



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 2021

* *For identification purpose only*

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Five years financial data highlights

Results

	2021 RMB'000	Unaudited Six months ended 30 June			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	399,037	235,615	390,693	295,705	272,040
Profit before income tax	66,787	27,997	93,412	53,905	52,680
Income tax expense	1,717	1,368	(8,340)	(8,031)	(7,133)
Profit for the period	65,069	29,365	85,072	45,874	45,547
Profit attributable to:					
Shareholders of the Company	65,485	29,079	91,720	52,408	49,572
Non-controlling interests	(416)	286	(6,648)	(6,534)	(4,025)
Total comprehensive income for the period	69,017	29,416	85,078	45,915	45,367
Total comprehensive income attributable to:					
Shareholders of the Company	69,433	29,130	91,726	52,449	49,392
Non-controlling interests	(416)	286	(6,648)	(6,534)	(4,025)
EBIDTA	96,615	58,240	127,809	83,862	78,710
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	RMB 0.0628	RMB 0.0310	RMB 0.0994	RMB 0.0568	RMB 0.0537

Assets and liabilities

	Unaudited 30 June 2021 RMB'000	Audited 31 December			
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	
Total assets	2,479,272	2,500,701	1,564,825	1,469,691	1,145,134
Total liabilities	(453,915)	(492,211)	(631,676)	(515,259)	(252,652)
	2,025,357	2,008,490	933,149	954,432	892,482
Capital and reserves attributable to:					
Shareholders of the Company	2,028,214	2,010,931	931,525	943,218	872,390
Non-controlling interests	(2,857)	(2,441)	1,623	11,214	20,092
	2,025,357	2,008,490	933,148	954,432	892,482

Key Financial Indicators of the Company

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

(I) Five years financial data highlights (continued)

The Company adopted the China Accounting Standards for Business Enterprises to prepare its overseas financial statements since 24 February 2020 and made relevant adjustments on its interim consolidated financial statements for the six months ended 30 June 2019 according to China Accounting Standards for Business Enterprises. The interim consolidated financial statements of the Company for the six months ended 30 June 2018 and 2017 were prepared in accordance with the International Financial Reporting Standards and no adjustments were made thereto.

(II) Key accounting data

Unit: RMB

Key accounting data	Reporting Period (January to June 2021)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Revenue	399,037,102	235,614,896	69.36
Net profit attributable to shareholders of the listed company	65,485,448	29,078,874	125.20
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	54,543,664	10,530,619	417.95
Net cash flows from operating activities	56,033,635	60,819,045	-7.87
	As at the end of the Reporting Period	As at the end of last year	Compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	2,028,213,577	2,010,930,752	0.86
Total assets	2,479,272,106	2,500,701,037	-0.86

(III) Key financial indicators

Key financial indicators	Reporting Period (January to June 2021)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.06	0.03	100.00
Diluted earnings per share (RMB per share)	0.06	0.03	100.00
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.05	0.01	400.00
Weighted average rate of return on net assets (%)	3.20	3.19	Increased by 0.01 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	2.67	1.17	Increased by 1.50 percentage point
Proportion of R & D investment in operating revenue (%)	26.94	24.15	Increased by 2.79 percentage point

Key Financial Indicators of the Company

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

(III) Key financial indicators (continued)

Description of key accounting data and financial indicators

The financial statements in the 2021 interim report of the Company were prepared in accordance with the China Accounting Standards for Business Enterprises and related requirements issued by the Ministry of Finance of the PRC and it is unaudited. Unless otherwise specified, the currency referred to in this interim report for accounting purpose is RMB.

During the Reporting Period, due to the control of COVID-19 epidemic ("Epidemic"), the transportation of products and the treatment of patients have significant resumed, the sales volume and terminal use of the medical products of the Group have also gradually recovered and drug sales improved. The revenue of the Company and its subsidiaries (the "Group") during the Reporting Period increased by 69.36% comparing to the same period in 2020, the net profit attributable to the shareholders of the Company increased by 125.20% comparing to the same period in 2020, and the net profit after deduction of non-recurring profit or loss attributable to the shareholders of the Company increased by 417.95% comparing to the same period in 2020.

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

Not applicable.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	Amount	Explanations
Gains or losses from disposal of non-current assets	607,345	
Government grants recognized through profit or loss for the period (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity according to a certain standard)	1,886,729	
In addition to the effective hedging business related to the Company's normal business operations, the profit and loss of fair value changes arising from the holding of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment	11,894,781	It's mainly the interest accrued from the structured deposits of the Company.
Other non-operating income and expenses other than the above items	-1,731,923	
Effect on minority interests	-10,979	
Effect on income tax	-1,704,169	
Total	10,941,784	

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

Not applicable.

Management Discussion and Analysis

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

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

(I) Basic information of the Group's industry

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

The pharmaceutical industry is an important part of the national economy. With the development of economy and the improvement of people's living standard, China's pharmaceutical industry presents a sustained and promising development trend, and the status of the pharmaceutical industry is gradually improving. In the future, China's pharmaceutical industry will continue to grow and its position in the national economy will continue to improve.

2. Current situation of dermatology medicine industry in China

Dermatosis is a common and frequently occurring disease in medical science, which is characterized by a wide range of patients, large number of syndromes and long treatment time. In recent years, the number of patients with skin diseases continues to grow, and their age is becoming younger and younger. Due to the repeated skin diseases, delayed treatment and high treatment costs, skin diseases bring great disadvantages to the rehabilitation of patients.

– The treatment of condyloma acuminata

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

– The treatment of PWS

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

Management Discussion and Analysis

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

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

3. Current situation of China's antineoplastic drug industry

Malignant tumor is one of the most serious diseases threatening human health and social development. Among the 184 countries and regions in the world, the incidence of malignant tumor in China is in the middle and above the average level, accounting for 21.8%¹ of the global malignant tumor incidence.

– Current situation of anthracycline antineoplastic drug industry

Anthracyclines are anti-tumor antibiotics, which are chemical matters produced by microorganisms with antitumor activity. Anthracycline drugs include daunorubicin (DNR), doxorubicin (ADM), epirubicin (EPI), pirarubicin (THP), mitoxantrone (MIT) and carborubicin. Doxorubicin ranks first in the market share of anthracycline anticancer drugs in China. Doxorubicin is commonly used in the treatment of malignant lymphoma, acute leukemia and breast cancer. It has a wide anti-tumor spectrum and good curative effect, but its toxicity is also serious. In addition to myelosuppression, gastrointestinal toxicity and alopecia, doxorubicin can cause serious cardiotoxicity and is a dose limiting drug. When the cumulative dose is large, it can cause myocardial damage and even heart failure, which greatly limits the clinical application of doxorubicin. Liposomes are widely studied and have the most promising future of particle targeted drug carrier. So far, scholars have carried out a lot of basic research in this field. It is found that liposomes have a wide range of application value in the fields of anti-cancer and antimicrobial drugs, such as immunization and clinical diagnosis. Compared with traditional doxorubicin liposomes, pegylated doxorubicin liposomes have the characteristics of long action time, low cardiac toxicity and good tumor targeting. It not only has satisfactory curative effect on lymphoma, Kaposi's sarcoma, multiple myeloma, gynecological tumor, breast cancer and other tumors, but also can effectively improve the related adverse reactions, significantly reduce cardiac toxicity and improve the treatment index.

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

– Dermatology Products

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

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

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

¹ Data from Mine i comprehensive database

Management Discussion and Analysis

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

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

– *Dermatology Products (continued)*

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

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

– *Anti Tumor Products*

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

LIBOd® for the treatment of tumors, was launched to market in August 2009. The drug is a new doxorubicin formula which adopts the advanced stealth liposomal encapsulation technology and has passive targeting characteristics. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and remarkably lowering the effects of cardiac toxicity, myelosuppression and hair-loss.

(III) *Operation model of the Group*

1. *Profit model*

The Group is mainly engaged in innovative research and development, manufacturing and marketing of biological medicine. Through the industrialization of independent research and development products, the Group finally realizes sales revenue and profit. During the Reporting Period, the main business income of the Group mainly comes from the sales revenue of the Company's pharmaceutical products.

2. *Procurement model*

The Group's procurement system is mainly divided into raw materials for production procurement, R&D related procurement and daily office supplies procurement. The Group has formulated the Management System of Material Requisition and Purchase Application, the Procedures of Material Procurement Management and Supplier Management under cGMP system to ensure the orderly progress of the Group's procurement activities.

3. *Production model*

The Group's production system is built in strict compliance with the relevant national laws and regulations. The Company's production system is established by the production department and the quality department. The Company implements the production strategy of "sales oriented production" and formulates the production plan according to the sales orders, the expected sales situation and the inventory volume.

Management Discussion and Analysis

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

(III) Operation model of the Group (continued)

4. Sales and marketing model

The Group mainly rely on distributors for product sales. The Group's photodynamic drugs ALA (艾拉®) and FuMeiDa (复美达®) use the Company's own team for promotion, while the anti-tumor drug, LIBOd® (里葆多®) uses an entrusted CSO for market promotion.

5. Management model

The Group is committed to establishing a standardized and stable enterprise management structure. The Group will maintain the interests of all the stakeholders by improving standardized operation systems and scientific decision-making systems with greater transparency and the establishment of an effective accountability mechanism.

During the Reporting Period, the Group's operation model did not change significantly.

II. CORE TECHNOLOGY AND R&D PROGRESS

1. Core technology, advance level and changes during the reporting period

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

Based on the above R&D philosophy, the Company has formed the genetic engineering technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Company's core technologies are obtained by independent research and development.

(1) Genetic Engineering Technical Platform

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

ADC is an important research and development direction of the Company's genetic engineering technical platform. Possessing the powerful lethality of small molecular drugs and targeting property of monoclonal antibodies, ADC has become a hot item in the research and development of targeted tumor therapy over the past decade. The clinical trial phase I of the Group's first ADC, the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection (the "CD30-DM1") for the treatment of tumors, was undergoing during the Reporting Period. The investigational new drug application for the Trop2-directed antibody drug conjugate (also known as "FDA018 antibody drug conjugate for injection") for the treatment of advanced malignant tumor has obtained the approval letter of clinical trial from the National Medical Products Administration of the PRC (the "NMPA") during the Reporting Period which phase I clinical trial will be carried out soon. Her2-directed antibody drug conjugate for the treatment of tumor is under pre clinical research and will be applied for clinical trial as soon as possible.

Management Discussion and Analysis

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

1. Core technology, advance level and changes during the reporting period (continued)

(2) Photodynamic Technical Platform

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

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

The Company took the lead in promoting ALA in the treatment of condyloma acuminata to clinical research in the world, and successfully obtained the registration approval in 2007 and realized industrialization. It provided a new treatment method for the traditional condyloma acuminata treatment and filled in the lack of clinical treatment of condyloma acuminata. Since 2013, the ALA photodynamic therapy program of the Company has been included in the textbook of Dermatovenerology (Eighth Edition) published by People's Health Publishing House, and the application of acne treatment has been added in its latest ninth edition. The ALA photodynamic therapy program has also been included in the "Condyloma Acuminata Diagnosis and Treatment Guidelines (2014)" and "Condyloma Acuminata Treatment Expert Consensus (2017)" issued by the Chinese Medical Association.

FuMeiDa, another important product from the Company's photodynamic technical platform, has obtained the national chemical drug class 1.1 new drug certificate in 2012, the registration approval in 2016, and achieve industrialization in 2017. FuMeiDa is the only drug approved for the treatment of PWS within the scope of ICH regulatory agencies. It is a new drug with new effect mechanism, new compound and new indication. Based on its obvious technical and clinical advantages, the industrialization of FuMeiDa provides a new solution for the treatment of PWS. The latest ninth edition of Dermatovenerology published by People's Health Publishing House adds Hemoporphin as new photosensitizer for the treatment of PWS developed by the Group as a therapy.

In the future, the Group will continue to emphasize on the features of "one drug for several indications" and "a new scalpel for clinical treatment" of photodynamic drugs and follow the treatment principle of photodynamic drugs to carry out research on multiple indications such as CIN infected by HPV ("CIN") and acne. The Group is commencing further research on molecular mechanism and the effect mechanism of photodynamic drugs in order to discover new photodynamic compound to improve the efficacy and overcome the defects. At the same time, exploration of the fundamental research on the relationship between the penetrating power of different light wavelengths and the treatment of tumour is under progress. Meanwhile, the Company has planned to apply for the international registrations for the launched drugs, which will lay a foundation for the international development of the Group.

Under this technical platform, the projects in research of the Group during the Reporting Period is Aminolevulinic Acid Hydrochloride used for the treatment of CIN, which is currently in phase II clinical research; and the application Aminolevulinic Acid Hydrochloride used for the treatment of moderate and severe acne, which is under phase II clinical research. Aminolevulinic acid hydrochloride photodynamic for treatment of glioma has completed preclinical research and the Company will apply for clinical application as soon as possible. Aminolevulinic acid hydrochloride photodynamic for treatment of actinic keratosis is under pre clinical research.

Management Discussion and Analysis

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

1. Core technology, advance level and changes during the reporting period (continued)

(3) Nano Technical Platform

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

Under this technical platform, LIBOd[®] for the treatment of tumors, was launched to market in 2009. According to the requirements of relevant PRC laws and regulations, the Company started the domestic bioequivalence evaluation research from 2019. Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒) for the treatment of tumors, its improvements have been made in large-scale production techniques. Taking into account the production capacity for future bidding and procurement, the production lines of this project will be rebuilt, and bioequivalence study will be launched as soon as possible after completion of the same and then apply for drug registration.

(4) Oral Solid Preparation Technical Platform

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

Under this technical platform, obeticholic acid (奧貝膽酸) for the treatment of hepatobiliary disease of the Group has obtained a relevant invention patent in mainland China and its bioequivalence study has been completed. 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. During the Reporting Period, the project has obtained approval letter of clinical trial from the NMPA, and a small-scale clinical trial is being carried out. The selective inhibitor project for JAK1, a small molecular targeting drug of the Group, has been confirmed to have great therapeutic value on the autoimmune disease. The Company is looking forward to finding a new me-better drug containing therapeutic advantages. During the Reporting Period, the selective inhibitor project for JAK1 for the treatment of rheumatoid arthritis (RA) is under clinical trial phase I research.

Management Discussion and Analysis

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

2. R&D achievements obtained during the reporting period

- 1) On February 2021, Parecoxib Sodium for Injection which is an anti-inflammatory and analgesic product of Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* ("Taizhou Fudan-Zhangjiang"), a subsidiary of the Company, has obtained the Drug Registration Certificate by NMPA. It was approved for sale according to the evaluation standard consistent with the quality and efficacy of the original drug.
- 2) On April 2021, the investigational new drug application for Obeticholic Acid Tablets (Specification: 5mg and 10mg) has been accepted by NMPA. It is a Category 3 Generic Chemical Drug, and its first target indication is for the treatment of primary biliary cholangitis (PBC). On July 2021, It further obtained the notice of approval for clinical trial.
- 3) On April 2021, the investigational new drug application for the Trop2-directed antibody drug conjugate (also known as "FDA018 antibody drug conjugate for injection") has been accepted by NMPA. On June 2021, It further obtained the notice of approval for clinical trial.

List of intellectual property rights acquired during the Reporting Period

	Newly increased during the Reporting Period		Cumulative quantity	
	No. of applications	No. of grant	No. of applications	No. of grant
Invention Patents	9	0	111	56
Utility Model Patent	1	3	37	27
Design Patent	0	1	5	5
Software copyright	9	9	20	15
Others	0	0	0	0
Total	19	13	173	103

Notes: The invention patents include 8 patents jointly held by the Company and Taizhou Fudan-Zhangjiang.

3. R&D investment

Unit: RMB

	Reporting Period (January to June 2021)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Expended R&D investment for the period	98,267,565	54,373,006	80.73
Capitalized R&D investment for the period	9,236,142	2,530,230	265.03
Total R&D investment	107,503,707	56,903,236	88.92
Portion of R&D investment to the operating revenue (%)	26.94	24.15	Increased by 2.79 percentage points
Portion of Capitalized R&D investment (%)	8.59	4.45	Increased by 4.14 percentage points

Management Discussion and Analysis

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

3. R&D investment (continued)

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

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 of the Group were recognized as expenses as incurred. During the Reporting Period, the Group is actively promoting the progress of R&D projects, and the clinical, research materials and outsourcing R&D expenses have increased in this period, which is due to the increase of investment for the progress of R&D projects.

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

Not applicable

4. Research Projects

Unit: RMB0'000

No.	Project Name	Estimated Total Investment Amount	Investment Amount in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
1	Research related to Hemoporfin	23,000	574.43	4,769.13	The Group has conducted a preliminary communication with the US Food and Drug Administration (the "FDA") and will submit the clinical application as soon as possible after improving relevant proposal.	Allowing Hemoporfin product to enter into the US market by successfully registration and introduction of Hemoporfin to the US market, will achieve the target of internationalization of the Company's core products, increase new profit growth points for the Company and increase its overall scope of business, constant profitability and overall competitiveness.	International leading level	PWS
2	Research related to antibody drug conjugate	35,000	2,478.84	9,340.47	For details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "Analysis of Core Competitiveness"	Complete relevant preclinical research in a short time, declare and start clinical research as soon as possible.	International advanced level	Antitumor

Management Discussion and Analysis

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

4. Research Projects (continued)

No.	Project Name	Estimated Total Investment Amount	Investment Amount in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
3	Research related to aminolevulinic acid	16,500	1,891.00	4,977.28	Same as above	The focus of the research is to invest in the Company's research and development platforms for its core technologies, so as to expand its research and development channels, increase its overall competitiveness, strengthen its sustainable development ability in the biomedical domain, with an ultimate aim of achieving the industrialization of ongoing projects.	For treatment of cervical diseases infected by HPV, and acne: International leading level; For treatment of brain gliomas: International advanced level	Cervical diseases infected by HPV, acne, brain gliomas
4	Research related to doxorubicin liposome	4,000	767.26	2,365.86	Same as above	Same as above	International advanced level	Antitumor
5	JAK1 inhibitor	25,000	968.22	4,139.99	Same as above	Same as above	International advanced level	Rheumatoid arthritis, atopic dermatitis
6	Other research	-	4,070.62	13,704.82	/	Same as above	/	Antitumor, skin diseases and autoimmune diseases, etc
Total /		103,500	10,750.37	39,297.55	/	/	/	/

Other explanations:

1. The current investment amount includes the expensed amount and capitalized amount of R&D investment during the Reporting Period.

