug pricing model that is internationally accepted, in which prices of new drugs and generic drugs are determined separately. In other words, except those innovative drugs that have been proven to have specific clinical value, the commercial practice of competitive pricing model will be applied to both generic drugs and ME-TOO drugs. In the future, we believe that innovation ability and production capacity will be the key to the competition among pharmaceutical enterprises.

Since its establishment, the Group, as a pharmaceutical enterprise focusing on drug research and development, has adhered to choosing the projects that can meet the unmet needs and deficiencies of clinical and patients treatment. The evaluation system of project progress depends on whether specific accomplishment of treatment will be achieved. Such projects-setting policy that is not motivated by commercial opportunities have brought huge difficulties and challenges to us in the past in China. The sluggish development of projects was frustrating and the situation where our continued effort cannot be turned into profits prevents the group from being widely recognized. But we always believe that the real mission of pharmaceutical companies is to develop innovative drugs with clinical value, and Chinese pharmaceutical industry will commit to it eventually. It was glad to see our mission reflected in the current changes in the industry. The products launched or under development of the Group have shown positive prospect and the characteristics of not affected by changes of policies. Our effort and strategies adopted over the years have laid a solid foundation and generated a driving force for the Group's development in the newpolicy environment. Our strategies for research and development are strengthening our research capacities in the fields where we have leading positions, continually expanding the new clinical indications, adhering to the projects worth spending time on, gradually applying for international drug registration and insisting on terminating the projects that are not in line with the Group's value and make no progress for long term. As long as we endeavor and continue to optimize our specific strategies for research and development, our products will bring great benefits to the Company while demonstrating its value in the future.

During the period under review, our R&D platforms, namely, genetic engineering, photodynamic-tech, nanotech and oral solid preparation technology, has laid solid foundation for our drug development direction. The Group has committed to developing new clinical indications to tackle selected drugs and developing new medicines and innovative treatments to tackle selected diseases. At the same time, the Group has explored and developed the fields of molecular targeting, immunotherapy and other fields in order to have a new R&D direction.

During the period under review, with an overall consideration of research resources, risks and cycle time, 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.

In respect of R&D

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 obtained the drug clinical trial approval and entered into the clinical trial phase I.

A preclinical study of an antibody-conjugated drug for triple negative breast cancer, bladder cancer, gastric cancer and other tumors is under way.

Avastin, bio-similar drug for the treatment of tumor has obtained clinical trial approval. According to the competitive situation of the target market and the company's existing research strategy, the Company is transferring the project to a suitable third party. Technology transfer agreement is in the implementation phase during the review period.

The clinical research progress of Aminolevulinic Acid Hydrochloride used for the treatment of CIN infected by HPV ("CIN") is still slow. Based on the good effect shown in research literature, the Company will continue to optimize the clinical trial plan, adhere to the research of this project and strive for early registration of this new indication.

Aminolevulinic Acid Hydrochloride used for the treatment of moderate and severe acne has obtained the clinical trial approval and phase I clinical studies is under way.

Aminolevulinic Acid Hydrochloride used for the adjunctive therapy of brain gliomas has completed pre-clinical study. Considering the market prospects and future capital investment, the Company decided to postpone this project.

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 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 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 reaching the age of 40, over 65% of patients without treatment will face the situation of thickening and modular lesions causing 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 the coagulation system. PWS had no good treatment before. As one of the second generation photosensitizer, compared with traditional therapies, Hemoporfin is featured by stable chemical structure, lower photosensitization, rapider metabolism, shorter light-avoidance period requirement, even degradation of lesion, 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 launched to market in 2017 and clinical trial phase IV is under way. Meanwhile the international registration of this drag was officially launched. The Group has already made preliminary communication with the Food and Drug Administration of the United States ("FDA"), and the FDA has recognized that FuMeiDa will be the first drug to apply for the treatment of PWS. Therefore, the Group was requested to assist in establishing standards for disease classification and then to make agreement with the FDA. At the same time, the clinical research program for registration in the United States has been clarified. At present, the Group is working hard to complete the preparations before the official clinical application. After the corresponding registration program is improved, the official application will be submitted as soon as possible.

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. Registration for the drug is being carried out in the U.S.. After the clinical trial being recognized by FDA, the Company will be required to further obtain the verification of good quality management system of our production plant by FDA before the drug can be launched in the U.S. market.

Vincristine sulphate liposome (LVCR) for the treatment of malignant tumors has completed clinical trial phase I. The Group cautiously decided to transfer this project to an independent third party pharmaceutical company based on the consideration of its future prospect, production conditions and payback period, etc. During the period under review, the transfer agreement is in the implementation stage.

Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒) for the treatment of tumors, has entered into pre-clinical study and some improvements have been made in large-scale production processes. The reform of existing production line for this project has been completed. We will launch the bioequivalence study and then apply for the drug registration.

The bioequivalence study of obeticholic acid for hepatobiliary disease has been commenced and we will apply for drug registration as soon as possible. It is a generic drug of a medicine developed in the US and listed worldwide for the treatment of primary biliary cirrhosis (PBC). Such drug has a large market in China which is a country with high incidence of hepatobiliary disease. The Company has engaged a third-party research institution, to break through the patent restrictions on the original drug. The Company was granted the patent in China during the period under review.