Management Discussion and Analysis

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

5. R&D personnel

Unit: RMB

	Basic information	
	For the Reporting Period	For the corresponding period of last year
Number of R&D personnel (person)	127	99
The proportion of R&D personnel in the total number of employees of the Company	18.22	16.02
Total amount of salary of R&D personnel (yuan)	20,270,364	12,730,156
Average amount of salary of R&D personnel (yuan)	159,609	128,587

Education structure	Education level	
	Number (person)	Proportion (%)
Doctor	4	3.15
Master	56	44.09
Bachelor	54	42.52
Bachelor degree or below	13	10.24
Total	<u>127</u>	<u>100.00</u>

Age range	Age structure	
	Number (person)	Proportion (%)
50 and above	8	6.30
40-49	17	13.39
30-39	55	43.31
20-29	47	37.01
Total	<u>127</u>	<u>100.00</u>

6. Other Explanations

Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

1. Analysis of core competitiveness

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

Management Discussion and Analysis

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

1. Analysis of core competitiveness (continued)

(1) Advantages of R&D Innovation

Technical Platform	Technical field	Project Name	Registration type	Proposed Indications	Progress	Comparison with Industry Technical Level
Genetic engineering Platform	Genetic engineering	CD30-MMAE	Class 1 innovative biological	Tumors	Clinical trial phase I	International leading level
		Trop2-directed antibody drug conjugate	Class 1 innovative biological	Tumors	Clinical trial phase I	International advanced level
		Her2-directed antibody drug conjugate	Class 1 innovative biological	Tumors	Pre-clinical study	International advanced level
Photodynamic technology Platform	Photodynamic technology	Hemoporfin (海姆泊芬)	Class 1 innovative chemical drug	PWS	Clinical trial phase IV	International leading level: new compound and new indication.
			505(b)(1)		In the process of registration in USA	
		Aminolevulinic acid	Class 2.4 innovative chemical drug	Cervical diseases infected by HPV	Clinical trial phase II	International leading level: new indication.
		Aminolevulinic acid	Class 2.4 innovative chemical drug	Acne	Clinical trial phase II	International leading level: new indication.
		Aminolevulinic acid	Class 2.2 innovative chemical drug	Brain gliomas	Pre-clinical study	International advanced level
		Aminolevulinic acid	Class 3 innovative chemical drug	photokeratosis	Pre-clinical study	International advanced level
Nano technology Platform	Nano technology	Doxorubicin liposome (鹽酸多柔比星脂體)	Class 6 generic drug	Tumors	In the process of domestic bioequivalence evaluation research and registration.	International advanced level
			505(j)	Tumors	In the process of registration in USA	
		Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒)	Class 4 innovative chemical drug	Tumors	Pre-clinical study	International advanced level
Oral solid preparation technology Platform	Small molecular targeting drugs	JAK1 inhibitor	Class 1 innovative chemical drug	Rheumatoid Arthritis	Clinical trial phase I	International advanced level
		JAK1 inhibitor	Class 1 innovative chemical drug	Atopic Dermatitis	Pre-clinical study	International advanced level
	Generic drugs with patents or technical barriers	Obeticholic acid	Class 3 innovative chemical drug	Hepatobiliary disease Autoimmune diseases	Confirmatory clinical study	International advanced level

Management Discussion and Analysis

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

1. Analysis of core competitiveness (continued)

(2) Advantages of Technology Platform

Please refer to “Management Discussion and Analysis” – “II. Core Technology and R&D Progress”.

(3) Advantages of Promotion

The Group continues to regard academic promotion as its primary marketing method. The Wechat communication platform for photodynamic technology that the Company maintained serves as a network service system integrated with academic exchanging among dermatology clinician, sharing of clinical case and standard practice video, and a Q&A platform between doctors and patients, etc. The platform has become a relatively well-known professional Wechat subscription account in China. In addition, the Company plans to take advantage of doctor resources on the platform to develop a new sales mode to solve some commonly seen problems in current marketing environment and some commonly seen difficulties for patients in hospital.

(4) Advantages of Product Quality Control

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

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

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

(5) Advantages of Management and Technical Team

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

2. Events that seriously affect the company’s core competitiveness during the reporting period, impact analysis and countermeasures

Not applicable.

Management Discussion and Analysis

IV. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

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

As the spread of the Epidemic has been basically brought under control in China, the transportation of products and the treatment of patients have gradually resumed, the sales volume and terminal use of the medical products of the Group have also gradually recovered and drug sales improved. The revenue during the Reporting Period was approximately RMB399,000,000 which increased by 69.36% compared with the same period of last year. ALA(艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOd® which is indicated for the treatment of tumor and FuMeiDa which is indicated for PWS are three major products of the Group, and together contributed 99.6% of the sales revenue of pharmaceutical and diagnostic products by the Group.

In respect of R&D, the Group adhere to the genetic technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Group has committed to developing new clinical indications for selected drugs and developing new medicines and innovative treatments to tackle selected diseases. At the same time, the Group has explored and developed the fields of molecular targeting, immunotherapy, gene therapy and gene editing and other fields in order to have a new R&D direction. During the Reporting Period, with an overall consideration of research resources, risks and R&D cycle, the Group has continually focused on drug development on tumors, dermatological and self-immunological diseases, expanding and strengthening the number and progress of commercialized drugs.

For details of other operating conditions of the Company during the Reporting Period, please refer to “Management Discussion and Analysis” – “VI. Operation Result for the Reporting Period”.

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

Not applicable.

V. RISK FACTORS

1. *Risk in relation to new drug development*

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

2. *Risk in relation to relatively limited product types and drug price reduction*

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

Management Discussion and Analysis

V. RISK FACTORS (continued)

2. *Risk in relation to relatively limited product types and drug price reduction (continued)*

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

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

3. *Risk in relation to core technical staff resignation*

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

4. *Foreign exchange risk*

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

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD

REVIEW

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

In respect of R&D, the Group adhere to the genetic technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Group has committed to developing new clinical indications for selected drugs and developing new medicines and innovative treatments to tackle selected diseases. 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 Reporting Period, with an overall consideration of research resources, risks and R&D cycle, the Group has continually focused on drug development on tumors, dermatological and self-immunological diseases, expanding and strengthening the number and progress of commercialized drugs. Given that R&D on innovative drugs faces significant risks and challenges, the Group adopts more prudent and conservative capitalized policy on R&D expenses and will try to make the medium and long-term plans of R&D in view of actual financial position. For details of major projects of the Group during the Reporting Period, please refer to “Management Discussion and Analysis” – “II. Core Technology and R&D Progress”.

In respect of commercialization, the major products of the Company are ALA and FuMeiDa on photodynamic technical platform and LIBOd® on nano technical platform. FuMeiDa for the treatment of PWS, launched to the market in 2017 officially. FuMeiDa and LIBOd® for the treatment of tumors are under application for U.S. drug registration. Meanwhile, according to the requirements of relevant PRC laws and regulations, the Group also started the domestic bioequivalence evaluation research. The number and frequency of patients going to local hospitals and affiliated departments were significantly lower than the normal level due to the Epidemic last year. As the spread of the Epidemic has been basically brought under control in China, the transportation of products and the treatment of patients have gradually resumed, the sales volume and terminal use of the medical products of the Group have also gradually recovered and drug sales improved. The revenue during the Reporting Period was approximately RMB399,000,000 which increased by 69.36% compared with the same period of last year. ALA(艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOd® which is indicated for the treatment of tumor and FuMeiDa which is indicated for PWS are three major products of the Group, and together contributed 99.6% of the sales revenue of pharmaceutical and diagnostic products by the Group.

FUTURE PROSPECTS

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

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

During the Reporting Period, the Group’s R&D areas mainly focused on antibody-drug conjugates for tumors, photodynamic drugs for skin diseases and CIN, small molecular targeting drugs for autoimmune diseases and tumors, and nano drugs for tumors, and other generic drugs with patents or technological barriers. In the future, we will continue to focus and devote time and resources on the research and development of the above-mentioned fields and projects. Meanwhile, in 2021, we will also enter into the field of slow-release drugs for neurological diseases. In addition, based on our judgment on the direction of future medical development and the application of the latest research achievements, the Group will also explore and do research in the field of gene therapy and gene editing.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

FUTURE PROSPECTS (continued)

In recent years, the Company has been hoping to seek innovative ways in the research and development of ADC to enable the Group to participate in the innovative research and development of ADC over the world. Fortunately, the Company has made some meaningful breakthroughs, especially the two brand new linker-drug platforms built by our team in respect of small molecule aspects. Among them, a patented mAb-Dxd ADC drug is highly consistent with the original Her2-Dxd product that has been approved for marketing in terms of in vitro plasma stability, in vitro release/bystander effect, and in vivo PK/PD. This laid the foundation for the Group's subsequent development of me-better or innovative ADC. We have the research and development capabilities in development of biologics agents, small molecules and ADC linkage, and the experience of successfully advancing the candidate drugs from clinical to clinical trials. With the completion of the construction of the Company's industrial base, ADC medicine will become an important product of the Group.

The Group has been expanding the drugs development based on photodynamic technical platform. Photodynamic drugs have become the most important product line of the Group. We will continue to build on its feature of "one drug, several indications" and turn it into a new scalpel for clinical treatment; according to the treatment principle of photodynamic drugs, the Company will design special therapy for some precancerous lesions which cannot be treated or intervened for the moment. The Group is commencing further research on molecular mechanism and their mode of action in order to discover new photodynamic compound to improve the efficacy and overcome the defects. Meanwhile, we have planned to apply for the international registrations for the launched drugs, which will lay a solid foundation for the commercialization development of the Group. During the Reporting Period, we carried out pre clinical studies on the use of aminolevulinic acid for the treatment of Actinic Keratosis (AK). Photodynamic therapy for AK has been recorded in a number of relevant foreign guidelines, such as guidelines for photodynamic therapy in the 2019 European Dermatology Forum. Accordingly, the safety and effectiveness of photodynamic therapy for AK are relatively clear and supported by sufficient medical evidence. So far, FDA has approved two drugs for photodynamic therapy of AK, and no corresponding products have been approved for marketing in China. Literatures show that the overall clinical prevalence of AK in China is about 0.52‰, and the annual prevalence should be between 0.30‰ ~ 1.20‰. At the same time, studies have shown that about 10% of patients with AK lesions will escalate to squamous cell carcinoma (SCC) within 10 years. Therefore, early diagnosis and treatment evaluation can remove the actinic injury and reduce the risk of invasive SCC.

The selective inhibitor project for JAK1, a small molecular targeting drug, for the treatment of rheumatoid arthritis (RA) has begun clinical trial phase I research. The inhibitors of JAK currently launched are all non-selective inhibitors. The Company expects that this project can demonstrate stronger activity and better efficacy than competing products in terms of clinical results, and avoid reproductive toxicity based on completely different metabolic mechanism in the body. Meanwhile, the Group conducted non-clinical pharmacodynamic trials of the oral JAK1 preparation for the treatment of atopic dermatitis (AD) and has shown good efficacy. According to WHO data, at least 250 million people worldwide are troubled by AD, and the incidence of AD patients in China is about 10%. At present, 40% of the patients are patients with moderate and severe AD with rash covering most parts of the body, accompanied by severe and continuous pruritus, skin lesions, dry skin, cracking, redness or darkening, crusting and exudation. Itching usually causes sleep disorders, which seriously affects the quality of life. At present, biological agents play a leading role in the treatment of moderate and severe AD, but oral JAK preparations also show amazing effects in clinical research. At the same time, they also have natural advantages in onset time and use mode.

The Group will further develop drugs based on the platform of preparation technology of nano to speed up the ability and the progress of commercialization for the Group. Meanwhile, we will devote resources to the research and development of improved new drugs by improving bioavailability and dosage.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

FUTURE PROSPECTS (continued)

For product commercialization, the subsidiary of the Company, Taizhou Fudan-Zhangjiang has constructed two production lines for the material and injection of Hemoporfin. To fully exploit the capacity of the two production lines before further new self-developed innovative drugs obtaining production approval, the Group will choose several generic drugs which can be produced with FuMeiDa on the same production line and planned to submit the application of registration. One of the first generic drugs, Ongneida (parecoxib sodium for injection), was approved for sale during the Reporting Period. In addition, the new solid preparation production line of Taizhou Fudan-Zhangjiang is ready for the commercialization of obeicholic acid.

Meanwhile, based on the industrialization process planning for the R&D projects of the Group, as approved and authorized by the Board on 29 October 2020, Taizhou Fudan-Zhangjiang bid for the plot adjacent to the existing plant and will carry out the construction of production base as soon as possible, so as to meet future production and R&D needs.

During the Reporting Period, the Company made efforts to strengthen the competitiveness of its own sales team. The number of sales team personnel increased by 20% compared with the end of 2020. At the same time, it made efforts to expand the scope of access to hospitals and departments, so as to deal with the impact of the general environment on sales.

(I) Analysis of main businesses

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

Unit: RMB

Items	Amount For the current Period	Amount for the corresponding period of last year	Change (%)
Revenue	399,037,102	235,614,896	69.36
Operating cost	25,340,191	17,970,463	41.01
Selling and distribution expenses	184,117,626	117,516,961	56.67
General and administrative expenses	22,030,594	16,808,417	31.07
Finance costs	-1,682,804	-112,416	1,396.94
Research and development expenses	98,267,565	54,373,006	80.73
Net cash flows generated from operating activities	56,033,635	60,819,045	-7.87
Net cash flows generated from investing activities	-295,770,820	-32,205,077	818.40
Net cash flows generated from financing activities	-38,726,106	923,837,507	-104.19

Reasons for changes in revenue: It is mainly due to the control of Epidemic, the transportation of products and the treatment of patients have significant recovered, the sales volume and terminal use of the medical products of the Group have also gradually recovered and sales of main products rebounded.

Reasons for changes in costs of sales: It is mainly due to the improvement of sales, which increases with sales growth.

Reasons for changes in selling and distribution expenses: It is mainly due to the improvement of sales, which increases with sales growth.

Reasons for changes in general and administrative expenses: It is mainly due to the increase of employee salaries and remuneration payable.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) Analysis of main businesses (continued)

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

Reasons for changes in finance costs: This is mainly due to the fact that there was no bank loan during the Reporting Period and the corresponding bank loan interest had to be paid in the same period last year.

Reasons for changes in R&D expense: 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 of the Group were recognized as expenses as incurred. During the Reporting Period, the Group is actively promoting the progress of R&D projects, and the clinical, material and outsourcing R&D expenses have increased in this Reporting Period, which is due to the increase of investment for the progress of R&D projects.

Reasons for changes in net cash flows generated from operating activities: It is mainly due to the fact that the Group increased its R&D investment during the Reporting Period, resulting in a significant increase in the payment amount.

Reasons for changes in net cash flows generated from investing activities: It is mainly due to the total amount of RMB266 million payment for acquisition and capital increase of Shanghai Handu during the Reporting Period.

Reasons for changes in net cash flows generated from financing activities: It is mainly due to the bank credit loans of about RMB51 million in the same period last year. The loan was repaid in the second half of last year.

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

Not applicable.

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

Not applicable.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB

Accounts	Amount as at 30 June 2021	Percentage of amount at the end of the current period to total asset (%)	Amount as at 31 December 2020	Percentage of amount at the end of the last year to total asset (%)	Change ratio of the amount at the end of the current period to that of the last year (%)	Description
Advances to suppliers	12,127,673	0.49	7,429,378	0.30	63.24	It is mainly due to the increase in prepayments for system updates and outsourced R&D expenses during the Reporting Period
Other current assets	350,668	0.01	240,837	0.01	45.60	It is mainly due to the increase of non-deducted tax input.
Other equity instruments	9,232,723	0.37	5,253,127	0.21	75.76	It is mainly due to the rise of Kintara's share price compared with the price as of 31 December 2020.
Long-term equity investments	324,586,307	13.09	61,459,426	2.46	428.13	It is mainly due to the investment in Shanghai Handu.
Construction in progress	4,838,649	0.20	1,827,729	0.07	164.74	It is mainly caused by the renovation of the right-of-use assets of the Group during the Reporting Period.
Intangible assets	86,947,250	3.51	56,177,941	2.25	54.77	It is mainly due to the land purchase and development expenditure reached the expected node and transferred into intangible assets.
Development costs	18,487,095	0.75	30,675,655	1.23	-39.73	It is mainly due to the development expenditure into reached the expected node and transferred into intangible assets.
Other non-current assets	13,607,514	0.55	6,970,813	0.28	95.21	It is mainly due to the increase of advance payment for R&D equipment procurement.
Contract liabilities	1,150,932	0.05	1,948,705	0.08	-40.94	It is mainly due to the conversion of advance receipts into income during the Reporting Period.
Lease liabilities	18,320,803	0.74	13,597,392	0.54	34.74	It is mainly due to the recognition of lease liabilities due to the new leased sites during the Reporting Period.
Other comprehensive income	3,176,655	0.13	-770,722	-0.03	N/A	It is mainly due to the fluctuation of fair value of other equity instruments.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) Analysis on assets and liabilities (continued)

1. Assets and liabilities (continued)

Notes:

(1) Liquidity and financial resources

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

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB118,394,682.

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 2021 and 31 December 2020, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

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

(2) Banking borrowings

For the six months ended 30 June 2021, the Group had no banking borrowings.

(3) Charge on assets

For the six months ended 30 June 2021, the Group had no charge on assets.

(4) Future plans for material investments or capital assets

According to the progress and planning of the industrialization of the R&D projects of the Company, on 29 October 2020, the Board approved and authorized Taizhou Fudan Zhangjiang to bid for the plot adjacent to its current plant and undergo relevant formalities to build new production facilities in due course and to meet future production requirements.

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

(5) Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (Six months ended 30 June 2020: Nil).

2. Foreign assets

1) Size of Assets

Among them: foreign assets RMB12,444,355, accounting for 0.50% of the total assets.

2) Description of foreign assets

Not applicable.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) Analysis on assets and liabilities (continued)

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

Not applicable.

4. Other explanations

Not applicable.

(IV) Analysis of investment

1. Overall analysis on external equities investment

During the Reporting Period, the Company's external equity investment was approximately RMB325 million with an increase of 428.13%. It was mainly due to that the Company invested approximately RMB266 million to directly hold the registered capital of Shanghai Handu in an amount of USD4,146,016, corresponding to total 39.5663% of the equity interest of Shanghai Handu.

(1) Significant equity investment

The Company held the 6th meeting of the seventh session of the Board on 25 March 2021 which considered and passed the proposal on external investment to subscribe for the new registered capital of USD1,380,526 in Shanghai Handu at the consideration of RMB102,420,000. Meanwhile, the above meeting considered and passed the equity transfer agreement between Hong Kong WD Pharmaceutical Co., Limited ("Hong Kong WD"), the original shareholder of Shanghai Handu and the Company, pursuant to which the Company agreed to acquire the equity interests corresponding to the registered capital of USD2,765,490 in Shanghai Handu. The acquisition consideration was USD25,243,137 (the actual amount will be subject to the exchange rate on the date of payment). Upon completion of the above acquisition and the capital increase, the Company will directly hold the registered capital of Shanghai Handu in an amount of USD4,146,016, corresponding to 39.5663% of the equity interest of Shanghai Handu. For more details, please refer to the announcement of the Company dated 25 March 2021.

As at the end of the Reporting Period, the Company invested USD25,243,137 (corresponding to RMB163,539,483 subject to the exchange rate on the date of payment) to acquire the registered capital of USD2,765,490 in Shanghai Handu. At the same time, the Company agreed to subscribe for the new registered capital of USD1,380,526 in Shanghai Handu at the consideration of RMB102,420,000. Upon completion of the above acquisition and the capital increase, the Company totally invested RMB265,959,483 to directly hold the registered capital of Shanghai Handu in an amount of USD4,146,016, corresponding to 39.5663% of the equity interest of Shanghai Handu.

As of the publication date of this report, the industrial and commercial change registration of Shanghai Handu has been completed.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(IV) Analysis of investment (continued)

1. Overall analysis on external equities investment (continued)

(1) Significant equity investment (continued)

Shanghai Handu is an innovative drug R&D company registered in the PRC and founded by a senior entrepreneurial team in the United States. It is committed to the development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment. It adopts the rapid and synchronous application in the United States, Europe and the PRC as the basic strategy, and develops high-value and high-end generic drug industrialization platform. The projects under research of Shanghai Handu have the first-mover advantages of in relevant fields in the PRC. The Company values its R&D potential and the value of its projects under research, and believe that the Acquisition and the Capital Increase will expand the clinical application fields of the Company's products under research, further accelerate the R&D process of new drugs in progress, and promote the listing of such products.

(2) Significant non-equity investment

Not applicable.

(3) Financial assets measured at fair value

In 2017, Fernovelty Holding, a subsidiary of the Company, entered into the subscription agreement with Adgero to purchase ordinary shares and warrants. In June 2020, Adgero Biopharmaceuticals Holdings, Inc ("Adgero") entered into an Agreement and Plan of Merger and Reorganization with DelMar Phamarceuticals, Inc (Nasdaq Code: DPML, "DelMar") and its wholly owned subsidiary, and Adgero will become a wholly-owned subsidiary of DelMar after the merger. In August 2020, after the reorganization, the new company applied to change its name to "Kintara Therapeutics, Inc" (NASDAQ Code: KTRA, "Kintara"). The equity held by the Group will be converted into the equity of kintara in accordance with the agreed proportion. The Group holds 629,600 ordinary shares of Adgero as at the end of Reporting Period.

(V) Disposal of major assets and equities

Not applicable.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(VI) Analysis on companies controlled or invested by the Company

No.	Company Name	Main Business	Registered Capital	Equity Ratio	Total Assets (RMB)	Net Assets (RMB)	Revenue (RMB)	Net Profit (RMB)
1	Taizhou Fudan-Zhangjiang	Production for the material and injection of Hemoporfin	86,000,000	100.00%	286,420,811	113,118,049	42,213,132	9,074,715
2	Fernovelty Holding	Drug development and overseas medical projects investment	HKD10,000 (Equity)	100.00%	12,444,355	12,444,355	-	-349
3	Tracing Bio-technology Co., Ltd	R&D, production and sales of medical diagnostic products	24,800,000	84.68%	9,176,033	-18,644,229	3,767,976	-2,714,745
4	Shanghai Handu ^{Note 1}	development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment.	USD8,761,426	39.5663%	150,556,103	149,538,853	-	-9,578,039
5	Shanghai Lead Discovery Limited Company	Screening of new drugs in China and development of "me-too" drug	20,400,000	35.29%	25,195,750	-3,828,796	-	-50,959
6	Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ^{Note 2}	Investment in early drug research and development	201,000,000	29.85%	194,985,144	194,985,144	-	-1,880,605
7	Derma Clinic	Skin health management, medical cosmetology	55,000,000	20.00%	13,430,481	-37,348,419	-	-5,114,083

Note 1: During the Reporting Period, the Company gained 39.5663% of the equity interest of Shanghai Handu For more details, please refer to "VI. Operation Result for the Reporting Period – (IV) Analysis of investment " in "Management Discussion and Analysis";

Note 2: As at 31 December 2020, the Company has paid RMB60,000,000 to Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF"), with a subscription ratio of 22.54%. According to the partnership agreement update in March 2021, the subscribed registered capital of BVCF has decreased, and the subscribed proportion of the Group increased to 29.85%.

(VII) The structural entity controlled by the Company

Not applicable.

Management Discussion and Analysis

VII. OTHER DISCLOSURES

Not applicable.

Subscription of wealth management product and structured deposit products

On 1 July 2021, the Company subscribed for the BOC Wealth Management Product with a principal amount of RMB50 million by using its self-owned idle funds generated from daily operation which the expected annualized return rate is 3.0080%. On the same day, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB190 million by using its temporary idle proceeds from the public issuance of A shares which the range of expected annualized return rates are 1.8000%-4.3357% and 1.7900%-4.3257 respectively.

On 1 July 2021, the Company entered into the Ping An Bank Structured Deposit Product Agreement I and the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit product by using its self-owned idle funds generated from daily operation. On 5 July 2021, the Company entered into the Ping An Bank Structured Deposit Product Agreement III and the Ping An Bank Structured Deposit Product Agreement IV with Ping An Bank and agreed to subscribe for structured deposit products by using its temporary idle proceeds from the public issuance of A shares. Principal amount of the subscription and expected annualized return rate for each of the agreements entered into with Ping An Bank are set out below:

Agreement	Principal	Range of expected annualized return rate
Ping An Structured Deposit Product Agreement I	RMB50 million	1.6500%-3.0969%
Ping An Structured Deposit Product Agreement II	RMB50 million	1.6500%-3.1002%
Ping An Structured Deposit Product Agreement III	RMB119 million	1.6500%-3.0657%
Ping An Structured Deposit Product Agreement IV	RMB119 million	1.6500%-3.0706%

The Company's subscription of the wealth management product and structured deposit products by reasonable and effective use of certain portion of its temporary idle funds (including self-owned funds generated from daily operation and proceeds from the public issuance of A shares) is beneficial for enhancing the overall capital gain of the Group, which is consistent with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned wealth management product and structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) are of the view that the above-mentioned subscription of the BOC Wealth Management Product and the Bank of China Structured Deposit Products Agreements are made on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated on 1 July 2021 and 5 July 2021.

Company's Governance

I. GENERAL MEETING

Meeting session	Date of convening	Query index on designated website for publishing resolution	Disclosure date of publication of the resolutions	ResolutionS
2020 Annual General Meeting, 2021 First Class Meeting of Holders of H Shares, 2021 First Class Meeting of Holders of A Shares	27 May 2021	www.hkex.com.hk www.sse.com.cn	27 May 2021	All the proposals were considered and passed, and there was no proposal vetoed.

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

Not applicable.

Description of the general meeting of shareholders

– *Resolutions considered and approved on 2020 Annual General Meeting:*

- 1) To consider and approve the work report of the Board for 2020;
- 2) To consider and approve the work report of the Supervisory Committee for 2020;
- 3) To consider and approve the annual report for 2020;
- 4) To consider and approve financial report for 2020;
- 5) To consider and approve the proposed profits distribution plan and the final dividend distribution plan for 2020, and to authorize the Board to distribute such final dividend to the Shareholders;
- 6) To consider and approve the appointment of auditors (domestic and overseas) and internal control auditor, and authorize the Board to fix their remunerations for 2021;
- 7) To consider and approve the remuneration of the Directors and Supervisors for 2020 and the relevant proposal for 2021;
- 8) To consider and approve renewal of liability insurance for Directors, Supervisors and senior management;
- 9) To consider and approve the utilization of part of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital;
- 10) To consider and approve the grant of the general mandate to the Board to repurchase the H Shares of the Company;
- 11) To consider and approve the proposal in relation to the 2021 Restricted Incentive Scheme of the Company (draft) and its summary;
- 12) To consider and approve the proposal in relation to the Assessment Management Measures for the implementation of the 2021 Restricted Incentive Scheme of the Company;
- 13) To consider and approve the proposal in relation to the authorization granted by the general meeting to the Board of Directors to deal with matters relating to the Restricted Incentive.

Company's Governance

I. GENERAL MEETING (continued)

Description of the general meeting of shareholders (continued)

– Resolutions considered and approved on 2021 First Class Meeting of Holders of H Shares and 2021 First Class Meeting of Holders of A Shares:

- 1) To consider and approve the grant of the general mandate to the Board to repurchase the H Shares of the Company;
- 2) To consider and approve the proposal in relation to the 2021 Restricted Incentive Scheme of the Company (draft) and its summary;
- 3) To consider and approve the proposal in relation to the Assessment Management Measures for the implementation of the 2021 Restricted Incentive Scheme of the Company;
- 4) To consider and approve the proposal in relation to the authorization granted by the general meeting to the Board of Directors to deal with matters relating to the Restricted Incentive.

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

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

Not applicable.

Description of changes in Directors, Supervisors, Senior Managers and Core Technicians of the Company

Not applicable.

Description of identification of Core technicians of the Company

Not applicable.

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

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

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

Company's Governance

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

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

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity, the Board on 6 April 2021 approved the resolutions in relation to the proposed adoption of the 2021 restricted incentive scheme of the Company (the "Incentive Scheme") and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the specific mandate. "Restricted Share(s)" mean A Share(s) to be granted to the Participants by the Company on such conditions and at the grant price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfying with the attribution conditions. The Restricted Shares Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the specific mandate were approved by the Shareholders at the AGM, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders held on 27 May 2021. On 22 July 2021, the Board of Directors and the Board of Supervisors considered and approved resolutions including the "Resolution on the Adjustments to the List of Participants, the Number of Restricted Shares Granted and the Grant Price under the First Grant of Restricted Shares of the 2021 Restricted Incentive Scheme" and the "Resolution on the Grant of Restricted Shares to Participants under the First Grant" at the 10th (temporary) meeting of the seventh session of the Board of Directors and the 10th (temporary) meeting of the seventh session of the Board of Supervisors, respectively.

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the participants of the Incentive Scheme (the "Participants"). Following the adjustments, the total number of Restricted Shares to be granted to the Participants under the Restricted Shares Incentive Scheme will be 38,000,000, representing approximately 3.64% of the total number of issued shares of the Company as at the date of announcing the draft Incentive Scheme (being 1,043,000,000 A Shares); among them, the numbers of Restricted Shares will be 32,770,000 under the first grant (the "First Grant") and will be 5,230,000 under the reserved grant (the "Reserved Grant").

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

- a) The Participants include Directors, members of the senior management, core technical staff and other persons considered by the Board of the Company (excluding the independent non-executive Directors and Supervisors) to be required to be incentivized of the Group, in line with the purpose of implementing the Incentive Scheme. The list of Participants shall be prepared by the remuneration committee of the Company and verified by the Board of Supervisors;
- b) On 22 July 2021, in the First Grant of Restricted Stocks under the Incentive Scheme, the Company granted 32,770,000 Restricted Shares under the First Grant and the number of Participants under the First Grant was 258, including the connected persons of the Company who were Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun and Mr. Gan Yi Min, to be respectively granted 1,000,000 Restricted Shares, 1,200,000 Restricted Shares, 1,200,000 Restricted Shares and 1,200,000 Restricted Shares;
- c) The Participants for the Reserved Grant of Restricted Shares under the Incentive Scheme shall be determined within 12 months after the Incentive Scheme being considered and approved at the AGM and Class Meetings. The Company shall announce relevant information about the Participants on the designated website timely after the Board having made such proposal, independent non-executive Directors and the Board of Supervisors having expressed clear opinions, and the Company counsel having provided professional opinions and legal opinions. The Reserved Grant shall lapse if the Participants cannot be determined within the 12-month period. The basis for determining the Participants for the Reserved Grant shall be the same as the basis for determining the Participants for the First Grant;

Company's Governance

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

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

- d) The Incentive Scheme has become effective upon the grant date of the First Grant (i.e. 22 July 2021), and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 48 months;
- e) In the event of any capitalization of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company during the period from the date of announcement of the Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the number of Restricted Shares shall be adjusted accordingly;
- f) Subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Participants (for the First Grant) in three tranches and (for the Reserved Grants) in two tranches.

Attribution arrangements of the First Grant are as follows: (1) the first tranche (attribution percentage as 30%) can be attributed from the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant; (2) the second tranche (attribution percentage as 30%) can be attributed from the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant; and (3) the third tranche (attribution percentage as 40%) can be attributed from the first trading day 36 months after the First Grant to the last trading day within 48 months after the First Grant;

Attribution arrangements of the Reserved Grant are as follows: (1) the first tranche (attribution percentage as 50%) can be attributed from the first trading day 12 months after the Reserved Grant to the last trading day within 24 months after the Reserved Grant; and (2) the second tranche (attribution percentage as 50%) can be attributed from the first trading day 24 months after the Reserved Grant to the last trading day within 36 months after the Reserved Grant;

- g) Following the adjustments, the price of each Restricted Share to be granted to the Participants (the "Grant Price") (including the Grant Price of the Reserved Grant) shall be RMB8.90 per share. The proceeds obtained by the Company from the Incentive Scheme shall be applied towards the replenishment of the Group's liquidity;
- h) The requirements of black-out for the Restricted Shares granted to the Participants under the Incentive Scheme are implemented in accordance with relevant laws, administrative regulations and regulatory documents including the Company Law of the PRC and the Securities Law of the PRC, and the Articles of Association of the Company;

For more details, please refer to the announcements of the Company dated 6 April 2021 and 22 July 2021, and the supplementary circular of the Company dated 7 May 2021.

Company's Governance

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

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

Description of Incentives

Not applicable.

Other Information

Not applicable.

Employee Stock Ownership Plan

Not applicable.

Other Incentives

Not applicable.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT

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

Not applicable.

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

1. Administrative punishment for environmental problems

Not applicable.

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

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

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

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

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT (continued)

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

2. *Refer to other environmental information disclosed by key pollutant discharge units (continued)*

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

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

Not applicable.

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

Not applicable.

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

As a listed company, the Company has been active to fulfill its social responsibilities, and focused on environmental protection for many years. We take into account this responsibility as an important factor in all aspect. This means that the Company not only focuses on daily production, but also on all the other aspect ranging from procurement to administration. The Group will adopt the best measures as far as possible and reasonable. The relevant functional departments will consider the environmental management by assessing the policy, strategies, objectives, implementation and measurement method in terms of the pollution of water, air, noise and solid wastes.

During the Reporting Period, the Group has always followed the environment policy, strictly complied with national laws and regulations and emission standards. The Group has been inspected many times by relevant government institutions on sewage discharge during the Reporting Period and no violation of laws, regulations has been found. In addition, the Company also appointed a third party professional institution to assess the environmental indicators including noise, air and water regularly. Our objective is to control environment risks effectively and ensure the pollutant can reach the standard of discharge.

In order to ensure that the suppliers of the Group have reduced environmental pollution in the production and storage process, and complied with relevant requirements of social responsibility, the Group formulated Regulations on Environmental and Social Responsibility of Suppliers, and imposed strict requirements of environmental responsibility on suppliers. For instance, it is required that the pollutant discharged by suppliers should comply with relevant standards, and priority selection should be given to environmental-friendly and energy saving technologies. During storage and transportation process, the suppliers should ensure that the discharge meets relevant standards and the process is safe. In addition, for the suppliers' social responsibility, the Group requires all suppliers to prevent child and forced labour, ensure employees' health and safety, and strictly fulfil the responsibilities to their products.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT (continued)

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

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

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

During the reporting period, the company donated RMB100,000 to Gongshan Education Foundation of Nanjiang County, Bazhong City, Sichuan Province for the establishment of "Fudan Zhangjiang" award teaching and student aid of nine-year compulsory education school in Guanmen Town, Nanjiang county and for the award teaching and student aid of nine-year compulsory education school in Guanmen Town, Nanjiang county. Nanjiang County was once a national poverty-stricken county. The Company hopes to contribute to the revitalization of rural education.