The Group is conducting a pre-clinical study on the selective inhibitor project for JAK1, a small molecular targeting drug. It has been confirmed to have great therapeutic value on the autoimmune disease. We are looking forward to finding a new me-better drug containing therapeutic advantages and apply for clinical research as soon as practicable.

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, are three major products of the Group, and together contributed 99% of the total revenue generated by the Group.

ALA 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 features 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, the therapy of ALA has the advantages such as better tolerance of patient, higher degree of safety, no formation of scar, and much lower adverse reaction rate and recurrence rate comparing with previous average level. ALA has become one of the largest consumed dermatological drugs now. During the period under review, the contribution of ALA to sales revenue of the Group increased by 21% compared with that of the corresponding period of last year.

LIBOd® (里葆多®) for the treatment of tumors, as the first generic drug of nanomedicine at home and abroad, was launched for sale in 2009 and it obtained favorable market response and reputation. On 29 October 2018, the Company and Shanghai Huizheng entered into the 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, a subsidiary of Zhejiang Haizheng Pharmaceutical Co., Ltd*. (浙江海正藥業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600267). The cooperation between the parties will help the Company effectively utilize the existing team and resources of Shanghai Huizheng, thus rapidly increasing the end-sales volume and market shares of LIBOd® of the Company. During the period under review, the terminal sales for LIBOd®, one of the major products of the Group, recovered gradually and its contribution to the sales revenue of the Group increased by 71% compared with that of the corresponding period of last year.

FuMeiDa, the first photodynamic drug for the treatment of PWS in the world, is a new drug with new drug target, new compound and new indication. FuMeiDa has been launched in the market officially in 2017. During the period under review, FuMeiDa has been sold in many hospitals throughout the country with well postoperative feedback. The Group is combining case feedback as soon as possible to optimize the key steps in the process of treatment in order to form a standardized treatment plan.

Taizhou Fudan-Zhangjiang, 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. Among them, the registration application of Parecoxib Sodium (帕瑞昔布鈉) for analgesia has been submitted and are awaiting approval for marketing.

After the integration of vitro diagnostic reagents platform, the Group restated the establishment of food-originated contaminants screening system as our direction of development in the area of clinical detecting in addition to continuous exploration in the existing dairy tests market. The Group will provide solutions to rapid screening, timely intervention and source control after focusing on food-originated contaminants such as antibiotics and mycotoxins in the early stage of human being. During the period under review, several kinds of screening reagents for food-origined antibiotics and their matching testing instruments had completed registration and obtained approval for sale.

FUTURE PROSPECTS

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

- **The projects for innovative research**, such as the research on a new ADC for the treatment of tumors; the research for the treatment of CIN, the research on small-molecule drugs for autoimmune diseases; the research on drugs for the treatment of moderate and severe acne, etc. This kind of projects focuses on the diseases with unmet needs and the deficiency of clinical and patients treatment. They need to be further explored due to their great importance in the areas of science and clinical treatment despite all the uncertainties.

- **The projects for international registration and commercialization purpose**, including international registration of listed products, such as the registration as a generic drug in the United States of the tumor drug Doxorubicin Hydrochloride Liposome; the registration as an innovative drug in the United States of Hemoporfin, the first photodynamic drug for the treatment of PWS in the world; the commercialization of Nanoparticle Albumin-bound Paclitaxel and the bioequivalence study and drug registration of generic drug of obeticholic acid for the indication of biliary cirrhosis, etc. This kind of projects is of specific importance in clinical treatment and has completed research on technology. Continuously pushing the clinical research and commercialization is the main purpose at 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 ideology of the Group, "to 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 developing new drugs 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 R&D and long-term healthy growth of the Group.

In addition, we will try our best to avoid the trap of homoplasy as a result of selecting projects from the drugs or targets which were well-developed overseas, a typical commercialization track in China. 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.

All the product lines for existing products for sale of the Group passed GMP Certification ("GMP Certification") of National Medical Products Administration. Our objective is to set up the production lines which can meet international standards so that our products can be sold worldwide. The management of the Company has considered applying for 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.

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 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 2019 (Six months ended 30 June 2018: Nil).

CHARGE ON ASSETS

There were no charges on the Group's assets as at 30 June 2019.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not have any significant investment.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Disposal of 30.04% equity interest in Derma Clinic

As approved by the Board meeting on 28 February 2019, the Company entered into an equity acquisition agreement with Shenyang Bringspring-Roadtop Health Data Industrial Equity Investment LLP.* (瀋陽榮科融拓健康數據產業股權投資合夥企業(有限合夥), "Bringspring-Roadtop"), pursuant to which the Company has agreed to sell 30.04% equity interest in Derma Clinic, a subsidiary of the Company, to Bringspring-Roadtop with a consideration of RMB16,522,000 related to the registered capital of RMB16,522,000. Meanwhile, other shareholders of Derma Clinic will also sell certain proportion of equity interest to Bringspring-Roadtop under the agreement. Upon completion of the disposal, Bringspring-Roadtop owns 63% of equity interest in Derma Clinic while the Company owns 20% of equity interest in Derma Clinic. For more details, please refer to the announcement of the Company dated 28 February 2019. The Company completed the industrial and commercial registration for the change in respect of the disposal of 30.04% equity interest in Derma Clinic in April 2019. As at 30 June 2019, the Company has received part of the consideration amounting to RMB4,956,600.