Significant Events

I. THE PERFORMANCE OF UNDERTAKINGS

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

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Undertakings associated with the initial public offering	Restricted shares	Shanghai Pharmaceuticals	Shanghai Pharmaceuticals has made the following commitments in respects of shares lock-up: "Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, it shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by it, nor shall Fudan-Zhangjiang repurchase such shares; (2) within six months from the initial listing of Fudan-Zhangjiang, if the closing prices of Fudan-Zhangjiang's shares for twenty consecutive trading days are lower than the issue price, or the closing price at the end of six months after initial listing is lower than the issue price, the lock-up period of Fudan-Zhangjiang's A shares held by it will be automatically extended for at least six months after the expiration of the above lock-up period."	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable
	Restricted shares	China New Enterprise II	China New Enterprise II has made the following commitments in respect of shares lock-up: "Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, it shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by it, nor shall Fudan-Zhangjiang repurchase such shares."	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Yang Zong Meng	Yang Zong Meng has made the following commitments in respects of shares lock-up: "Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, he shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him, nor shall Fudan-Zhangjiang repurchase such shares."	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Restricted shares	Wang Hai Bo	<p>Wang Hai Bo has made the following commitments in respects of shares lock-up:</p> <p>"Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, he shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him, nor shall Fudan-Zhangjiang repurchase such shares; (2) within six months from the initial listing of Fudan-Zhangjiang, if the closing prices of Fudan-Zhangjiang's shares for twenty consecutive trading days are lower than the issue price, or the closing price at the end of six months after initial listing is lower than the issue price, the lock-up period of Fudan-Zhangjiang's A shares held by him will be automatically extended for at least six months after the expiration of the above lock-up period."</p>	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Su Yong, Zhao Da Jun, Li Jun, Gan Yi Min, Yang Xiao Lin and Xue Yan	<p>Su Yong, Zhao Da Jun, Li Jun, Gan Yi Min, Yang Xiao Lin and Xue Yan have made the following commitments in respect of shares lock-up:</p> <p>"Within twelve months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, they shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him/her, nor shall Fudan-Zhangjiang repurchase such shares; (2) within six months from the initial listing of Fudan-Zhangjiang, if the closing prices of Fudan-Zhangjiang's shares for twenty consecutive trading days are lower than the issue price, or the closing price at the end of six months after initial listing is lower than the issue price, the lock-up period of Fudan-Zhangjiang's A shares held by him/her will be automatically extended for at least six months after the expiration of the above lock-up period."</p>	19 June 2020-18 June 2021	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Restricted shares	Pudong Science and Technology, Zhiyuan Investment, Chengyuan Investment and Dayuan Investment	Pudong Science and Technology, Zhiyuan Investment, Chengyuan Investment and Dayuan Investment have made the following commitments in respect of shares lock-up: "Within twelve months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, they shall not transfer or entrusted to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by them, nor shall Fudan-Zhangjiang repurchase such shares."	19 June 2020-18 June 2021	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Fudan Asset	Fudan Asset has made the following commitments in respect of shares lock-up: "Within twelve months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, it shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by it, nor shall Fudan-Zhangjiang repurchase such shares (Except for the changes in the Fudan-Zhangjiang's shares held by Fudan Asset in order to comply with the requirements of the then effective laws and regulations or national policies).	19 June 2020-18 June 2021	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Lu Rong, Zhou Ming, Zhang Man Juan, Fang Jing, Wang Luo Chun and Yu Dai Qing	Lu Rong, Zhou Ming, Zhang Man Juan, Fang Jing, Wang Luo Chun and Yu Dai Qing have made the following commitments in respects of shares lock-up: "Within twelve months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, they shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him/her, nor shall Fudan-Zhangjiang repurchase such shares."	19 June 2020-18 June 2021	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Restricted shares	Zhang Wen Bo, Tao Ji Ning, Jiang Jian Ping and Shen Yi Jun	Zhang Wen Bo, Tao Ji Ning, Jiang Jian Ping and Shen Yi Jun have made the following commitments in respects of shares lock-up: "Within twelve months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him/her, nor shall Fudan-Zhangjiang repurchase such shares. He/she shall continue to comply with the above-mentioned undertaking within six months of his/her resignation."	19 June 2020-18 June 2021	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Other Undertakings	Non-competition undertakings	Shanghai Pharmaceuticals	<p>Shanghai Pharmaceuticals has the made following commitments in respects of the non-competition undertakings in the future:</p> <p>"Shanghai Pharmaceuticals undertakes that, from the date of the issuance of this letter of undertakings: (1) Shanghai Pharmaceuticals and enterprises directly or indirectly controlled by Shanghai Pharmaceuticals shall not take the initiative to increase their shareholdings in Fudan-Zhangjiang, nor seek control over Fudan-Zhangjiang through accepting proxy, collecting voting rights, signing concerted action agreements, increasing director seats in Fudan-Zhangjiang or other ways. (2) For related transactions related to the operating activities of Fudan-Zhangjiang, Shanghai Pharmaceuticals will continue to strictly abide by relevant requirements of laws and regulations on related transactions, strictly comply with the decision-making procedures of the Board and shareholders' meeting of Fudan-Zhangjiang to ensure fair and reasonable pricing, and cooperate with Fudan-Zhangjiang to perform information disclosure obligations in a timely manner. (3) Shanghai Pharmaceuticals will continue to respect the independence of Fudan-Zhangjiang in terms of personnel, assets, business, finance and institutions, use its best endeavour to avoid unfair competitions or transfer of benefits with Fudan-Zhangjiang, and will not mutually or unilaterally transfer business opportunities with Fudan-Zhangjiang. This letter of undertakings shall continue to be in effect during the period when Shanghai Pharmaceuticals holds shares of Fudan-Zhangjiang. If Shanghai Pharmaceuticals or enterprises directly or indirectly controlled by Shanghai Pharmaceuticals violates the aforementioned undertakings and causes losses to Fudan-Zhangjiang and its other shareholders, corresponding compensation liabilities shall be borne by Shanghai Pharmaceuticals."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Other Undertakings	Related Transactions	Shanghai Pharmaceuticals	<p>Shanghai Pharmaceuticals has made the following commitments in respects of regulating and reducing related transaction:</p> <p>"For related transactions related to the operating activities of Fudan-Zhangjiang, the Company will continue to strictly abide by relevant requirements of laws and regulations on related transactions, strictly comply with the decision-making procedures of the Board and shareholders' meeting of Fudan-Zhangjiang to ensure fair and reasonable pricing, and cooperate with Fudan-Zhangjiang to perform information disclosure obligations in a timely manner.</p> <p>This letter of undertakings shall continue to be in effect during the period when the Company holds shares of Fudan-Zhangjiang. If the Company or enterprises directly or indirectly controlled by the company violates the aforementioned undertakings and causes losses to Fudan-Zhangjiang and its other shareholders, corresponding compensation liabilities shall be borne by the Company."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Other Undertakings	Related Transactions	Zhiyuan Investment, Chengyuan Investment and Dayuan Investment	<p>Zhiyuan Investment, Chengyuan Investment and Dayuan Investment have made the following commitments in respects of regulating and reducing related transaction:</p> <p>"On the premise of not adversely affecting the interests of Fudan-Zhangjiang and its other shareholders, the Enterprise and subsidiaries directly or indirectly controlled by the Enterprise will minimise related transactions with Fudan-Zhangjiang.</p> <p>For related transactions related to the operating activities of Fudan-Zhangjiang, the Enterprise will continue to strictly abide by relevant requirements of laws and regulations on related transactions, strictly comply with the decision-making procedures of the Board and shareholders' meeting of the issuer to ensure fair and reasonable pricing, and cooperate with the issuer to perform information disclosure obligations in a timely manner; The Enterprise guarantees not to use related transaction with Fudan-Zhangjiang to harm the interests of Fudan-Zhangjiang and its other shareholders, nor use related transaction to bear costs and expenses for Fudan-Zhangjiang or transfer benefits to Fudan-Zhangjiang. This letter of undertakings shall be effective since the date of issuance, and continue to be in effect during the period when the Enterprise holds shares of Fudan-Zhangjiang. In the event of breach of the above undertakings, corresponding legal liabilities shall be borne by the Enterprise."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Others	Related Transaction	Wang Hai Bo, Su Yong, Zhao Da Jun, Fang Jing, Li Jun, Zhang Man Juan, Lu Rong, Zhou Ming	<p>Wang Hai Bo, Su Yong, Zhao Da Jun, Fang Jing, Li Jun, Zhang Man Juan, Lu Rong and Zhou Ming have made the following commitments in respects of regulating and reducing related transaction:</p> <p>"On the premise of not adversely affecting the interests of Fudan-Zhangjiang and its other shareholders, I and subsidiaries directly or indirectly controlled by myself will minimise related transactions with Fudan-Zhangjiang. For related transactions related to the operating activities of Fudan-Zhangjiang, I will continue to strictly abide by relevant requirements of laws and regulations on related transactions, strictly comply with the decision-making procedures of the Board and shareholders' meeting of Fudan-Zhangjiang to ensure fair and reasonable pricing, and cooperate with Fudan-Zhangjiang to perform information disclosure obligations in a timely manner; I guarantee not to use related transaction with Fudan-Zhangjiang to harm the interests of Fudan-Zhangjiang and its other shareholders, nor use related transaction to bear costs and expenses for Fudan-Zhangjiang or transfer benefits to Fudan-Zhangjiang. This letter of undertakings shall be effective since the date of issuance, and continue to be in effect during the period when I hold shares of Fudan-Zhangjiang. In the event of breach of the above undertakings, corresponding legal liabilities shall be borne by me."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Shanghai Pharmaceuticals	<p>Shanghai Pharmaceuticals has made the following commitment in respects of shareholding reduction:</p> <p>If Shanghai Pharmaceuticals reduces its shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by Shanghai Pharmaceuticals, Shanghai Pharmaceuticals shall earnestly abide by the relevant regulations of securities regulatory authority in relation to the share reduction, prudently formulate the shareholding reduction plan, and the number of shares to be reduced every year by Shanghai Pharmaceuticals shall not exceed 5% of the total share capital of the Fudan-Zhangjiang within 2 years after the expiration of share restriction period. (2) Shanghai Pharmaceuticals' method of reducing its shareholding of Fudan-Zhangjiang shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc. (3) The transaction price of shares of Fudan-Zhangjiang held and to be reduced by Shanghai Pharmaceuticals shall not be lower than the issue price at the initial listing; if ex-dividend and ex-rights events such as distribution of dividend, bonus shares, conversion from capital reserves to share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of shareholding reduction shall be adjusted correspondingly. (4) If Shanghai Pharmaceuticals conducts shareholding reduction through centralised bidding transaction, it shall report the shareholding reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by Shanghai Pharmaceuticals is less than 5% shares of Fudan-Zhangjiang). When Shanghai Pharmaceuticals reduces its shareholding in Fudan-Zhangjiang through other methods, it shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority in a timely and accurate manner. "</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	China New Enterprise II	<p>China New Enterprise II has made the following commitment in respect of shareholding reduction:</p> <p>If China New Enterprise II reduces its shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by China New Enterprise II, China New Enterprise II shall earnestly abide by the relevant regulations of securities regulatory authority in relation to the shareholding reduction, prudently formulate the shareholding reduction plan, and the number of shares to be reduced every year shall not exceed 100% of the total shares of Fudan- Zhangjiang held by China New Enterprise II within 2 years after the expiration of shares restriction period; (2) China New Enterprise II's method of reducing its shareholding of Fudan-Zhangjiang's shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc.; (3) The transaction price of shareholding reduction shall not be lower than the issue price at the initial listing, if ex-dividend and ex-rights events such as distribution of dividend, bonus shares, conversion from capital reserves to increase share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of shareholding reduction shall be adjusted correspondingly; (4) If China New Enterprise II conducts shareholding reduction through centralised bidding transaction, it shall report the shareholding reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by China New Enterprise II is less than 5% shares of Fudan-Zhangjiang). When China New Enterprise II reduces its shareholding in Fudan-Zhangjiang through other methods, it shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority and the Shanghai Stock Exchange in a timely and accurate manner."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Yang Zong Meng	<p>Yang Zong Meng has made the following commitment in respects of shareholding reduction:</p> <p>"If I reduces my shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by me, I shall earnestly abide by the relevant regulations of securities regulatory authority in relation to the shareholding reduction, prudently formulate the shareholding reduction plan, and the number of shares to be reduced every year shall not exceed 5% of the total shares capital of Fudan- Zhangjiang within 2 years after the expiration of shares restriction period; (2) The method of reducing my shareholding of Fudan-Zhangjiang shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc.; (3) The transaction price of shareholding reduction of Fudan-Zhangjiang held by myself shall not be lower than the issue price at the initial listing, if ex-dividend and ex-rights events such as distribution of dividend, bonus shares, conversion from capital reserves to increase share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of shareholding reduction shall be adjusted correspondingly; (4) If I conduct shareholding reduction through centralised bidding transaction, I shall report the share reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by myself is less than 5% shares of Fudan-Zhangjiang). When I reduce the shares in Fudan-Zhangjiang through other methods, I shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority and the Shanghai Stock Exchange in a timely and accurate manner. "</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Wang Hai Bo	<p>Wang Hai Bo has made the following commitment in respect of shareholding reduction:</p> <p>"After the expiration of share restriction period and lock-up period of shares, during my tenure as a director/member of senior management in Fudan-Zhangjiang, I will promptly declare the shares of Fudan-Zhangjiang held by myself and the changes thereto, and the annual transfer of shares of Fudan-Zhangjiang shall not exceed 25% of the total shares of Fudan-Zhangjiang held by myself. At the same time, within four years following the expiration of the above-mentioned lock-up period, I, as a core technician of Fudan-Zhangjiang, shall not transfer annually the shares of Fudan-Zhangjiang before the initial listing exceeding 25% of the total number of shares of Fudan-Zhangjiang before its initial listing directly and indirectly held by myself (The proportion of shareholding reduction shall be used cumulatively). When I reduce my shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation. (2) If I reduce my shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by myself, I shall earnestly abide by the relevant regulations of securities regulatory authority in relation of the shareholding reduction, prudently formulate the share reduction plan, and the number of share reduction on shares held by myself shall not exceed 5% of the total share capital of Fudan-Zhangjiang after 2 years of expiration of share restriction period. (3) The method of reducing the shareholding of Fudan-Zhangjiang shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc. (4) The transaction price of shareholding reduction of Fudan-Zhangjiang held by myself shall not be lower than the issue price at the initial listing, if ex-dividend and ex-rights events such as distribution of dividend, bonus</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Su Yong	<p>shares, conversion from capital reserves to increase share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of share reduction shall be adjusted correspondingly. (5) If I conduct shareholding reduction through centralised bidding transaction, I shall report the shareholding reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by myself is less than 5% shares of Fudan-Zhangjiang). When I reduce the shares in Fudan-Zhangjiang through other methods, I shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority in a timely and accurate manner. "</p> <p>Su Yong has made the following commitment in respect of shareholding reduction:</p> <p>"After the expiration of share restriction period and lock-up period of shares, during my tenure as a director/member of senior management in Fudan-Zhangjiang, I will promptly declare the shares of Fudan-Zhangjiang held by myself and the changes thereto, and the annual transfer of shares of Fudan-Zhangjiang shall not exceed 25% of the total shares of Fudan-Zhangjiang held by myself. At the same time, within four years following the expiration of the above-mentioned share restriction period and lock-up period, I, as a core technician of Fudan-Zhangjiang, shall not annually transfer of shares of Fudan-Zhangjiang before the initial listing exceeding 25% of the total number of shares before the initial listing of Fudan-Zhangjiang directly and indirectly held by myself (The proportion of shareholding reduction shall be used cumulatively). When I reduce the shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation. "</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Zhao Da Jun and Li Jun	<p>Zhao Da Jun and Li Jun have the made following commitment in respect of shareholding reduction:</p> <p>"During my tenure as a director/member of senior management in Fudan-Zhangjiang, the annual transfer of shares shall not exceed 25% of the total shares of Fudan-Zhangjiang directly or indirectly held by myself. When I reduce the shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation. "</p>	Long-term	Yes	Yes	Not applicable	Not applicable
	Others	Wang Luo Chun	<p>Wang Luo Chun has made the following commitment in respect of shareholding reduction:</p> <p>"After the expiration of share restriction period and lock-up period of shares, during my tenure as a supervisor in Fudan-Zhangjiang, I will promptly declare the shares of Fudan-Zhangjiang held by myself and the changes thereto, and the annual transfer of shares of Fudan-Zhangjiang shall not exceed 25% of the total shares of Fudan-Zhangjiang directly or indirectly held by myself. At the same time, within four years following the expiration of the above-mentioned lock-up period, I, as a core technician of Fudan-Zhangjiang, shall not transfer annually shares of Fudan-Zhangjiang before the initial listing exceeding 25% of the total number of shares before the initial listing of Fudan-Zhangjiang directly and indirectly held by myself (The proportion of share reduction shall be used cumulatively). When I reduce my shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation. "</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Yu Dai Qing	<p>Yu Dai Qing has made following commitment in respect of shareholding reduction:</p> <p>"During my tenure as a supervisor in Fudan-Zhangjiang, the annual transfer of shares shall not exceed 25% of the total shares of Fudan-Zhangjiang directly and indirectly held by myself. When I reduce the shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation."</p>	Long-term	Yes	Yes	Not applicable	Not applicable
	Others	Gan Yi Min	<p>Gan Yi Min has made the following commitment in respect of shareholding reduction:</p> <p>"After the expiration of share restriction period and lock-up period of shares, during my tenure as a member of senior management in Fudan-Zhangjiang, I will promptly declare the shares of Fudan-Zhangjiang held by myself and the changes thereto, and the annual transfer of shares of Fudan-Zhangjiang shall not exceed 25% of the total shares of Fudan-Zhangjiang directly or indirectly held by myself. At the same time, within four years following the expiration of the above-mentioned lock-up period, I, as a core technician of Fudan-Zhangjiang, shall not transfer annually the shares of Fudan-Zhangjiang before the initial listing exceeding 25% of the total number of shares before the initial listing of Fudan-Zhangjiang directly and indirectly held by myself (The proportion of share reduction shall be used cumulatively). When I reduce the shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Yang Xiao Lin and Xue Yan	<p>Yang Xiao Lin and Xue Yan have made the following commitment in respects of shareholding reduction:</p> <p>"During my tenure as a member of senior management in Fudan-Zhangjiang, the annual transfer of shares shall not exceed 25% of the total shares of Fudan-Zhangjiang directly and indirectly held by myself. When I reduce the number shares of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation."</p>	Long-term	Yes	Yes	Not applicable	Not applicable
	Others	Zhang Wen Bo, Tao Ji Ning, Jiang Jian Ping and Shen Yi Jun	<p>Zhang Wen Bo, Tao Ji Ning, Jiang Jian Ping and Shen Yi Jun have made the following commitment in respects of shareholding reduction:</p> <p>"Within four years from the date of expiration of the share restriction period before the issuer's initial listing, the annual transfer of shares held by me before the issuer's initial listing shall not exceed 25% of the total number of shares before the issuer's initial listing directly and indirectly held by myself at the time of initial listing (The proportion of share reduction shall be used cumulatively)."</p>	Long-term	Yes	Yes	Not applicable	Not applicable
	Others	Fudan-Zhangjiang and Shanghai Pharmaceuticals	<p>Fudan-Zhangjiang and Shanghai Pharmaceuticals have made the following commitment in respects of repurchase of the shares listed by fraudulent means:</p> <p>"If Fudan-Zhangjiang obtains registration of the issuance by fraud when it does not meet the conditions for issuance and listing, Fudan-Zhangjiang shall start the share repurchase procedures to repurchase all new shares of Fudan-Zhangjiang under such public issuance within 5 working days after being confirmed by the China Securities Regulatory Commission ("CSRC") and other competent departments."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Zhiyuan Investment, Chengyuan Investment, Dayuan Investment, Wang Hai Bo, Su Yong, Zhao Da Jun, Li Jun, Fang Jing, Zhang Man Juan, Lu Rong and Zhou Ming	<p>Zhiyuan Investment, Chengyuan Investment, Dayuan Investment, Wang Hai Bo, Su Yong, Zhao Da Jun, Li Jun, Fang Jing, Zhang Man Juan, Lu Rong and Zhou Ming have made the following commitment in respects of the truthfulness, accuracy and completeness of the prospectus:</p> <p>"After the shares issued by the issuer are listed for trading, if the false and misleading statement or material omission in the prospectus has a significant and substantial impact on deciding whether the issuer meets the issue conditions required by the laws, the Company or entities controlled by the Company shall repurchase the issued shares held by the Company or entities controlled by the Company before the issuer's initial listing that have been transferred after being confirmed by relevant authorities, such as the CSRC, Shanghai Stock Exchange or the judicial authorities. The repurchase price is the higher of: (1) the secondary market price of the issuer's shares; (2) the issue price at the time of the initial public offering of the issuer (if ex-rights or ex-dividend events of the issuer, such as profit distribution, increase of share capital by conversion of capital reserves, additional issue and placing of shares, occurred, the closing price shall be adjusted according to the relevant provisions of the Shanghai Stock Exchanges), together with the interest calculated at the deposit rate of People's Bank of China for the period from the date of payment of the stock subscription fees to the repurchase implementation date. The Company guarantees to urge the issuer to actively implement the decision-making procedures for the share repurchase matters, and to vote for it at relevant meetings."</p>	Long-term	Yes	Yes	Not applicable	Not applicable
	Others	Shen Bo, Yu Xiao Yang, Zhou Zhong Hui, Lam Yiu Kin, Xu Qing, Yang Chun Bao, Tang Yu Kuan, Wang Luo Chun, Liu Xiao Long, Huang Jian, Yu Dai Qing, Yang Xiao Lin, Gan Yi Min and Xue Yan	<p>Shen Bo, Yu Xiao Yang, Zhou Zhong Hui, Lam Yiu Kin, Xu Qing, Yang Chun Bao, Tang Yu Kuan, Wang Luo Chun, Liu Xiao Long, Huang Jian, Yu Dai Qing, Yang Xiao Lin, Gan Yi Min and Xue Yan have made the following commitment in respects of the truthfulness, accuracy and completeness of the prospectus:</p> <p>"If the false and misleading statement or material omission in the prospectus has a significant and substantial impact on deciding whether the issuer meets the issue conditions required by the laws, I shall urge the issuer to, abide by the law, repurchase its shares issued in the initial listing after being confirmed by relevant authorities, such as the CSRC, Shanghai Stock Exchange or the judicial authorities."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Directors and senior management	<p>The directors and senior management of the Company made the following commitments in respects of the measures to make remedies for immediate returns:</p> <p>"(1) I guarantee not to transfer benefits to other entities or individuals for no consideration or with unfair conditions, and not to adopt other means to damage the issuer's interests; (2) I guarantee to constrain position-related expenses; (3) I guarantee not to utilise the issuer's assets to engage in investment and consumption activities that are not related to the performance of duties; (4) I guarantee to link the remuneration system formulated by the Board or the Remuneration Committee with the implementation of the issuer's measures to make remedies for returns; (5) the issuer subsequently launches the equity incentive policy, I guarantee to link the conditions of the exercise of the issuer's equity incentives to be announced with the implementation of the issuer's measures to make remedies for returns; (6) After the CSRC and the Shanghai Stock Exchange have separately issued the relevant opinions and implementation rules on the remedial measures and their undertakings in relation to the dilution of immediate returns, I guarantee to make supplemental undertakings immediately in accordance with the requirements of the CSRC and the SSE, and actively promote the issuer to develop new regulations to meet the requirements of the CSRC and the SSE, if the relevant regulations of the issuer and the above undertakings are not in compliance with the requirements; (7) I guarantee to fulfill the remedial measures formulated by the Company in relation to the dilution of immediate returns and any undertakings made by the issuer with respect to the remedial measures in relation to the dilution of immediate returns in a full, complete and timely manner; and (8) In case of any breach of the above undertakings or refusal to perform the above undertakings, I agree to accept the penalties and relevant regulatory measures imposed pursuant to the relevant regulations issued by the securities regulatory authorities such as the CSRC and the SSE."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Shen Bo, Yu Xiao Yang, Zhou Zhong Hui, Lam Yiu Kin, Xu Qing, Yang Chun Bao, Tang Yu Kuan, Wang Luo Chun, Liu Xiao Long, Huang Jian, Yu Dai Qing, Yang Xiao Lin, Gan Yi Min and Xue Yan	<p>Shen Bo, Yu Xiao Yang, Zhou Zhong Hui, Lam Yiu Kin, Xu Qing, Yang Chun Bao, Tang Yu Kuan, Wang Luo Chun, Liu Xiao Long, Huang Jian, Yu Dai Qing, Yang Xiao Lin, Gan Yi Min and Xue Yan have made following commitment in respect of repurchase of the shares listed by fraudulent means:</p> <p>"If the false and misleading statement or material omission in the prospectus has a significant and substantial impact on deciding whether the issuer meets the issue conditions required by the laws, I shall urge the issuer to, in accordance with the law, repurchase its issued shares issued in the initial listing after being confirmed by relevant authorities, such as the CSRC, Shanghai Stock Exchange or the judicial authorities."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Directors and senior management	<p>The directors and senior management of the Company made the following commitments in respects of the measures to make remedies for dilution of immediate returns on public issuance of shares:</p> <p>"(1) I guarantee not to transfer benefits to other entities or individuals for no consideration or with unfair conditions, and not to adopt other means to damage the issuer's interests; (2) I guarantee to constrain position-related expenses; (3) I guarantee not to utilise the issuer's assets to engage in investment and consumption activities that are not related to the performance of duties; (4) I guarantee to link the remuneration system formulated by the Board or the Remuneration Committee with the implementation of the issuer's measures to make remedies for returns; (5) If the issuer subsequently launches the equity incentive policy, I guarantee to link the conditions of the exercise of the issuer's equity incentives to be announced with the implementation of the issuer's measures to make remedies for returns; (6) After the CSRC and the SSE have separately issued the relevant opinions and implementation rules on the remedial measures and their undertakings in relation to the dilution of immediate returns, to make supplemental undertakings immediately in accordance with the requirements of the CSRC and the SSE, and actively promote the issuer to develop new regulations to meet the requirements of the CSRC and the SSE, if the relevant regulations of the issuer and the above undertakings are not in compliance with the requirements; (7) I guarantee to fulfill the remedial measures formulated by the Company in relation to the dilution of immediate returns and any undertakings made by the issuer with respect to the remedial measures in relation to the dilution of immediate returns in a full, complete and timely manner; and (8) In case of any breach of the above undertakings or refusal to perform the above undertakings, I agree to accept the penalties and relevant regulatory measures imposed pursuant to the relevant regulations issued by the securities regulatory authorities such as the CSRC and the SSE."</p>	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	The Company, directors and senior management	<p>If, within three years after the initial listing by the Company, the daily closing prices of A Shares of the Company for 20 consecutive trading days are lower than the latest audited (which means audited in accordance with the PRC Accounting Standards for Business Enterprises) net assets value per Share (in case of any changes in the net assets or total number of Shares of the Company due to ex-rights or ex-dividend events such as profit distribution, conversion of capital reserve into share capital, placing of shares, etc. after the base date of the latest auditing, the net assets value per Share shall be adjusted accordingly), the Company, the Directors and the senior management will strictly comply with the Share Price Stabilization Plan within Three Years After the Issue of A Shares And the Listing on the STAR Market, and perform share price stabilization obligations in accordance with the requirements of such plan.</p> <p>Restraint measures for failure of the Company to perform undertakings for stabilising share price: "If the Company fails to perform undertakings for stabilising share price of the Company, the Company shall be required to publicly provide specific reasons at the Shareholders' general meeting and through the media for disclosure designated by the securities regulatory authority, and make an apology to Shareholders and general public investors. Where loss is caused to investors and it is not attributable to events of force majeure, the Company will be liable for compensating investors, and assume corresponding responsibilities in accordance with the requirements of laws, regulations and relevant regulatory authorities. Where the loss is attributable to events of force majeure, proposals for handling the situation to minimize the loss of the interest of investors shall be studied as soon as possible and submitted to the general meeting for consideration in order to protect the interest of investors to the fullest extent possible."</p>	19 June 2020 to 18 June 2023	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is it fulfilled in a timely manner	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
			<p>Restraint measures for failure of directors and senior management to perform undertakings for stabilising share price: "If I fail to perform or fail to perform in time undertakings for stabilizing share price, I shall be required to publicly provide specific reasons at the general meeting and through the media for disclosure designated by the securities regulatory authority, and make an apology to shareholders of the issuer and general public investors. Where the loss is not attributable to events of force majeure, the remuneration or allowances of the directors and senior management, if any, shall be reduced or suspended, and where loss is caused to investors, and the investors shall be compensated in accordance with the law. Where the loss is attributable to events of force majeure, proposals for handling the situation to minimize the loss of the interest of investors shall be studied as soon as possible in order to protect the interest of investors to the fullest extent possible."</p>					