Acquisition of 30.23% equity interest in Taizhou Fudan-Zhangjiang

As approved by the Board meeting on 8 March 2019, and the annual general meeting, the class meeting of holders of H shares and the class meeting of holders of domestic shares on 26 April 2019, the Company proposed to use the proceeds raised from the Issuance of A Shares to acquire minor equity interests in Taizhou Fudan-Zhangjiang. Through public tender, on 28 June 2019, the Company entered into the State-owned Equity Transfer Agreement with Taizhou Huaxin Pharmaceutical Investment Co., Ltd.* (泰州華信藥業投資有限公司, "Taizhou Huaxin"), Taizhou Huasheng Investment Development Co., Ltd.* (泰州華盛投資開發有限公司, "Taizhou Huasheng") and Taizhou Public Resources Trading Center, pursuant to which Taizhou Huaxin and Taizhou Huasheng respectively agreed to sell, and the Company agreed to acquire an aggregate of 30.23% equity interest in Taizhou Fudan-Zhangjiang. For more details, please refer to the announcements of the Company dated 8 March 2019, 26 April 2019, 28 June 2019 and 2 July 2019, and the supplemental circular of the Company dated 4 April 2019. As at 30 June 2019, the Company has paid the consideration amounting to RMB178,000,000. The registration procedure in respect of the transfer was completed on 17 July 2019.

Saved as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2019.

BANK BORROWINGS

As at 30 June 2019, the outstanding amount of the loans of the Group was RMB140,000,000, which includes:

On 1 August 2018, the unsecured bank borrowing of RMB60,000,000 was taken by the Company, bearing a floating interest rate per annum (as at 30 June 2019: 4.35%). The borrowing is due for repayment on 1 August 2019.

On 16 November 2018, the unsecured bank borrowing of RMB40,000,000 was taken by the Company, bearing a floating interest rate per annum (as at 30 June 2019: 4.35%). The borrowing is due for repayment on 16 November 2019.

On 23 April 2019, the unsecured bank borrowing of RMB25,294,000 was taken by the Company, bearing a floating interest rate per annum (as at 30 June 2019: 3.915%). The borrowing is due for repayment on 23 April 2020.

On 17 June 2019, the unsecured bank borrowing of RMB14,706,000 was taken by the Company, bearing a floating interest rate per annum (as at 30 June 2019: 3.915%). The borrowing is due for repayment on 23 April 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Taizhou Fudan-Zhangjiang, the subsidiary of the Company, has the plan to construct a new production plant based on the progress in the R&D projects of the Group to meet future production needs.

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 2019, the Group had cash and cash equivalents of approximately RMB489,387,000.

Being consistent with other companies in the industry, the Group monitors its 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 2019 and 31 December 2018, 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 proceeds in Hong Kong dollar 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 2019, the Group had a total of 584 employees, as compared to 735 employees as at 30 June 2018. The decrease of number of employees is due to the disposal of the subsidiary. Staff costs including Directors' remuneration for the six months ended 30 June 2019 were approximately RMB64,723,000, compared with approximately RMB67,238,000 for the same period in 2018. 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.

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

As at 30 June 2019, 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	800,000 (L)	Beneficial owner	Personal	0.14%	0.09%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2019, 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 2019, 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 2019.

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 2019.

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 2019 before proposing to the Board for approval.

OTHER MATTERS

Proposed Issue of A Shares

As approved by the Board meeting on 8 March 2019 and the annual general meeting, the class meeting of holders of H shares and the class meeting of holders of domestic shares on 26 April 2019, the Company proposed to apply to the relevant regulatory authorities in the PRC for the allotment and issue of not more than 120,000,000 A Shares with a nominal value of RMB0.1 each to the qualified price consultation participants subject to the laws and regulations of the PRC and the conditions required by the regulatory authorities, qualified investors of the Sci-Tech Innovation Board who maintain securities account with the Shanghai Stock Exchange and other investors as approved by the China Securities Regulatory Commission and the Shanghai Stock Exchange (excluding those in respect of which subscription has been prohibited by laws and regulations), and proposed to apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares. For more details, please refer to the announcements of the Company dated 8 March 2019 and 26 April 2019, and the circulars of the Company dated 12 March 2019 and 4 April 2019.