Significant Events

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

Not applicable.

III. ILLEGAL GUARANTEE

Not applicable.

IV. AUDIT OF INTERIM REPORT

Not applicable.

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

Not applicable.

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Not applicable.

VII. MATERIAL LITIGATION AND ARBITRATION

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

VIII. PUNISHMENTS AND RECTIFICATIONS OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRERS

Not applicable.

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

Not applicable.

X. SIGNIFICANT CONNECTED TRANSACTIONS

(I) The connected transactions in relation to daily operations

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

Overview of events

Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals

Query index

For more details, please refer to the announcements of the Company dated 29 October 2020 and the circular of the Company dated 27 November 2020.

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

Not applicable.

Significant Events

3. *Events not disclosed in the temporary announcements*

Not applicable.

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

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

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

Not applicable.

(III) Significant related transactions relating to joint external investment

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

(IV) Claims and liabilities with related parties

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

Significant Events

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

Not applicable.

(VI) Other material related transactions

Not applicable.

(VII) Others

Not applicable.

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing

Not applicable.

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

Not applicable.

3. Other Material Contracts

Not applicable.

XII. USE OF PROCEEDS

Particulars of the proceeds raised were used as follows:

	Budget RMB0'000	Unaudited Amount that has been utilized for the six months ended 30 June 2021 RMB0'000	Unaudited Remaining balance as at 30 June 2021 RMB0'000	Notes
Investment Projects				
– The Registration Project of Hemoporfin in the United States	23,000.00	2,032.02	20,976.98	
– The Innovational Research and Sustainable Development Project in Relation to Biological Medicine	24,000.00	9,827.46	14,172.54	
– The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhagnjiagn	18,000.00	17,839.30	160.70	
Over-raised funds	–	9,600.00	22,832.39	Note (1)
Interest on raised funds	–	–	2,022.29	
Total	<u>65,000.00</u>	<u>39,298.78</u>	<u>60,155.90</u>	

Significant Events

Notes:

- (1) The actual amount of proceeds raised from the issue of A Shares exceeding the needs of the investment projects listed above will be used to supplement the working capital related to the principal business of the Company in accordance with relevant requirements of CSRC and The Shanghai Stock Exchange ("SSE") and subject to the approval of the Board and the Shareholders' meeting. In order to satisfy the Company's working capital requirements, to utilize the proceeds more effectively, to reduce financial cost, to further enhance the Company's profitability and to safeguard the interest of the Company and its shareholders, the Company was approved to utilize RMB96,000,000 of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital by the Board meeting on 25 March 2021. The proposal was also approved by the Shareholders at the annual general meeting on 27 May 2021. For more details, please refer to the announcement of the Company dated 25 March 2021 and the circular of the Company dated 16 April 2021.
- (2) The unaudited amount that has been utilized for the six months ended 30 June 2021 included the amount which is used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period.
- (3) The Company confirms that the use of proceeds from the issue of A share conforms to the disclosure of the circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A share in strict accordance with the relevant regulations. The remaining amount of proceeds to be invested is expected to be utilised by 31 December 2023. The expected timeline for the remaining amount of proceeds to be invested is subject to future adjustments if required, and the Company will comply with relevant internal approval procedures and disclosure obligations in due course.

XIII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

I. THE CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

Unit: Share

	Before the changes		Changes for the period (+, -)			After the changes	
	Number of shares	Percentage (%)	New shares	Others	Subtotal	Number of shares	Percentage (%)
I Shares subject to trading restriction	606,734,962	58.18	-	-167,577,060	-167,577,060	439,157,902	42.11
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	30,636,286	2.94	-	-30,636,286	-30,636,286	-	-
3. Other domestic shares	576,098,676	55.24	-	-136,940,774	-136,940,774	439,157,902	42.11
Of which held by: domestic non-state-owned legal person	381,298,816	36.56	-	-80,027,344	-80,027,344	301,271,472	28.89
Domestic natural persons	194,799,860	18.68	-	-56,913,430	-56,913,430	137,886,430	13.22
4. Foreign ownership	-	-	-	-	-	-	-
Of which held by: overseas non-state-owned legal person	-	-	-	-	-	-	-
Overseas natural persons	-	-	-	-	-	-	-
II Circulating shares not subject to trading restriction	436,265,038	41.82	-	+167,577,060	167,577,060	603,842,098	57.89
1. RMB ordinary shares	96,265,038	9.22	-	+167,577,060	167,577,060	263,842,098	25.29
2. Domestic listed foreign shares	-	-	-	-	-	-	-
3. Overseas listed foreign shares	340,000,000	32.60	-	-	-	340,000,000	32.60
4. Others	-	-	-	-	-	-	-
III Total number of ordinary shares	<u>1,043,000,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,043,000,000</u>	<u>100.00</u>

Changes in Ordinary Shares and Particulars of Shareholders

2. *Description of changes in ordinary shares*

On 21 June 2021, some of restricted shares of the Company from the issue of A shares began their circulation and trading. The restricted shares circulated are all restricted shares issued by the Company from the issue of A shares with a restricted period of 12 months from the date of initial public offering shares of the Company on the STAR Market. The total number of above circulated shares was 167,577,060. For more details, please refer to the overseas regulatory announcement of the Company dated 9 June 2021.

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

The Company held the 6th meeting of the seventh session of the Board on 25 March 2021 which considered and passed the proposal on granting the Board general mandate to repurchase H shares. The proposal has been deliberated and approved at 2020 annual general meeting and class meetings of the Company held on 27 May 2021, and the Board has been granted a general mandate to repurchase H shares of the Company. For more details, please refer to the announcement of the Company dated 25 March 2021 and the circular dated 16 April 2021.

As at the date of this report, the Company has repurchased 1,469,000 H shares in aggregation, and the above shares have not been cancelled. For more details, please refer to the next day disclosure returns of the Company from 2 July 2021 to 9 July 2021. If above repurchased H shares are cancelled, the total number of issued shares of the Company will be reduced from 1,043,000,000 shares to 1,041,531,000 shares, resulting in the Company's basic earnings per share to increase from RMB0.06 to RMB0.07 as well as the net assets per share to increase from RMB1.94 to RMB1.95 during the Reporting Period, with a change of about 1%.

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

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

(II) Changes in trade-restricted shares

Name of shareholder	Number of shares subject to trading restriction at the beginning of the Reporting Period	Number of shares released from trading restriction for the Reporting Period	Number of new shares subject to trading restriction for the Reporting Period	Number of shares subject to trading restriction at the end of the Reporting Period	Reason for the trading restriction	Date of release from trading restriction
China New Enterprise Investment Fund II	156,892,912	-	-	156,892,912	subject to trading restriction under the initial public offering	19 June 2023
Shanghai Pharmaceuticals	139,578,560	-	-	139,578,560	subject to trading restriction under the initial public offering	19 June 2023
Yang Zong Meng	80,000,000	-	-	80,000,000	subject to trading restriction under the initial public offering	19 June 2023
Wang Hai Bo	57,886,430	-	-	57,886,430	subject to trading restriction under the initial public offering	19 June 2023
Haitong Innovation Securities Investment Co., Ltd	4,800,000	-	-	4,800,000	Initial public offering of restricted for shares strategic allotment	19 June 2022
Shanghai Fudan Asset Management Co., Ltd.	30,636,286	30,636,286	-	-	subject to trading restriction under the initial public offering	21 June 2021
Shanghai Zhiyuan Investment Center LP	26,160,000	26,160,000	-	-	subject to trading restriction under the initial public offering	21 June 2021
Su Yong	22,312,860	22,312,860	-	-	subject to trading restriction under the initial public offering	21 June 2021
Zhao Da Jun	19,260,710	19,260,710	-	-	subject to trading restriction under the initial public offering	21 June 2021
Shanghai Dayuan Investment Center LP	15,900,000	15,900,000	-	-	subject to trading restriction under the initial public offering	21 June 2021
Shanghai Chengyuan Investment Center LP	12,470,000	12,470,000	-	-	subject to trading restriction under the initial public offering	21 June 2021
Haitong Assets Management Huixiang FDZJ Employee Strategic Allotment Collective Assets Management Plan	11,934,962	11,934,962	-	-	Initial public offering of restricted for shares strategic allotment	21 June 2021
Li Jun	7,215,260	7,215,260	-	-	subject to trading restriction under the initial public offering	21 June 2021
Zhejiang Hisun Pharmaceutical Co., Ltd	7,000,000	7,000,000	-	-	Initial public offering of restricted for shares strategic allotment	21 June 2021
Shanghai Pudong Technology Investment Co., Ltd.	6,562,382	6,562,382	-	-	subject to trading restriction under the initial public offering	21 June 2021
Fang Jing	5,654,600	5,654,600	-	-	subject to trading restriction under the initial public offering	21 June 2021
Zhang Man Juan	870,000	870,000	-	-	subject to trading restriction under the initial public offering	21 June 2021
Zhou Ming	800,000	800,000	-	-	subject to trading restriction under the initial public offering	21 June 2021
Lu Rong	800,000	800,000	-	-	subject to trading restriction under the initial public offering	21 June 2021
Total	<u>606,734,962</u>	<u>167,577,060</u>	<u>-</u>	<u>439,157,902</u>	/	/

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (account)	21,885
Total number of preference shareholders with restored voting rights as at the end of the reporting period (account)	Not applicable
Total number of preference shareholders with special voting rights as at the end of the reporting period (account)	Not applicable

As at the end of the Reporting Period, the Company had 21,885 Shareholders, including 21,736 A Share Shareholders and 149 registered H Share Shareholders.

Number of depositary receipt holders

Not applicable.

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

Unit: Share

Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Shareholdings of the top 10 Shareholders		Shares pledged or frozen		Nature of shareholder
				Number of shares held subject to trading restriction	Number of restricted shares including shares lent by refinancing	Status of shares	Number of shares	
HKSCC NOMINEES LIMITED ^{Note 1}	0	241,867,900	23.19	0	Unknown	Unknown	Unknown	Overseas legal person
Shanghai Pharmaceuticals Holding Co., Ltd ^{Note 1}	0	210,142,560	20.15	139,578,560	139,578,560	Nil	0	Domestic non-state- owned legal person
China New Enterprise Investment Fund II	0	156,892,912	15.04	156,892,912	156,892,912	Nil	0	Other
Yang Zong Meng	0	80,000,000	7.67	80,000,000	80,000,000	Nil	0	Domestic natural person
Wang Hai Bo	0	57,886,430	5.55	57,886,430	57,886,430	Nil	0	Domestic natural person
Investco Hong Kong Limited ^{Note 1}	3,905,000	30,835,000	2.96	0	Unknown	Unknown	Unknown	Overseas legal person
Shanghai Fudan Asset Management Co., Ltd.	0	30,636,286	2.94	0	Unknown	Nil	0	State-owned legal person
Shanghai Zhiyuan Investment Center LP ^{Note 2}	0	26,160,000	2.51	0	Unknown	Nil	0	Other
Su Yong	0	22,312,860	2.14	0	Unknown	Nil	0	Domestic natural person
Zhao Da Jun	0	19,260,710	1.85	0	Unknown	Nil	0	Domestic natural person

Changes in Ordinary Shares and Particulars of Shareholders

Particulars of shareholdings of the top ten Shareholders not subject to trading restriction

Name of shareholder	Number of circulating shares held not subject to trading restriction	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED ^{Note 1}	241,867,900	Overseas listed foreign shares	241,867,900
Shanghai Pharmaceuticals ^{Note 1}	70,564,000	Overseas listed foreign shares	70,564,000
Investco Hong Kong Limited ^{Note 1}	30,835,000	Overseas listed foreign shares	30,835,000
Shanghai Fudan Asset Management Co., Ltd.	30,636,286	RMB ordinary shares	30,636,286
Shanghai Zhiyuan Investment Center LP ^{Note 2}	26,160,000	RMB ordinary shares	26,160,000
Su Yong	22,312,860	RMB ordinary shares	22,312,860
Zhao Da Jun	19,260,710	RMB ordinary shares	19,260,710
Shanghai Dayuan Investment Center LP ^{Note 2}	15,900,000	RMB ordinary shares	15,900,000
Shanghai Chengyuan Investment Center LP ^{Note 2}	12,470,000	RMB ordinary shares	12,470,000
Haitong Assets Management Huixiang FDZJ Employee Strategic Allotment Collective Assets Management Plan	11,934,962	RMB ordinary shares	11,934,962
Description of special account for repurchase among the top ten Shareholders	Not applicable.		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders	Not applicable.		
Note on the connected relations or acting in concert arrangements of the above shareholders	The Company is not aware whether the other Shareholders have related party relationship or acting-in-concert arrangement.		
Note on the preference shareholders with voting rights restored and number of shares held	Not applicable.		