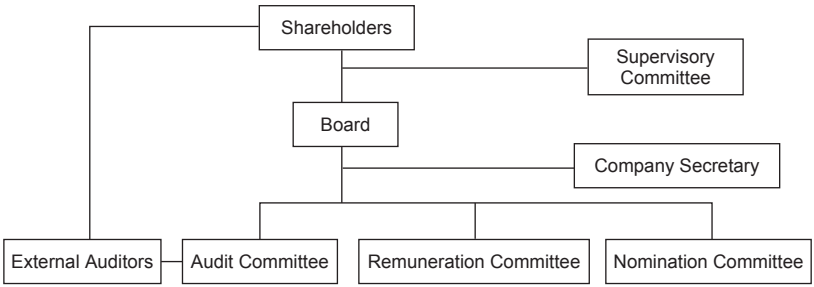
Meanwhile, in accordance with the Company Law of the PRC, the Implementation Measures for Issue and Underwriting of Shares on the Sci-Tech Innovation Board of Shanghai Stock Exchange* (《上海證券交易所科創板股票發行與承銷實施辦法》), the Guidelines for Issue and Underwriting of Shares on the Sci-Tech Innovation Board of Shanghai Stock Exchange* (《上海證券交易所科創板股票發行與承銷業務指引》) and the provisions of other relevant laws, regulations and regulatory documents, and the Articles of the Company, the Company formulated the Strategic Allotment Plan. The Participants of the Strategic Allotment Plan shall be the senior management and core employees of the Company, who may participate in the Strategic Allotment under the Issue of A Shares to subscribe for the approved number of A Shares upon the consideration and approval by the Board meeting and/or the general meeting of the Company (as the case may be) in accordance with the Strategic Allotment Plan. Pursuant to the Strategic Allotment Plan, the Company may allot not more than 12 million A Shares to its senior management and core employees under the Issue of A Shares. The Strategic Allotment Plan was approved by the annual general meeting, the class meeting of holders of H shares and the class meeting of holders of domestic shares on 26 April 2019 and the extraordinary general meeting on 21 June 2019. For more details, please refer to the announcements of the Company dated 26 April and 21 June 2019, and the circular of the Company dated 6 June 2019.

The Company has submitted the application materials in respect of the Proposed Issue of A Shares, including the A share prospectus, to the Shanghai Stock Exchange, and has received a letter of acceptance issued by the Shanghai Stock Exchange in respect of the Company's application for the Proposed Issue of A Shares on 13 May 2019. For more details, please refer to the announcement of the Company dated 13 May 2019.

In accordance with the relevant provisions, the financial statements disclosed in the prospectus of the Company have expired. As the Company is still in the review process of the Proposed Issue of A Shares, it shall report and update the financial statements to cover the first half of 2019 pursuant to the relevant provisions. As such, the Company has submitted to the Shanghai Stock Exchange its application for suspension of the review process of the initial public issue of A shares and listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (the "Application"). The Company will promptly submit application for resumption of the review process to the Shanghai Stock Exchange after the interim results announcement is published. For more details, please refer to the announcement of the Company dated 31 July 2019.

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

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

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Revenue	6	**390,693**	295,705
Cost of sales	8	**(39,427)**	(36,602)
Gross profit		**351,266**	259,103
Other income and gains – net	7	**18,303**	20,783
Research and development costs	8	**(51,196)**	(43,966)
Distribution and marketing costs	8	**(194,585)**	(146,737)
Administrative expenses	8	**(28,372)**	(31,619)
Other expenses	8	**(962)**	(546)
Operating profit		**94,454**	57,018
Finance costs		**(3,500)**	(3,113)
Profit before income tax		**90,954**	53,905
Income tax expense	9	**(7,971)**	(8,031)
Profit for the period		**82,983**	45,874
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**5**	41
Total comprehensive income for the period		**82,988**	45,915
Profit attributable to:			
Shareholders of the Company		**89,630**	52,408
Non-controlling interests		**(6,647)**	(6,534)
		82,983	45,874
Total comprehensive income attributable to:			
Shareholders of the Company		**89,635**	52,449
Non-controlling interests		**(6,647)**	(6,534)
		82,988	45,915
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	11	**RMB0.0971**	RMB0.0568

The notes on pages 23 to 49 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2019** ***RMB'000***	Audited 31 December 2018 *RMB'000*
Non-current assets			
Leasehold land payments	3(a),12	**–**	29,388
Property, plant and equipment	12	**266,570**	297,328
Right-of-use assets	3(a),12	**36,480**	–
Goodwill	12	**–**	–
Intangible assets	12	**7,812**	11,989
Deferred costs	12	**40,375**	40,877
Investment in an associate	13	**10,456**	–
Investment in a joint venture	14	**24,000**	24,000
Deferred income tax assets		**30,948**	31,198
Financial assets at fair value through other comprehensive income		**–**	–
Other non-current assets	15	**179,970**	4,436
		596,611	439,216
Current assets			
Inventories		**36,957**	32,038
Trade receivables	16	**347,315**	356,481
Other receivables, deposits and prepayments	17	**26,963**	37,627
Amounts due from related parties		**24,388**	5,780
Cash and cash equivalents		**489,387**	588,221
		925,010	1,020,147
Total assets		**1,521,621**	1,459,363

INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current liabilities			
Lease liabilities	3(a)	**4,000**	–
Deferred revenue	18	**10,059**	11,359
		14,059	11,359
Current liabilities			
Trade payables	19	**8,030**	4,777
Other payables and accruals		**241,945**	260,030
Contract liabilities		**13,529**	2,306
Lease liabilities	3(a)	**4,349**	–
Dividend payable	10	**64,610**	–
Current income tax liabilities		**7,575**	28,767
Amount due to related parties		**10,062**	3,690
Borrowings	20	**140,000**	150,000
Deferred revenue	18	**5,184**	5,150
		495,284	454,720
Total liabilities		**509,343**	466,079
Capital and reserves attributable to shareholders of the Company			
Share capital		**92,300**	92,300
Reserves		**914,796**	889,771
		1,007,096	982,071
Non-controlling interests		**5,182**	11,213
Total equity		**1,012,278**	993,284
Total equity and liabilities		**1,521,621**	1,459,363

The notes on pages 23 to 49 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2019 ***RMB'000***	Unaudited Six months ended 30 June 2018 *RMB'000*
Operating activities		
Cash generated from operations	**128,314**	24,705
Interest paid	**(2,937)**	(3,113)
Interest received	**1,263**	1,762
Income tax paid	**(28,913)**	(4,055)
Net cash generated from operating activities	**97,727**	19,299
Investing activities		
Purchase of property, plant and equipment	**(17,192)**	(15,925)
Additions to deferred costs	**(1,376)**	(348)
Purchase of intangible assets	**(155)**	(137)
Proceeds from disposal of property, plant and equipment	**1,296**	174
Investments in financial products	**(1,130,000)**	(939,900)
Cash received upon maturity of financial products	**1,136,826**	946,495
Disposal of a subsidiary	**3,270**	–
Net cash used in investing activities	**(7,331)**	(9,641)
Financing activities		
Prepayment for the acquisition of the non-controlling interests in a subsidiary	**(178,000)**	–
Capital contribution from non-controlling interests	**–**	4,995
Proceeds from borrowings	**42,625**	50,000
Repayments of borrowings	**(50,000)**	(40,000)
Leasing Payments	**(3,860)**	–
Net cash (used)/generated from financing activities	**(189,235)**	14,995
Net (decreased)/increase in cash and cash equivalents	**(98,839)**	24,653
Cash and cash equivalents at beginning of the period	**588,221**	468,144
Exchange gains on cash and cash equivalents	**5**	41
Cash and cash equivalents at end of the period	**489,387**	492,838

The notes on pages 23 to 49 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*	Other comprehensive income *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	92,300	412,293	46,150	322,042	(395)	20,092	892,482
Profit/(loss) for the period	–	–	–	52,408	–	(6,534)	45,874
Other comprehensive income/(loss):							
Currency translation differences	–	–	–	–	41	–	41
Total comprehensive income/(loss) for the period	–	–	–	52,408	41	(6,534)	45,915
Total transactions with owners, recognised directly in equity							
Capital contribution from non-controlling interests	–	–	–	–	–	4,995	4,995
Dividends relating to 2017	–	–	–	(27,690)	–	–	(27,690)
Total transactions with owners, recognised directly in equity	–	–	–	(27,690)	–	4,995	(22,695)
Balance at 30 June 2018	92,300	412,293	46,150	346,760	(354)	18,553	915,702
Balance at 1 January 2019	**92,300**	**412,293**	**46,150**	**445,334**	**(14,006)**	**11,213**	**993,284**
Profit/(loss) for the period	**–**	**–**	**–**	**89,630**	**–**	**(6,647)**	**82,983**
Other comprehensive income/(loss):							
Currency translation differences	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**89,630**	**5**	**(6,647)**	**82,988**
Total transactions with owners, recognised directly in equity							
Dividends relating to 2018	**–**	**–**	**–**	**(64,610)**	**–**	**–**	**(64,610)**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**616**	**616**
Total transactions with owners, recognised directly in equity	**–**	**–**	**–**	**(64,610)**	**–**	**616**	**(63,994)**
Balance at 30 June 2019	**92,300**	**412,293**	**46,150**	**470,354**	**(14,001)**	**5,182**	**1,012,278**

The notes on pages 23 to 49 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 HKD1.70, 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 2019, the Company had direct interests of 69.77%, 84.68%, 69.92% and 100% in four subsidiaries, namely Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), Shanghai Tracing Biotechnology Co., Ltd. ("Tracing"), 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 20 August 2019.

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 2019 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 2018, 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 2018, 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. None of those new or amended standards has significant financial impact to the Group except for IFRS 16:

IFRS 16	"Leases"
IFRIC 23	"Uncertainty over income tax treatments"
IFRS 9 (Amendments)	"Prepayment features with negative compensation"
IAS 28 (Amendments)	"Long-term Interests in Associates and Joint Ventures"
IAS 19 (Amendments)	"Plan amendment, curtailment or settlement"

The Group leases various offices. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. ACCOUNTING POLICIES (continued)

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff domitories.

Extension options are included in a number of property leases across the Group.These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted IFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

3. ACCOUNTING POLICIES (continued)

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

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.35%.