Note 1: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shanghai Pharmaceuticals and 30,835,000 H Shares held by Investco Hong Kong Limited. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;

Note 2: Shanghai Zhiyuan Investment Center LP, Shanghai Dayuan Investment Center LP, and Shanghai Chengyuan Investment Center LP are employee stock holding platforms of the Company.

Changes in Ordinary Shares and Particulars of Shareholders

Number of and the trade restrictions on Top 10 shareholders holding trade-restricted shares

Unit: share

No.	Name of shareholders holding trade-restricted shares	Number of trade-restricted shares	The trading of trade-restricted shares		Trading restrictions
			Time available for trading	Number of additional shares available for trading	
1	China New Enterprise Investment Fund II	156,892,912	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
2	Shanghai Pharmaceuticals	139,578,560	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
3	Yang Zong Meng	80,000,000	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
4	Wang Hai Bo	57,886,430	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
5	Haitong Innovation Securities Investment Co., Ltd	4,800,000	2022-06-19	0	24 months from the date when the Company's shares are listed at the SSE
Note on connected relations or connected actions of the above shareholders Nil					

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

Not applicable.

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

Not applicable.

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

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

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

Name of strategic investor or general legal person	Agreed shareholding start date	Agreed shareholding end date
Haitong Assets Management Huixiang FDZJ Employee Strategic Allotment Collective Assets Management Plan	2020-06-19	2021-06-19
Haitong Innovation Securities Investment Co., Ltd	2020-06-19	2022-06-19
Explanation on the agreed shareholding period of strategic investors or general legal persons participating in the placement of new shares	<ol style="list-style-type: none"> The trading restriction period of Haitong Assets Management Huixiang FDZJ Employee Strategic Allotment Collective Assets Management Plan is 12 months which started from the date of initial public offering of the Company; The trading restriction period of Haitong Innovation Securities Investment Co., Ltd is 24 months. 	

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

So far as the Directors are aware, as at 30 June 2021, the persons other than a Director, Supervisor or chief executive of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	19.85%	20.15%
	H Shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceuticals	A Shares	139,578,560 (L)	Beneficial owner	Corporate	19.85%	20.15%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.32%	15.04%
Yang Zong Meng	A Shares	80,000,000 (L)	Beneficial owner	Personal	11.38%	7.67%
Invesco Hong Kong Limited	H Shares	30,835,000(L)	Investment manager	Corporate	9.06%	2.96%

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

Changes in Ordinary Shares and Particulars of Shareholders

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF

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

Not applicable.

Other Explanation

1. Indirect shareholding through the Strategic Allotment Plan of existing and resigned Directors, Supervisors, senior management, and core technicians during the Reporting Period:

Name	Position	Number of shares indirectly held (shares '0,000)
Wang Hai Bo	Executive Director	99.42
Su Yong	Executive Director	79.61
Zhao Da Jun	Executive Director	79.61
Wang Luo Chun	Employee Representative Supervisor	23.87
Yu Dai Qing	Employee Representative Supervisor	29.84
Li Jun	Senior Management	59.67
Yang Xiao Lin	Senior Management	59.67
Gan Yi Min	Senior Management	59.67
Xue Yan	Senior Management	59.67
Zhang Wen Bo	Core Technicians	45.71
Tao Ji Ning	Core Technicians	21.84
Jiang Jian Ping	Core Technicians	42.73
Shen Yi Jun	Core Technicians	17.90

Note: The "Number of shares indirectly held" in the above table is calculated based on their respective percentage of interests in the Special Assets Management Plan. The arithmetic differences arise from the rounding adjustments of the figures to two decimal places.

2. Indirect shareholding through the employee stock holding platforms (Shanghai Zhiyuan Investment Center LP, Shanghai Dayuan Investment Center LP, and Shanghai Chengyuan Investment Center LP) of Directors, Supervisors, senior management, and core technicians before the initial offering on the STAR market of SSE:

Name	Position	Number of shares indirectly held (shares '0,000)
Yu Dai Qing	Employee Representative Supervisor	80.00
Wang Luo Chun	Employee Representative Supervisor	117.00
Li Jun	Senior Management	394.00
Gan Yi Min	Senior Management	189.50
Yang Xiao Lin	Senior Management	240.00
Xue Yan	Senior Management	165.00
Zhang Wen Bo	Core Technicians	131.00
Tao Ji Ning	Core Technicians	93.00
Jiang Jian Ping	Core Technicians	100.00
Shen Yi Jun	Core Technicians	56.00

Changes in Ordinary Shares and Particulars of Shareholders

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

1. *Stock option*

Not applicable.

2. *Class I restricted stock*

Not applicable.

3. *Class II restricted stock*

Not applicable.

(III) Other explanations

1. *Restricted incentive scheme*

On 22 July 2021, the Board of Directors and the Board of Supervisors considered and approved resolutions including the “Resolution on the Adjustments to the List of Participants, the Number of Restricted Shares Granted and the Grant Price under the First Grant of Restricted Shares of the 2021 Restricted Incentive Scheme” and the “Resolution on the Grant of Restricted Shares to Participants under the First Grant” at the 10th (interim) meeting of the seventh session of the Board of Directors and the 10th (interim) meeting of the seventh session of the Board of Supervisors, respectively. The Participants of the First Grant under the Incentive Scheme are Directors, members of the senior management, core technical staff and other persons considered by the Board to be required to be incentivized of the Group with that 32,770,000 Restricted Shares of the A Shares are to be granted to 258 Participants under the First Grant. For more details, please refer to the announcement of the Company dated 22 July 2021. For more details, please refer to “Company’s Governance” – “IV. Equity Incentive Plans, Employee Share Schemes and Other Incentive Schemes of the Company and Their Impact”.

2. *Directors’, supervisors’ and chief executive’s interests in shares of the company*

As at 30 June 2021, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the “Model Code”) were as follows:

Changes in Ordinary Shares and Particulars of Shareholders

Name	Position	Class of shares	Number of shares held (0'000)	Capacity	Type of interest	Percentage in Domestic Shares	Percentage in total number of issued shares
Wang Hai Bo	Director	A Shares	5,888.06 (L)	Beneficial owner	Personal	8.38%	5.65%
Su Yong	Director	A Shares	2,310.89 (L)	Beneficial owner	Personal	3.29%	2.22%
Zhao Da Jun	Director	A Shares	2,005.68 (L)	Beneficial owner	Personal	2.85%	1.92%
Wang Luo Chun	Supervisor	A Shares	140.87 (L)	Beneficial owner	Personal	0.20%	0.14%
Yu Dai Qing	Supervisor	A Shares	109.84 (L)	Beneficial owner	Personal	0.16%	0.11%

Note:

- The letter "L" stands for long position;
- The number of shares held by the Directors and Supervisors in above table included the approximate number of shares calculated based on their respective interests in the Special Assets Management Plan (around 994,200 A Shares, 796,100 A Shares, 796,100 A Shares, 238,700 A Shares and 298,400 A Share being allotted to Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun, Mr. Wang Luo Chun and Ms. Yu Dai Qing, respectively). For more details, please refer to the announcements of the Company dated 26 April 2019, 21 June 2019 and 6 June 2020, and the circular of the Company dated 5 June 2019.
- Directors' and Supervisor's securities transactions*

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

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

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

For the six months ended 30 June 2021, all Directors, Supervisors and relevant employees have complied with the relevant requirements. The previous year has not found the Directors, the Supervisors and the relevant employees violating the above regulations.

Changes in Ordinary Shares and Particulars of Shareholders

4. Corporate governance

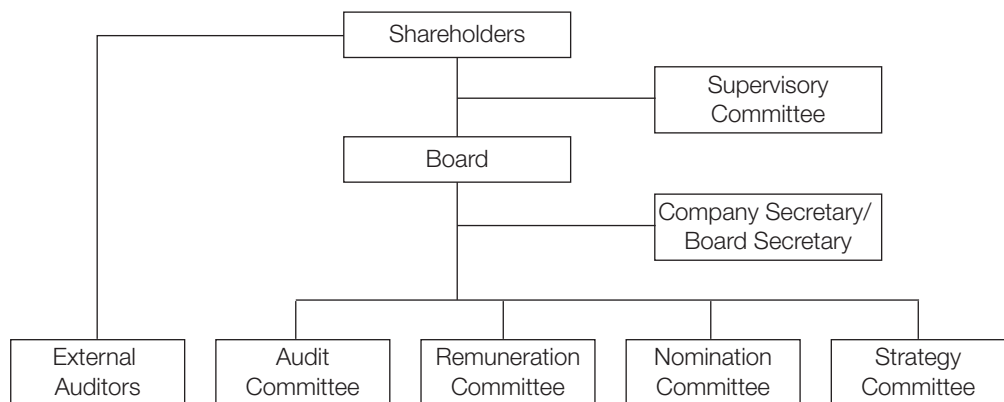
i) Audit committee

The audit committee of the Company (the “Audit Committee”) is responsible for reviewing the financial reporting, monitoring risk management, reviewing internal control systems and corporate governance issues and making relevant recommendations to the Board. The Audit Committee comprises two independent non-executive Directors and one non-executive Director who are Mr. Lam 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 2021 before proposing to the Board for approval.

ii) Corporate governance practice

The Company’s corporate governance structure is as follows:



Changes in Ordinary Shares and Particulars of Shareholders

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

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

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

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.

Changes in Ordinary Shares and Particulars of Shareholders

iii) Employees and salaries

As at 30 June 2021, the Group had a total of 694 employees, as compared to 618 employees as at 30 June 2020. Staff costs including Directors' remuneration for the six months ended 30 June 2021 were approximately RMB79,736,880, compared with approximately RMB46,141,106 for the same period in 2020. 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.

iv) Purchase, sale or redemption of listed securities

The Shareholders of the Company approved the proposal to grant a general mandate to the Board to repurchase H shares of the Company on 2020 annual general meeting of the Company, the 2021 first class meeting of the holders of H shares of the Company and the 2021 first class meeting of the holders of A shares of the Company. Upon the above authorization, the Company in July 2021 repurchased a total of 1,469,000 H shares on the Hong Kong Stock Exchange, accounting for 0.432% of the Company's issued H shares. The total repurchase amount is HKD7,484,068, with the highest repurchase price being HKD5.20 per share and the lowest repurchase price being HKD4.98 per share. As at the date of this report, the above repurchased shares have not been cancelled.

Except as disclosed in this report, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

v) Adjustments in the roles of members of the nomination committee

To improve internal control and corporate governance, on 25 March 2021, the sixth meeting of the seventh session of the board of directors of the Company reviewed and approved the adjustments in the roles of members of the nomination committee of the Company pursuant to the requirements of domestic laws, regulations and the listing rules of the STAR Market of the Shanghai Stock Exchange. After the adjustments, Mr. Xu Qing became the chairman of the Nomination Committee, and Mr. Wang Hai Bo and Mr. Zhou Zhong Hui became the member of the Nomination Committee.

IV. CHANGES IN THE CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Not applicable.

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

Not applicable.

VI. SHARES WITH SPECIAL VOTING RIGHTS

Not applicable.

Particulars of Preference Shares

Not applicable.

Particulars of Corporate Bonds

Not applicable.

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

Not applicable.

II. CONVERTIBLE CORPORATE BONDS

Not applicable.

Consolidated Balance Sheet

As at 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	<i>Note</i>	30 June 2021 Consolidated	31 December 2020 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,118,394,682	1,396,890,192
Notes receivables	5(2)	126,952,429	124,175,082
Accounts receivables	5(3) 、 8(6)	413,960,791	458,920,891
Advances to suppliers	5(4)	12,127,673	7,429,378
Other receivables	5(5)	3,501,617	2,908,453
Inventories	5(6)	41,083,208	36,009,341
Other current assets	5(7)	350,668	240,837
Total current assets		<u>1,716,371,068</u>	<u>2,026,574,174</u>
Non-current assets			
Other equity instruments	5(8)	9,232,723	5,253,127
Long-term equity investments	5(9)	324,586,307	61,459,426
Fixed assets	5(10)	220,218,170	227,748,639
Construction in progress	5(11)	4,838,649	1,827,729
Right-of-use assets	5(12)	22,353,052	19,189,934
Intangible assets	5(13)	86,947,250	56,177,941
Development costs	5(13)	18,487,095	30,675,655
Goodwill	5(14)	-	-
Long-term prepaid expenses	5(15)	1,391,691	1,849,810
Deferred tax assets	5(16)	61,238,587	62,973,789
Other non-current assets	5(17)	13,607,514	6,970,813
Total non-current assets		<u>762,901,038</u>	<u>474,126,863</u>
TOTAL ASSETS		<u><u>2,479,272,106</u></u>	<u><u>2,500,701,037</u></u>

Consolidated Balance Sheet

As at 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	<i>Note</i>	30 June 2021 Consolidated	31 December 2020 Consolidated
Current liabilities			
Accounts payables	5(19)	5,608,800	5,267,823
Contract liabilities	5(20) 、8(6)	1,150,932	1,948,705
Employee benefits payable	5(21)	25,084,864	35,464,873
Taxes payable	5(22)	13,672,518	17,490,231
Other payables	5(23) 、8(6)	341,246,980	361,660,803
Current portion of non-current liabilities	5(24)	4,415,013	6,093,386
Total current liabilities		391,179,107	427,925,821
Non-current liabilities			
Lease liabilities	5(24)	18,320,803	13,597,392
Deferred income	5(25)	44,415,497	50,687,981
Total Non-current liabilities		62,736,300	64,285,373
Total liabilities		453,915,407	492,211,194
Owners' equity			
Share capital	5(26)	104,300,000	104,300,000
Capital surplus	5(27)	1,200,120,029	1,200,120,029
Other comprehensive income	5(28)	3,176,655	(770,722)
Surplus reserve	5(29)	52,150,000	52,150,000
Undistributed profits	5(30)	668,466,893	655,131,445
Total equity attributable to equity owners of the Company		2,028,213,577	2,010,930,752
Minority interests		(2,856,878)	(2,440,909)
Total owners' equity		2,025,356,699	2,008,489,843
TOTAL LIABILITIES AND OWNERS' EQUITY		2,479,272,106	2,500,701,037

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Balance Sheet

As at 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	<i>Note</i>	30 June 2021 Company	31 December 2020 Company
Current assets			
Cash at bank and on hand		1,068,425,098	1,332,082,127
Notes receivables	15(1)	126,952,429	124,175,082
Accounts receivables	15(2)	380,124,546	428,853,571
Advances to suppliers		10,351,470	6,402,340
Other receivables	15(3)	152,757,216	125,420,054
Inventories		20,196,218	21,039,006
Other current assets		50,943	–
Total current assets		<u>1,758,857,920</u>	<u>2,037,972,180</u>
Non-current assets			
Long-term accounts receivable		–	25,000,000
Long-term equity investments	15(4)	571,748,141	309,798,444
Fixed assets		115,490,766	115,186,837
Construction in progress		3,308,892	1,827,729
Right-of-use assets	15(5)	21,620,322	18,257,369
Intangible assets		8,931,716	9,651,282
Development costs		18,487,095	10,814,470
Long-term prepaid expenses		630,134	1,013,253
Deferred tax assets		70,885,357	72,290,559
Other non-current assets		11,906,356	6,148,883
Total non-current assets		<u>823,008,779</u>	<u>569,988,826</u>
TOTAL ASSETS		<u><u>2,581,866,699</u></u>	<u><u>2,607,961,006</u></u>

Company Balance Sheet

As at 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	<i>Note</i>	30 June 2021 Company	31 December 2020 Company
Current liabilities			
Accounts payables		4,393,396	4,453,920
Contract liabilities		979,120	1,765,742
Employee benefits payable		21,319,174	30,607,519
Taxes payable		11,670,552	14,813,122
Other payables		331,729,771	348,299,393
Current portion of non-current liabilities	15(6)	4,019,288	5,682,425
Total current liabilities		374,111,301	405,622,121
Non-current liabilities			
Lease liabilities	15(6)	18,073,023	13,064,281
Deferred income		36,885,247	41,928,643
Total Non-current liabilities		54,958,270	54,992,924
Total liabilities		429,069,571	460,615,045
Owners' equity			
Share capital		104,300,000	104,300,000
Capital surplus		1,278,310,385	1,278,310,385
Surplus reserve		52,150,000	52,150,000
Undistributed profits		718,036,743	712,585,576
Total owners' equity		2,152,797,128	2,147,345,961
TOTAL LIABILITIES AND OWNERS' EQUITY		2,581,866,699	2,607,961,006

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Income Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2021 Consolidated	For the six months ended 30 June 2020 Consolidated
Revenue	5(31)	399,037,102	235,614,896
Less: Cost of sales	5(31) ∙ 5(37)	(25,340,191)	(17,970,463)
Taxes and surcharges	5(32)	(2,194,945)	(2,079,478)
Selling expenses	5(33) ∙ 5(37)	(184,117,626)	(117,516,961)
General and administrative expenses	5(34) ∙ 5(37)	(22,030,594)	(16,808,417)
Research and development expenses	5(35) ∙ 5(37)	(98,267,565)	(54,373,006)
Financial expenses – net	5(36)	1,682,804	112,416
Including: Interest expenses		(399,798)	(3,329,237)
Interest income		2,162,362	4,062,490
Add: Other income	5(38)	1,886,729	13,013,136
Investment income	5(39)	9,062,179	1,703,205
Including: Share of loss of associates and joint ventures		(2,832,602)	(2,640,470)
Credit impairment losses	5(40)	(11,806,447)	(17,644,101)
Gains on disposals of assets	5(41)	607,345	3,652,221
Operating profit		68,518,791	27,703,448
Add: Non-operating income	5(42)	418,833	648,131
Less: Non-operating expenses	5(43)	(2,150,756)	(354,857)
Total profit		66,786,868	27,996,722
Less: Income tax expenses	5(44)	(1,717,389)	1,368,126
Net profit		65,069,479	29,364,848
Classified by continuity of Operations			
Net profit from continuing operations		65,069,479	29,364,848
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to equity owners of the Company		65,485,448	29,078,874
Minority interests		(415,969)	285,974

Consolidated Income Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2021 Consolidated	For the six months ended 30 June 2020 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income that will not be reclassified to profit or loss			
Changes in the fair value of other equity investments		3,979,596	–
Other comprehensive income that will be reclassified to profit or loss			
Translation differences on translation of foreign currency financial statements		<u>(32,219)</u>	<u>51,371</u>
		<u>3,947,377</u>	<u>51,371</u>
Total comprehensive income		<u>69,016,856</u>	<u>29,416,219</u>
Attributable to equity owners of the Company		69,432,825	29,130,245
Attributable to minority interests		<u>(415,969)</u>	<u>285,974</u>
		<u>69,016,856</u>	<u>29,416,219</u>
Earnings per share			
Basic and diluted earnings per share	5(45)	<u>0.06</u>	<u>0.03</u>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Income Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2021 Company	For the six months ended 30 June 2020 Company
Revenue	15(7)	359,514,304	215,074,259
Less: Cost of sales	15(7)	(20,079,078)	(15,962,876)
Taxes and surcharges		(920,532)	(896,466)
Selling expenses		(170,159,578)	(110,942,605)
General and administrative expenses		(13,826,628)	(12,193,712)
Research and development expenses		(96,314,350)	(51,625,880)
Financial expenses-net		1,828,681	8,366
Including: Interest expenses		(384,798)	(3,329,237)
Interest income		2,282,652	3,941,281
Add: Other income		627,383	9,925,384
Investment income	15(8)	13,490,041	7,509,402
Including: Share of loss of associates and joint ventures		(1,809,786)	(504,261)
Credit impairment losses		(11,810,647)	(17,521,308)
Assets impairment losses		(2,200,000)	–
Gains on disposals of assets		571,947	315,735
Operating profit		60,721,543	23,690,299
Add: Non-operating income		413,585	410,084
Less: Non-operating expenses		(2,146,572)	(291,661)
Total profit		58,988,556	23,808,722
Less: Income tax expenses		(1,387,389)	978,126
Net profit		57,601,167	24,786,848
Classified by continuity of operations			
Net profit from continuing operations		57,601,167	24,786,848
Net profit from discontinued operations		–	–
Other comprehensive income, net of tax		–	–
Total comprehensive income		57,601,167	24,786,848