Operating lease commitments disclosed as at 31 December 2018	46,741
Lease liabilities recognised on extension option estimation	–
Less:	
Short-term leases recognised on a straight-line basis as expense	(1,825)
Low-value leases recognised on a straight-line basis as expense	(85)
	44,831
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	39,870
Until the 2018 financial year, unpaid amount under operating leases charged to profit or loss on a straight-line basis over the period of the lease	(2,354)
Add:	
Rental prepayments recognised as at 31 December 2018	–
Reclassification of leasehold land and land use rights	29,388
Right-of-use assets recognised as at 1 January 2019	66,904

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019 and unpaid amount under operating leases charged to profit or loss on a straight-line basis over the period of the lease until the 2018 financial year. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3. ACCOUNTING POLICIES (continued)

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

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 ***RMB'000***	1 January 2019 *RMB'000*
Leasehold land and land use rights	**28,993**	29,388
Buildings	**7,487**	37,516
Total right-of-use assets	**36,480**	66,904
Current lease liabilities	**4,349**	7,771
Non-current lease liabilities	**4,000**	32,099
Total lease liabilities	**8,349**	39,870

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB66,904,000
- Leasehold land and land use rights – decrease by RMB29,388,000
- Lease liabilities (current portion) – increase by RMB7,771,000
- Lease liabilities (non-current portion) – increase by RMB32,099,000
- Other payables and accruals – decrease by RMB2,354,000

There was no impact on retained earnings on 1 January 2019.

3. ACCOUNTING POLICIES (continued)

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

The following new standards, amendments and interpretations of IFRSs 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 17	"Insurance contracts"
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
IAS 1 and IAS 8 (Amendments)	"Definition of Material"
IFRS 3 (Amendments)	"Definition of a Business"
Revised Conceptual Framework	"Revised Conceptual Framework for Financial Reporting"

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 2018.

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 2018.

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:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Sales of medical products	**389,350**	287,165
Service income	**1,343**	7,764
Others	**–**	776
	390,693	295,705

7. OTHER INCOME AND GAINS – NET

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Gains on disposal of a subsidiary *(note 21)*	**8,150**	–
Gains on investments in financial products *(note (a))*	**6,826**	6,595
Government grants	**2,100**	9,541
Interest income	**1,263**	1,762
Cooperation agreement with Shanghai Pharmaceuticals *(note (b))*	**–**	2,878
Loss on investments in an associate	**(544)**	–
Others	**508**	7
	18,303	20,783

(a) The gains represented the gains on investments in financial products upon maturity.

(b) 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. 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").

As at 30 June 2019, except one of the drug research projects, Vincristine Sulphate Liposome ("LVCR") being transferred since 15 July 2014, the other three drug research projects has been terminated as agreed by both party. No cash was received from Shanghai Pharmaceuticals under the Cooperation Agreement and no revenue was recognised during the six months ended 30 June 2019.

8. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Amortisation of right-of-use assets	**4,014**	–
Amortisation of deferred costs (included in 'Cost of sales')	**1,909**	1,670
Amortisation of intangible assets	**855**	1,098
Amortisation of leasehold land payments	**–**	395
Provision for impairment of trade receivables	**1,796**	661
Provision for impairment of inventories	**2,080**	–
Changes in inventories of finished goods and work in progress	**42**	(73)
Raw materials and consumables used	**19,536**	17,195
Depreciation of property, plant and equipment	**24,150**	23,781
Less: Amounts capitalised in deferred costs	**(31)**	(100)
	24,119	23,681
Losses on disposal of property, plant and equipment	**800**	376
Operating lease rentals in respect of land and buildings	**902**	5,534
Outsourced research and development costs	**9,536**	10,329
Employee benefit expenses	**64,723**	67,238
Less: Amounts capitalised in deferred costs	**(26)**	(163)
Amounts capitalised in property, plant and equipment	**–**	(13)
	64,697	67,062
Marketing and sales promotion expenses	**152,822**	105,603
Quality inspection expenses	**6,588**	4,387
Others	**24,846**	21,552
Total cost of sales, research and development costs, distribution and marketing costs, administrative expenses and other expenses	**314,542**	259,470

9. INCOME TAX EXPENSE

Effective from 1 January 2008 and except for Fernovelty 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, Tracing and Taizhou Pharmaceutical were recognised as high-tech enterprises, and the applicable tax rate is 15% for the six months ended 30 June 2019. The applicable tax rates of the other Mainland China subsidiaries are 25% for the six months ended 30 June 2019 (Six months ended 30 June 2018: The Company and Tracing: 15%, the other Mainland China subsidiaries: 25%).

Fernovelty 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%. Effective from 1 January 2018, a two-tier profits tax rates system is implemented under which the first HK$2 million of assessable profits of corporations will be taxed at 8.25% whereas the remaining amount will be taxed at the standard rate of 16.5%. Since it did not have estimated assessable profit for the six months ended 30 June 2019, Hong Kong profits tax has not been provided.

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**7,721**	14,475
Deferred income tax	**250**	(6,444)
	7,971	8,031

10. DIVIDEND

On 26 April 2019, the shareholders at the Company's Annual General Meeting approved the payment of a final dividend of RMB0.07 per ordinary share, totalling RMB64,610,000 for the year ended 31 December 2018, which has not been paid as at 30 June 2019. The final dividend in respect of the year ended 31 December 2018 is calculated based on the total number of shares in issue. The condensed consolidated interim financial information reflect this as dividend payable.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: 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.