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Cash Flow Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2021 Consolidated	For the six months ended 30 June 2020 Consolidated
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		449,799,877	370,948,618
Refunds of taxes		7,933,500	–
Cash received relating to other operating activities	5(46)(a)	2,652,871	15,918,428
Sub-total of cash inflows		460,386,248	386,867,046
Cash paid for goods and services		(254,848,797)	(176,955,920)
Cash paid to and on behalf of employees		(91,962,439)	(88,712,578)
Payments of taxes and surcharges		(29,591,973)	(36,782,419)
Cash paid relating to other operating activities	5(46)(b)	(27,949,404)	(23,597,084)
Sub-total of cash outflows		(404,352,613)	(326,048,001)
Net cash flows from operating activities	5(46)(f)	56,033,635	60,819,045
2. Cash flows from investing activities			
Net cash received from disposal of fixed assets		724,528	10,626,506
Net cash received from disposal of subsidiaries		6,339,800	–
Cash received relating to other investing activities	5(46)(c)	1,883,694,781	534,344,657
Sub-total of cash inflows		1,890,759,109	544,971,163
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(48,770,446)	(11,176,240)
Cash paid to acquire joint venture/associates		(265,959,483)	(36,000,000)
Cash paid relating to other investing activities	5(46)(d)	(1,871,800,000)	(530,000,000)
Sub-total of cash outflows		(2,186,529,929)	(577,176,240)
Net cash flows from investing activities		(295,770,820)	(32,205,077)

Consolidated Cash Flow Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2021 Consolidated	For the six months ended 30 June 2020 Consolidated
3. Cash flows from financing activities			
Cash received from capital contributions		–	996,190,000
Cash received from borrowings		–	51,057,427
		<hr/>	<hr/>
Sub-total of cash inflows		–	1,047,247,427
		<hr/>	<hr/>
Cash repayments of borrowings		–	(40,000,000)
Cash payments for distribution of dividends, profits or interest expenses		(35,148,518)	(67,831,620)
Cash payments relating to other financing activities	5(46)(e)	(3,577,588)	(15,578,300)
		<hr/>	<hr/>
Sub-total of cash outflows		(38,726,106)	(123,409,920)
		<hr/>	<hr/>
Net cash flows from financing activities		(38,726,106)	923,837,507
		<hr/>	<hr/>
4. Effect of foreign exchange rate changes on cash and cash equivalents			
		(32,219)	51,371
		<hr/>	<hr/>
5. Net (decrease)/increase in cash and cash equivalents			
Add: Cash and cash equivalents at beginning of the half-year	5(46)(g)	(278,495,510)	952,502,846
		1,396,890,192	576,799,410
		<hr/>	<hr/>
6. Cash and cash equivalents at end of the half-year			
	5(46)(g)	1,118,394,682	1,529,302,256
		<hr/>	<hr/>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Cash Flow Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2021 Company	For the six months ended 30 June 2020 Company
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		410,870,873	339,955,186
Refunds of taxes		7,933,500	–
Cash received relating to other operating activities		25,690,521	58,817,846
		<hr/> 444,494,894	<hr/> 398,773,032
Sub-total of cash inflows			
Cash paid for goods and services		(244,805,920)	(173,811,177)
Cash paid to and on behalf of employees		(75,255,815)	(77,217,076)
Payments of taxes and surcharges		(23,704,443)	(31,583,597)
Cash paid relating to other operating activities		(51,629,860)	(63,951,273)
		<hr/> (395,396,038)	<hr/> (346,563,123)
Sub-total of cash outflows			
		<hr/> 49,098,856	<hr/> 52,209,909
Net cash flows from operating activities			
2. Cash flows from investing activities			
Net cash received from disposal of fixed assets		611,380	196,892
Net cash received from disposal of subsidiaries		6,339,800	8,389,985
Cash received relating to other investing activities		1,887,099,827	538,023,678
		<hr/> 1,894,051,007	<hr/> 546,610,555
Sub-total of cash inflows			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(30,636,870)	(7,080,595)
Net cash paid to acquire joint venture/associates		(265,959,483)	(36,000,000)
Cash paid relating to other investing activities		(1,871,800,000)	(530,000,000)
		<hr/> (2,168,396,353)	<hr/> (573,080,595)
Sub-total of cash outflows			
		<hr/> (274,345,346)	<hr/> (26,470,040)
Net cash flows from investing activities			

Company Cash Flow Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

<i>Note</i>	For the six months ended 30 June 2021 Company	For the six months ended 30 June 2020 Company
3. Cash flows from financing activities		
Cash received from capital contributions	–	996,190,000
Cash received from borrowings	–	51,057,427
	<hr/>	<hr/>
Sub-total of cash inflows	–	1,047,247,427
	<hr/>	<hr/>
Cash repayments of borrowings	–	(40,000,000)
Cash payments for distribution of dividends, profits or interest expenses	(35,148,518)	(67,831,620)
Cash payments relating to other financing activities	(3,262,021)	(11,917,172)
	<hr/>	<hr/>
Sub-total of cash outflows	(38,410,539)	(119,748,792)
	<hr/>	<hr/>
Net cash flows from financing activities	(38,410,539)	927,498,635
	<hr/>	<hr/>
4. Effect of foreign exchange rate changes on cash and cash equivalents	–	–
	<hr/>	<hr/>
5. Net (decrease)/increase in cash and cash equivalents	(263,657,029)	953,238,504
Add: Cash and cash equivalents at beginning of the half-year	1,332,082,127	524,036,350
	<hr/>	<hr/>
6. Cash and cash equivalents at end of the half-year	1,068,425,098	1,477,274,854
	<hr/>	<hr/>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to equity owners of the Company						Total owners' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
Balance at 1 January 2020	<u>92,300,000</u>	<u>237,796,134</u>	<u>(13,950,235)</u>	<u>46,150,000</u>	<u>569,229,480</u>	<u>1,622,735</u>	<u>933,148,114</u>
Movements for the six months ended 30 June 2020							
Total comprehensive income							
Net profit	-	-	-	-	29,078,874	285,974	29,364,848
Other comprehensive income	-	-	51,371	-	-	-	51,371
Capital contribution and withdrawal by owners							
Capital contribution by owners	12,000,000	962,323,895	-	-	-	-	974,323,895
Profit distribution							
Profit distribution to equity owners	-	-	-	-	(64,610,000)	-	(64,610,000)
Others	-	-	-	-	-	(3,660,146)	(3,660,146)
Balance at 30 June 2020	<u>104,300,000</u>	<u>1,200,120,029</u>	<u>(13,898,864)</u>	<u>46,150,000</u>	<u>533,698,354</u>	<u>(1,751,437)</u>	<u>1,868,618,082</u>
Balance at 1 January 2021	<u>104,300,000</u>	<u>1,200,120,029</u>	<u>(770,722)</u>	<u>52,150,000</u>	<u>655,131,445</u>	<u>(2,440,909)</u>	<u>2,008,489,843</u>
Movements for the six months ended 30 June 2021							
Total comprehensive income							
Net profit/(loss)	-	-	-	-	65,485,448	(415,969)	65,069,479
Other comprehensive income	-	-	3,947,377	-	-	-	3,947,377
Capital contribution and withdrawal by owners (Note 5(28))							
Profit distribution							
Profit distribution to equity owners	-	-	-	-	(52,150,000)	-	(52,150,000)
Balance at 30 June 2021	<u>104,300,000</u>	<u>1,200,120,029</u>	<u>3,176,655</u>	<u>52,150,000</u>	<u>668,466,893</u>	<u>(2,856,878)</u>	<u>2,025,356,699</u>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Statement of Changes in Owners' Equity

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2020	<u>92,300,000</u>	<u>315,986,490</u>	<u>46,150,000</u>	<u>632,910,658</u>	<u>1,087,347,148</u>
Movements for the six months ended 30 June 2020					
Total comprehensive income					
Net profit	-	-	-	24,786,848	24,786,848
Capital contribution and withdrawal by owners					
Capital contribution by owners	12,000,000	962,323,895	-	-	974,323,895
Profit distribution					
Profit distribution to equity owners	-	-	-	(64,610,000)	(64,610,000)
Balance at 30 June 2020	<u>104,300,000</u>	<u>1,278,310,385</u>	<u>46,150,000</u>	<u>593,087,506</u>	<u>2,021,847,891</u>
Balance at 1 January 2021	<u>104,300,000</u>	<u>1,278,310,385</u>	<u>52,150,000</u>	<u>712,585,576</u>	<u>2,147,345,961</u>
Movements for the six months ended 30 June 2021					
Total comprehensive income					
Net profit	-	-	-	57,601,167	57,601,167
Profit distribution					
Profit distribution to equity owners	-	-	-	(52,150,000)	(52,150,000)
Balance at 30 June 2021	<u>104,300,000</u>	<u>1,278,310,385</u>	<u>52,150,000</u>	<u>718,036,743</u>	<u>2,152,797,128</u>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) was established in the People’s Republic of China (“PRC”) on 11 November 1996 as a limited liability company with an initial registered capital of RMB 5,295,000.

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 RMB 5,295,000 to RMB 53,000,000.

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

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

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares (“H Shares”) of RMB 0.10 each of the Company commenced on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the share capital of the Company was increased to RMB 71,000,000.

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

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 RMB 0.51 with a par value of RMB 0.10 each. Upon completion of the grants, the share capital of the Company was increased to RMB 92,300,000.

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

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

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

Subsidiaries comprised in the consolidated financial statements as of 30 June 2021 are set out in Note 7.

These financial statements are authorised for issue by the Board of Directors of the Company on 11 Aug 2021.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applies the accounting policies and accounting estimates based on its business operating characteristics, including measurement of financial instruments(Note2(8)), valuation of inventories(Note 2(9)), depreciation of fixed assets, depreciation of right of use assets and amortization of intangible assets(Note 2(11)(13)(22)), Capitalization criteria of development expenditures (Note2 (13)), recognition and measurement of revenue (Note 2(18)), etc.

Significant judgements to determine the critical accounting policies and significant assumptions to determine the critical accounting estimates are disclosed in Note 2(24).

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for six months ended 30 June 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position of the Company as at 30 June 2021 and their financial performance, cash flows and other information for the six months then ended.

(3) Accounting year

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

(4) Recording currency

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

(5) Preparation of consolidated financial statements

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Cash and cash equivalents

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

(7) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(8) Financial instruments

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

(a) Financial asset

(i) Classification and measurement

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

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

Debt instruments

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(i) Classification and measurement (continued)

Debt instruments (continued)

Amortised cost

The objective of the Group's business model for managing the financial assets is to collect contractual cash flow. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in finance income using the effective interest rate method. Such financial assets mainly include cash at bank and on hand, notes receivables, accounts receivables, other receivables.

Fair value through OCI

The objective of the Group's business model for managing the financial assets are both collecting contractual cash flow and selling financial asset. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised to profit or loss of the current period. Other fair value changes are recognised in OCI. Such financial assets are presented as financing receivables, other debt investments. The debt investments with maturity within 1 year (inclusive) since the balance sheet date are presented in current portion of non-current assets; debts investments with maturity within 1 year (inclusive) when they are acquired are presented in other current assets.

Fair value through profit or loss

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

Equity instruments

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

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

(ii) Impairment

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

The measurement of expected credit loss reflects the probability-weighted amount of the present value of the difference between contractual cash flows receivable and expected cash flows. Also, the Group consider reasonable and supportable information about past events, current situation and forecasts of future economic conditions as well as taking default risk as the weight when measuring expected credit loss.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(ii) Impairment (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(iii) De-recognition

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

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

(b) Financial liability

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

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

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

(c) Determination of fair value of financial instruments

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

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Inventories (continued)

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

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

(d) The Group adopts the perpetual inventory system.

(e) Amortization method of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised by installments, and the packaging materials are expensed when issued.

(10) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Long-term equity investments (continued)

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation method of fixed assets

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

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

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	10 to 20 years	0%-10%	4.50% to 9.00%
Machinery and equipment	3 to 10 years	0%-10%	9.00% to 33.33%
Computers and electronic equipment	5 to 8 years	0%-10%	11.25% to 20.00%
Motor vehicles	5 years	0%-10%	18.00% to 20.00%

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

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

(d) Disposal of fixed assets

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

(12) Construction in progress

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets

Intangible assets include land use rights, proprietary technologies, research and development technology (capitalized development expenditures of the Group's internal research and development projects), licenses and software, etc., and are measured at cost.

(a) Land use rights

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

(b) Proprietary technology

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

(c) Research and development technology

The research and development technology will be amortized according to the estimated benefit period of 5-10 years from the time when the technology is ready for its intended use.

(d) License

The license is amortized on the basis of an estimated useful life of 27 years.

(e) Software

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

(f) Periodical review of useful life and amortisation method

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets (continued)

(g) Research and development

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

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

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

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

(h) Impairment of intangible assets

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

(14) Long-term prepaid expenses

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

(15) Impairment of long-term assets

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

(16) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

Basic pensions

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

(17) Profit distribution

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

(18) Revenue

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Revenue (continued)

(a) Sales of goods

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

(b) Technology transfer

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

Under the terms of the technology transfer contract, after the purchaser successfully commercializes the transferred technology, the Group can collect variable consideration for additional revenue share in the future. The Group determines the best estimate of the variable consideration in terms of the expected or most likely amount and recognises the income of the variable consideration portion when it is satisfied that there is a high likelihood that a material reversal will not occur.

(c) Cooperative development, technical services and labor services

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

(19) Government grants

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

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

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

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

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

(20) Deferred income

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(21) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(22) Lease

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

The Group as the lessee

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Lease (continued)

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

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

(23) Segment information

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

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

(24) Critical accounting estimates and judgements

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

(a) Critical accounting judgements

(i) Capitalization

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

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

(ii) Government grants

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

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

(b) Critical accounting estimates and key assumptions

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(24) Critical accounting estimates and judgements (continued)

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

(i) Useful life of fixed assets

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

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

(ii) Impairment of receivables

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

(iii) Impairment for investments in subsidiaries, joint ventures and associates

The Group need to make significant judgement when assessing whether subsidiaries, joint ventures and associates have been impaired. In making this judgment, the Group evaluates various factors, including the duration and amount of the fair value of an investment below its cost, the financial situation and short-term business prospects of the investee, industry performance, technological changes, cash flow from operating and financing activities and so on.

(iv) Income tax and deferred income tax assets

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

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

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	15% and 16.5%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	13%, 6% and 3%
City maintenance and construction tax	The payment amount of VAT and business tax paid	7% and 1%

- (a) In 2020, the Company obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR202031006264), with a term of validity of three years, jointly issued by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company for the year ended 30 June 2021 was 15%.

In 2019, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR201931000691), with a term of validity of three years from 2019 to 2021, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation; Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to Tracing Biotechnology for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2021: 15%); Shanghai Tracing Bio-technology had no taxable income for the six months ended 30 June 2021, thus no income tax expense was accrued.

In 2018, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") was granted the Certificate of the High and New Technological Enterprise (Certificate No. GR201832004505) by the Science and Technology Department of Jiangsu Province, Finance Department of Jiangsu Province and State Tax Bureau of Jiangsu Province. The certificate is valid for three years. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to Taizhou Pharmaceutical for the six months ended 30 June 2021 was 15% (for the six months ended 30 June 2020: 15%). For the six months ended 30 June 2021, Taizhou Pharmaceutical had no taxable income, thus no income tax expense was accrued.

Fernovelty (Hong Kong) Holding Co., Limited (Fernovelty Holding), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rate, where applicable tax rate for taxable profits within HKD 2,000,000 is 8.25% while that for taxable profits in excess of HKD 2,000,000 is 16.5%. For the six months ended 30 June 2021, Fernovelty Holding had no taxable income, thus no income tax expense was accrued.

- (b) Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement No. 39 [2019], by MOF, STA, and GACC) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, from 1 April 2019, the Group's applicable tax rate of revenue from sales of drugs is 13%, while it was 16% before then.

Pursuant to the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the State Drug Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Cai Shui [2018] No. 47) and relevant regulations, from 1 May 2018, companies are allowed to elect to apply simple taxation method for VAT for revenue arising from production, sales, wholesale and retail of anti-cancer drugs. The applicable rate is 3%.

4 SUBSIDIARIES

See Note 7 for details.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS

(1) Cash at bank and on hand

	30 June 2021	31 December 2020
Cash on hand	9,013	4,113
Cash at bank	1,118,385,669	1,396,886,079
Including: cash at bank and on hand overseas	3,211,632	3,244,200
	<u>1,118,394,682</u>	<u>1,396,890,192</u>

As at 30 June 2021 and 31 December 2020, no cash at bank was restricted.

(2) Notes receivables

	30 June 2021	31 December 2020
Bank acceptance notes	126,952,429	124,175,082
Less: Provision for bad debts	<u>—</u>	<u>—</u>
	<u>126,952,429</u>	<u>124,175,082</u>

(a) As at 30 June 2021 and 31 December 2020, the above-mentioned notes of the Group were not subject to collateral or pledge.

(b) As at 30 June 2021, the Group's notes receivables endorsed or discounted but not yet due are as follows:

	De-recognized	Not de-recognized
Bank acceptance notes i)	<u>6,727,558</u>	<u>—</u>

i) For the six months ended 30 June 2021, since endorsements or discount transactions that meet the conditions for derecognition occur by accident and the amount is not significant, the Group measures at amortized cost.

(c) The Group's notes receivables are generated from daily business activities such as the sale of goods and the provision of labor services. Regardless of whether there is a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime. As at 30 June 2021 and 31 December 2020, the Group considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables

	30 June 2021	31 December 2020
Accounts receivables	441,108,864	467,922,717
Less: Provision for bad debts	(27,148,073)	(9,001,826)
	<u>413,960,791</u>	<u>458,920,891</u>

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

As at 30 June 2021 and 31 December 2020, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's accounts receivables.