	Unaudited	
	Six months ended 30 June	
	2019	2018
Profit attributable to shareholders of the Company *(RMB'000)*	**89,630**	52,408
Weighted average number of ordinary shares in issue *('000)*	**923,000**	923,000
Basic earnings per share *(RMB)*	**0.0971**	0.0568

There is no difference between the basic and diluted earnings per share for the six months ended 30 June 2019 and 30 June 2018 as there were no dilutive potential ordinary shares during the periods then ended.

12. CAPITAL EXPENDITURE

	Unaudited					
	Leasehold land payments *RMB'000*	Property, plant and equipment *RMB'000*	Goodwill *RMB'000*	Intangible assets *RMB'000*	Deferred costs *RMB'000*	Right-of-use assets *RMB'000*
Cost						
At 31 December 2018	37,356	514,634	8,937	21,105	58,466	–
Change of accounting policy	(37,356)	–	–	–	–	74,872
At 1 January 2019	–	514,634	8,937	21,105	58,466	74,872
Additions	–	17,291	–	155	1,407	349
Disposals	–	(8,785)	–	–	–	–
Adjustment to rental contracts	–	–	–	–	–	(2,337)
Disposal of a subsidiary	–	(39,448)	–	(3,978)	–	(26,130)
At 30 June 2019	–	483,692	8,937	17,282	59,873	46,754
Accumulated amortisation/ depreciation						
At 31 December 2018	7,968	215,673	–	9,116	16,936	–
Change of accounting policy	(7,968)	–	–	–	–	7,968
At 1 January 2019	–	215,673	–	9,116	16,936	7,968
Charge for the period	–	24,150	–	855	1,909	4,014
Disposals	–	(7,166)	–	–	–	–
Adjustment to rental contracts	–	–	–	–	–	(220)
Disposal of a subsidiary	–	(15,535)	–	(501)	–	(1,488)
At 30 June 2019	–	217,122	–	9,470	18,845	10,274
Accumulated Impairment						
At 1 January 2019	–	1,633	8,937	–	653	–
Disposal of a subsidiary	–	(1,633)	–	–	–	–
At 30 June 2019	–	–	8,937	–	653	–
Net book value						
At 30 June 2019	–	266,570	–	7,812	40,375	36,480

12. CAPITAL EXPENDITURE (continued)

	Unaudited				
	Leasehold land payments *RMB'000*	Property, plant and equipment *RMB'000*	Goodwill *RMB'000*	Intangible assets *RMB'000*	Deferred costs *RMB'000*
Cost					
At 1 January 2018	37,356	482,955	8,937	20,968	64,085
Additions	–	18,002	–	137	448
Disposals	–	(1,770)	–	–	–
At 30 June 2018	37,356	499,187	8,937	21,105	64,533
Accumulated amortisation/ depreciation					
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)	–	–	–
At 30 June 2018	7,573	190,878	–	8,139	15,029
Impairment charge					
At 1 January 2018 and 30 June 2018	–	–	4,000	–	653
Net book value					
30 June 2018	29,783	308,309	4,937	12,966	48,851

13. INVESTMENTS IN ASSOCIATES

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
At 1 January 2019	**–**	–
Additions	**11,000**	–
Share of loss for the period	**(544)**	–
At 30 June 2019	**10,456**	–

14. INVESTMENTS IN JOINT VENTURE

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Non-current assets		
Unlisted securities		
– Equity securities *(note (a))*	**24,000**	24,000

(a) In November 2019, the Company subscribed for RMB60,000,000 shares, accounting for 29.85% shares of Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("BVCF Fund"). As at 30 June 2019, no investment has been made by BVCF Fund.

15. OTHER NON-CURRENT ASSETS

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Acquisition of the non-controlling interests in a subsidiary prepayments *(note (a))*	**178,000**	–
Equipment prepayments	**1,970**	4,436
	179,970	4,436

(a) During the period, the Company entered into an equity transfer contract with the minority shareholders of Taizhou Pharmaceutical, and agreed to acquire a total of 30.23% of the shares of Taizhou Pharmaceutical. As at 30 June 2019, the total consideration amounting to RMB178,000,000 has been paid. The relevant transfer procedures and registration were completed on July 17, 2019.

16. TRADE RECEIVABLES

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Accounts receivable *(note (a))*	**266,665**	276,070
Less: Provision for impairment	**(4,511)**	(3,093)
Accounts receivable-net	**262,154**	272,977
Notes receivable *(note (b))*	**85,161**	83,504
	347,315	356,481

As at 30 June 2019 and 31 December 2018, 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 2019 and 31 December 2018, are as follows:

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Within credit terms	**218,506**	198,164
Past due within 30 days	**24,386**	56,687
Past due over 30 days and within 60 days	**8,892**	10,816
Past due over 60 days and within 90 days	**100**	4,214
Past due over 90 days and within one year	**12,801**	4,208
Past due over one year	**1,980**	1,981
	266,665	276,070

(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.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Prepayments	**12,791**	19,780
Receivable of the consideration related to the disposal of a subsidiary *(note 7(a))*	**11,565**	–
Deposits	**1,387**	2,633
Advances to employees	**757**	1,189
Value-added tax recoverable	**342**	114
Others	**121**	13,911
	26,963	37,627

18. DEFERRED REVENUE

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Government grants	**12,998**	14,264
Technology transfer	**2,245**	2,245
	15,243	16,509
Less: Amounts to be realized within one year	**(5,184)**	(5,150)
	10,059	11,359

19. TRADE PAYABLES

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Accounts payable *(note (a))*	**8,030**	4,777

As at 30 June 2019 and 31 December 2018, 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 2019 and 31 December 2018, the ageing analysis of accounts payable based on invoice date are as follows:

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Within 30 days	**6,719**	3,481
31 days to 60 days	**62**	44
61 days to 90 days	**–**	81
Over 90 days but less than one year	**86**	351
Over one year	**1,163**	820
	8,030	4,777

20. BORROWINGS

	Unaudited 30 June 2019 ***RMB'000***	Audited 31 December 2018 *RMB'000*
Current		
Short-term bank borrowings, unsecured *(note (a))*	**140,000**	140,000
Short-term bank borrowing, secured	**–**	10,000
	140,000	150,000

(a) As at 30 June 2019, 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 2 August 2019.

As at 30 June 2019, an unsecured short-term bank borrowing of RMB40,000,000 was taken by the Company, bore a floating interest rate at 4.35% per annum and was due for repayment on 15 November 2019.

As at 30 June 2019, an unsecured short-term bank borrowing of RMB25,294,000 was taken by the Company, bore a floating interest rate at 3.915% per annum and was due for repayment on 23 April 2020.

As at 30 June 2019, an unsecured short-term bank borrowing of RMB14,706,000 was taken by the Company, bore a floating interest rate at 3.915% per annum and was due for repayment on 23 April 2020.

Interest expense on borrowings for the six months ended 30 June 2019 was RMB2,937,000 (Six months ended 30 June 2018: RMB3,113,000).

21. DISPOSAL OF A SUBSIDIARY

	Unaudited 30 June 2019 *RMB'000*
Consideration	**16,522**
Fair value of the remaining equity investment	**11,000**
Less: carrying amount of net assets of the subsidiary shared	**(16,673)**
Less: transaction fee	**(2,699)**
	8,150

On 28 February 2019, the Company has entered into an equity acquisition agreement (the "Agreement") with Shenyang Bringspring-Roadtop Health Data Industrial Equity Investment LLP.("Bringspring-Roadtop"), pursuant to which the Company has agreed to sell 30.04% of equity interest in Derma Clinic, a subsidiary of the Company, with a consideration of RMB16,522,000 (the "Disposal"). Meanwhile, other shareholders of Derma Clinic will also sell certain proportion of equity interest to Bringspring-Roadtop under the Agreement. Upon the completion of the Disposal, Bringspring-Roadtop will own 63% of equity interest in Derma Clinic while the Company will own 20% of equity interest in Derma Clinic. The Company recognized gains of RMB8,150,000 in this equity transfer transaction. As at 30 June 2019, part of the consideration amounting to RMB4,956,000 was received.

22. RELATED PARTY TRANSACTIONS

(i) Transactions

During the six months ended 30 June 2019 and 30 June 2018, 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:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
With Shanghai Pharmaceutical Co., Ltd. and its subsidiaries:		
Sales of medical products	**39,168**	17,502
With Shanghai Pharmaceuticals:		
Cash paid for the outsourcing research and development	**800**	–
With Shanghai Jiaolian Drug Development Co., Ltd. ("Shanghai Jiaolian"), a subsidiary of Shanghai Pharmaceuticals:		
Cash received under the Cooperation Agreement *(Note (a))*	**6,372**	–

(a) On 14 March 2019, the Company and Shanghai Jiaolian signed a supplemental innovative drug research and development cooperation agreement in relation to an existing drug research project undertaken by the Company and Shanghai Jiaolian. According to the agreement, the Company and Shanghai Jiaolian will undertake part of the research and development work separately and bear 50% of the research and development expense from the clinical trial application to the acquisition of the new drug certificate. According to the annual budget, Shanghai Jiaolian is expected to pay RMB6,372,000 to the Company, which has been received by the Company as at 30 June 2019. Due to that the research and development expense incurred during the period has not exceeded that should be undertaken this year, the Company recorded it as contract liabilities.

22. RELATED PARTY TRANSACTIONS (continued)

(ii) Balances

	Unaudited 30 June 2019 ***RMB'000***	Audited 31 December 2018 *RMB'000*
Amounts due from related parties:		
Shanghai Pharmaceutical Co., Ltd. and its subsidiaries	**24,388**	5,780
Amount due to related parties:		
Shanghai Jiaolian	**6,372**	–
Shanghai Pharmaceuticals	**3,690**	3,690
	10,062	3,690

23. 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

20 August 2019