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

	30 June 2021	31 December 2020
Within 1 year	440,833,064	466,541,165
1-2 years	65,000	1,300,752
2-3 years	130,000	4,200
Above 3 years	80,800	76,600
	<u>441,108,864</u>	<u>467,922,717</u>

(b) As at 30 June 2021, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	<u>245,812,970</u>	<u>(18,480,740)</u>	<u>55.73%</u>

(c) Provision for bad debts

	31 December 2020	Change amount in the period		30 June 2021
		Accrual	Reversal	
Provision for bad debts of accounts receivables	<u>(9,001,826)</u>	<u>(18,146,247)</u>	<u>-</u>	<u>(27,148,073)</u>

As at 30 June 2021, for the accounts receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2021 and 31 December 2020, the Group did not make provision for bad debts for individual accounts receivables.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2021, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	30 June 2021		
	Accounts Balance	Provision for bad debts	
	Amount	Life expectancy Credit loss rate	Amount
Not overdue	267,135,655	–	–
Overdue within 120 days	47,196,204	3.09%	(1,457,265)
Overdue 121 days to 1 year	126,501,205	20.09%	(25,415,008)
Overdue 1 year to 2 year	65,000	100.00%	(65,000)
Overdue 2-3 years	130,000	100.00%	(130,000)
Overdue more than 3 years	80,800	100.00%	(80,800)
	441,108,864		(27,148,073)

(iii) As at 31 December 2020, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	31 December 2020		
	Accounts Balance	Provision for bad debts	
	Amount	Life expectancy Credit loss rate	Amount
Not overdue	309,175,697	–	–
Overdue within 120 days	121,439,511	0.33%	(395,680)
Overdue 121 days to 1 year	35,925,957	20.11%	(7,224,594)
Overdue 1 year to 2 year	1,300,752	100.00%	(1,300,752)
Overdue 2-3 years	4,200	100.00%	(4,200)
Overdue more than 3 years	76,600	100.00%	(76,600)
	467,922,717		(9,001,826)

(d) As at 30 June 2021, the Group has no accounts receivables written off.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(4) Advances to suppliers

(a) The aging of advances to suppliers was analysed as follows:

	30 June 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	11,695,102	96.43%	6,813,108	91.70%
1-2 years	432,571	3.57%	616,270	8.30%
	<u>12,127,673</u>	<u>100%</u>	<u>7,429,378</u>	<u>100%</u>

As at 30 June 2021 and 31 December 2020, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's advances to suppliers.

(b) As at 30 June 2021, the top five advances to suppliers based on the balance of the debtors are summarized and analyzed as follows:

	Amount	% of total balance
Total top five advances to suppliers	<u>4,084,977</u>	<u>33.68%</u>

(5) Other receivables

	30 June 2021	31 December 2020
Deposit receivables	2,033,210	1,990,136
Receivables from employees	313,958	289,007
Guarantee receivables	8,380	10,380
Equity transfer receivables	–	6,339,800
Others	1,146,069	618,930
	<u>3,501,617</u>	9,248,253
Less: Provision for bad debts	–	(6,339,800)
	<u>3,501,617</u>	<u>2,908,453</u>

As at 30 June 2021 and 31 December 2020, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's Other receivables.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(a) The aging analysis of other receivables is as follows:

	30 June 2021	31 December 2020
Within 1 year	2,026,022	1,462,777
1-2 years	74,919	6,385,300
2-3 years	6,800	9,100
Above 3 years	1,393,876	1,391,076
	<u>3,501,617</u>	<u>9,248,253</u>

(b) Statement of loss provision and changes in its carrying amount

(i) As at 30 June 2021, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12 - month expected credit loss rate	Provision for bad debts
Combined accrual:			
Deposit and guarantee	2,041,590	-	-
Receivables from employees	313,958	-	-
Others	1,146,069	-	-
	<u>3,501,617</u>		<u>-</u>

As at 30 June 2021, the Group has no other receivables in the second phase.

As at 30 June 2021, the Group has no other receivables in the third phase.

(ii) As at 31 December 2020, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12 - month expected credit loss rate	Provision for bad debts
Combined accrual:			
Deposit and guarantee	2,000,516	-	-
Receivables from employees	289,007	-	-
Others	618,930	-	-
	<u>2,908,453</u>		<u>-</u>

As at 31 December 2020, the Group has no other receivables in the second phase.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(b) Statement of loss provision and changes in its carrying amount (continued)

(ii) As at 31 December 2020, the analysis of bad debt provisions of other receivables in the third phase is as follows:

	Book balance	Entire duration expected credit loss rate	Provision for bad debts
Individual accrual: Equity transfer receivables	6,339,800	100%	(6,339,800)

(c) Provision for bad debt

	31 December 2020	Accrual	Write-off	30 June 2021
Provision for bad debts of other receivables	(6,339,800)	-	(6,339,800)	-

The Group received equity transfer receivables of RMB6,339,800 Yuan in the current period, and the corresponding bad debt provision amount is RMB6,339,800 Yuan, which is fully reversed in the current period.

(d) As at 30 June 2021, the top five other receivables based on the balance of the debtors are summarized and analyzed as follows:

	Nature	Balance	Aging	% of total amount	Provision for bad debts
Company 1	Deposit	1,267,464	Above 3 years	36.20%	-
Company 2	Deposit	562,103	Within 1 year	16.05%	-
Company 3	Deposit	348,822	Within 1 year	9.96%	-
Individual 1	Deposit	41,074	Within 1 year	1.17%	-
Company 4	Deposit	15,000	Within 1 year	0.43%	-
		<u>2,234,463</u>		<u>63.81%</u>	<u>-</u>

(6) Inventories

(a) The inventory is classified as follows:

	30 June 2021			31 December 2020		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	25,142,782	(2,476,007)	22,666,775	15,324,685	(2,476,007)	12,848,678
Raw materials	10,720,587	(1,828,515)	8,892,072	16,289,912	(1,828,515)	14,461,397
Work in progress	9,033,152	(401,177)	8,631,975	8,498,994	(401,177)	8,097,817
Turnover materials	892,386	-	892,386	601,449	-	601,449
	<u>45,788,907</u>	<u>(4,705,699)</u>	<u>41,083,208</u>	<u>40,715,040</u>	<u>(4,705,699)</u>	<u>36,009,341</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(6) Inventories (continued)

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

	31 December 2020	Accrual	Reversal	30 June 2021
Raw materials	(1,828,515)	–	–	(1,828,515)
Work in progress	(401,177)	–	–	(401,177)
Finished goods	(2,476,007)	–	–	(2,476,007)
	<u>(4,705,699)</u>	<u>–</u>	<u>–</u>	<u>(4,705,699)</u>

(7) Other current assets

	30 June 2021	31 December 2020
VAT-in to be certified	<u>350,668</u>	<u>240,837</u>

(8) Other equity instruments

	30 June 2021	31 December 2020
Equity instruments		
Unlisted equity investment	–	–
Listed equity investment	<u>9,232,723</u>	<u>5,253,127</u>
	<u>9,232,723</u>	<u>5,253,127</u>
	30 June 2021	31 December 2020
Kintara Therapeutics, Inc (“Kintara”)		
– Cost	5,623,983	5,623,983
– Cumulative fair value change	<u>3,608,740</u>	<u>(370,856)</u>
	<u>9,232,723</u>	<u>5,253,127</u>

As at 9 June 2020, DelMar Pharmaceuticals, Inc (“Delmar”, now renamed as Kintara) and Adgero signed a letter of intent to acquire 100% of Adgero shares with its own common stock. As at 19 August 2020, the acquisition was completed with a share exchange. After the acquisition, the company holds 629,000 shares of Kintara common stock, based on the date of completion of the acquisition with the closing price on the day, the fair value of the equity instruments of Kintara held by the company is RMB 5,623,983.

As at 30 June 2021, based on the closing price on the day, the fair value of the equity instruments of Kintara held by the company was RMB 9,232,723.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(9) Long-term equity investments

	30 June 2021	31 December 2020
Joint ventures(Note 6(2))	59,799,180	60,372,244
Associates(Note 6(2))	265,119,883	1,419,938
	324,919,063	61,792,182
Less: Provision for impairment of long-term equity investments	(332,756)	(332,756)
	324,586,307	61,459,426

(a) Joint ventures

	31 December 2020	Investment Addition	Reduce investment	Equity pick up	Changes in the period			Provision for impairment	Other	30 June 2021	Impairment balance
					OCI Adjust- ment	Other equity changes	Declare cash dividends or profits				
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership)	60,372,244	-	-	(573,064)	-	-	-	-	-	59,799,180	-

As at 31 December 2020, the Group has paid a total contribution of RMB60,000,000 Yuan to BVCF, with a subscription ratio of 22.54%. According to the partnership agreement updated in March 2021, the subscribed registered capital of BVCF has decreased, and the subscribed proportion of the Group increased to 29.85%.

(b) Associates

	31 December 2020	Investment Addition	Reduce investment	Equity pick up	Changes in the period			Provision for impairment	Other	30 June 2021	Impairment balance
					OCI Adjust- ment	Other equity changes	Declare cash dividends or profits				
Shanghai Handu Pharmaceutical Limited Company ("Handu Pharmaceutical")	-	265,959,483	-	(1,236,722)	-	-	-	-	-	264,722,761	-
Shanghai Lead Discovery Limited Company ("Lead Discovery")	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma Clinic Investment Co., Ltd. ("Derma")	1,087,182	-	-	(1,022,816)	-	-	-	-	-	64,366	-
	1,419,938	265,959,483	-	(2,259,538)	-	-	-	-	-	265,119,883	(332,756)

On March 25, 2021, the Company signed an equity transfer agreement and a capital increase agreement with HONG KONG WD PHARMACEUTICAL CO., LIMITED ("Hong Kong Handu") and Handu Pharmaceutical respectively. According to the agreement, the company will invest USD 25,243,137 (Equivalent to RMB 163,539,483 Yuan) to transfer the 31.56% stake in Handu Pharmaceutical held by Hong Kong Handu and RMB 102,420,000 Yuan to subscribe for the new registered capital of USD 1,380,526 of Handu Pharmaceutical, which will be delivered on April 28th, 2021. As of June 30, 2021, the Company has paid equity transfer and capital increase and confirmed long-term equity investment of RMB 265,959,483 yuan. After the completion of the transaction, the company actually holds a 39.57% equity interest in Handu Pharmaceutical.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(10) Fixed assets

	Buildings	Machinery and equipment	Computer and electronic equipment	Motor vehicles	Total
Cost					
31 December 2020	197,331,503	282,486,804	8,262,288	3,976,017	492,056,612
Other increases in the current period	–	15,027,510	83,185	–	15,110,695
Decrease in the current period	(4,587)	(5,121,112)	–	(470,875)	(5,596,574)
30 June 2021	<u>197,326,916</u>	<u>292,393,202</u>	<u>8,345,473</u>	<u>3,505,142</u>	<u>501,570,733</u>
Accumulated depreciation					
31 December 2020	(77,778,709)	(177,009,862)	(6,204,639)	(1,280,683)	(262,273,893)
Increase in the current period	(4,690,166)	(17,114,072)	(268,136)	(158,258)	(22,230,632)
Decrease in the current period	–	4,762,254	–	423,788	5,186,042
30 June 2021	<u>(82,468,875)</u>	<u>(189,361,680)</u>	<u>(6,472,775)</u>	<u>(1,015,153)</u>	<u>(279,318,483)</u>
Accumulated impairment					
31 December 2020 and 30 June 2021	–	(1,922,585)	(111,495)	–	(2,034,080)
Carrying amount					
30 June 2021	<u>114,858,041</u>	<u>101,108,937</u>	<u>1,761,203</u>	<u>2,489,989</u>	<u>220,218,170</u>
31 December 2020	<u>119,552,794</u>	<u>103,554,357</u>	<u>1,946,154</u>	<u>2,695,334</u>	<u>227,748,639</u>

For the six months ended 30 June 2021, the amount of depreciation expense RMB 22,230,632 (for the six months ended 31 December 2020: RMB 22,140,672) charged to cost of sales, development costs, selling expenses, general and administrative expenses and research and development expenses were RMB 8,169,423, RMB 373,585, RMB 7,108,327, RMB 1,149,812 and RMB 5,429,485 respectively (for the six months ended 31 December 2020: RMB 7,859,023, RMB 782,714, RMB 6,331,471, RMB 1,180,287 and RMB 5,987,177).

The Group has no assets transferred from construction in progress (for the six months ended 31 December 2020: RMB 739,058).

As at 30 June 2021 and 31 December 2020, the Group has no fixed assets that are temporarily idle and fixed assets that have not completed the property right certificate.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(11) Construction in progress

	30 June 2021			31 December 2020		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Fudanzhangjiang laboratory improvement project	3,308,892	-	3,308,892	1,827,729	-	1,827,729
Fudanzhangjiang Taizhou workshop reconstruction project	1,529,757	-	1,529,757	-	-	-
	<u>4,838,649</u>	<u>-</u>	<u>4,838,649</u>	<u>1,827,729</u>	<u>-</u>	<u>1,827,729</u>

(i) Changes in major construction projects

Project name	Budget	31 December 2020	Increase in the current period	Transfer to fixed assets	Transfer to Long-term prepaid expenses	30 June 2021	% of Budget	Project progress	Sources of funds
Fudanzhangjiang ADC small molecule laboratory project	10,679,620	1,827,729	1,481,163	-	-	3,308,892	30.98%	30.98%	Equity fund
Taizhou Standard factory building project	600,000,000	-	1,529,757	-	-	1,529,757	0.25%	0.25%	Equity fund
		<u>1,827,729</u>	<u>3,010,920</u>	<u>-</u>	<u>-</u>	<u>4,838,649</u>			

As at 30 June 2021 and 31 December 2020, the Group had no impaired construction in progress.

(12) Right-of-use assets

	Buildings
Cost	
31 December 2020	<u>27,415,412</u>
Increase in the current period	
New lease contract	6,222,828
Decreases in the current period	
Lease expiry	<u>(9,138,851)</u>
30 June 2021	<u>24,499,389</u>
Accumulated depreciation	
31 December 2020	<u>(8,225,478)</u>
Increase in the current period	
Accrual	(3,059,710)
Decrease in the current period	
Lease expiry	<u>9,138,851</u>
30 June 2021	<u>(2,146,337)</u>
Carrying amount	
30 June 2021	<u>22,353,052</u>
31 December 2020	<u>19,189,934</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(13) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2020	37,355,573	8,843,164	44,399,679	11,024,402	101,622,818
Increase in the current period					
Purchase	13,048,105	–	–	206,250	13,254,355
Transfer of development expenditure	–	–	21,424,701	–	21,424,701
30 June 2021	50,403,678	8,843,164	65,824,380	11,230,652	136,301,874
Accumulated amortization					
31 December 2020	(9,548,151)	(6,061,259)	(23,844,055)	(4,887,942)	(44,341,407)
Increase in the current period	(418,260)	(283,019)	(2,796,392)	(412,076)	(3,909,747)
30 June 2021	(9,966,411)	(6,344,278)	(26,640,447)	(5,300,018)	(48,251,154)
Provision for impairment loss					
30 June 2021 and 31 December 2020	–	(450,000)	(653,470)	–	(1,103,470)
Carrying amount					
30 June 2021	40,437,267	2,048,886	38,530,463	5,930,634	86,947,250
31 December 2020	27,807,422	2,331,905	19,902,154	6,136,460	56,177,941

The amortization amount of intangible assets for the six months ended 30 June 2021 was RMB 3,909,747 (for the six months ended 31 December 2020: RMB 3,070,331).

The Group's development costs is listed below:

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
			Credited to profit or loss	Recognized as intangible assets
Taizhou Generic Pharmaceutical Industrialization Project i)	19,861,185	1,563,517	–	(21,424,702)
Consistency Evaluation	10,814,470	7,672,625	–	–
	30,675,655	9,236,142	–	(21,424,702)
				18,487,095

- i) In February 2021, Taizhou Pharmaceutical has obtained the registration certificate of Parecoxibsodium.

For the six months ended 30 June 2021, the Group's research and development expenditure totaled RMB 107,503,707 (for the six months ended 30 June 2020: RMB 56,903,236), of which RMB 98,267,565 (for the six months ended 30 June 2020: RMB 54,373,006) was included in profit or loss in the current period, and RMB 9,236,142 (for the six months ended 30 June 2020 RMB 2,530,230) was included in the year-end balance of development expenditure. For the six months ended 30 June 2021, the proportion of intangible assets formed by internal research and development to the book value of intangible assets was 44% (for the six months ended 30 June 2020: 35%).

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(14) Goodwill

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Goodwill	8,937,000	–	–	8,937,000
Less: Provision for impairment	(8,937,000)	–	–	(8,937,000)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

(15) Long-term prepaid expenses

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Right-of-use asset improvement	952,108	143,798	(506,535)	589,371
Others	897,702	–	(95,382)	802,320
	<u>1,849,810</u>	<u>143,798</u>	<u>(601,917)</u>	<u>1,391,691</u>

(16) Deferred tax assets

Deferred assets and liabilities before offsetting of certain debit and credit balances are set out as follows:

(a) Deferred tax assets

	30 June 2021		31 December 2020	
	Deductible temporary differences and losses	Deferred tax assets	Deductible temporary differences and losses	Deferred tax assets
Credit impairment provision	50,629,473	7,594,421	38,818,826	5,822,824
Accrual expenses	283,051,391	42,457,708	321,990,042	48,298,506
Deferred income	36,885,247	8,483,606	39,344,263	8,852,459
Deductible losses	18,019,013	2,702,852	–	–
	<u>388,585,124</u>	<u>61,238,587</u>	<u>400,153,131</u>	<u>62,973,789</u>
Including:				
Expected to be recovered within one year (inclusive)		53,492,686		54,859,035
Expected to be recovered after one year		7,745,901		8,114,754
		<u>61,238,587</u>		<u>62,973,789</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(16) Deferred tax assets (continued)

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

	30 June 2021	31 December 2020
Deductible temporary differences	78,937,099	80,349,799
Deductible losses	93,532,538	92,803,857
	<u>172,469,637</u>	<u>173,153,656</u>

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

	30 June 2021	31 December 2020
2023	18,515	18,515
2024	1,254,614	1,254,614
2025	–	–
2026	13,415,390	16,531,177
2027	33,203,995	33,203,995
2028	25,318,033	25,318,033
2029	13,708,759	13,708,759
2030	2,929,709	2,768,764
2031	3,683,523	–
	<u>93,532,538</u>	<u>92,803,857</u>

(17) Other non-current assets

	30 June 2021	31 December 2020
Prepaid equipment	<u>13,607,514</u>	<u>6,970,813</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(18) Asset impairment and loss provisions

(a) Asset impairment

	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021
			Reverse	Write-off	
Goodwill impairment provision	8,937,000	–	–	–	8,937,000
Provision for impairment of fixed assets	2,034,080	–	–	–	2,034,080
Provision for impairment of intangible assets	1,103,470	–	–	–	1,103,470
Provision for decline in the value of inventories	4,705,699	–	–	–	4,705,699
Provision for impairment of Long-term equity investments	332,756	–	–	–	332,756
	<u>17,113,005</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,113,005</u>

(b) Credit impairment provision

	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021
			Reverse	Write-off	
Provision for bad debts of accounts receivables	9,001,826	18,146,247	–	–	27,148,073
Provision for bad debts of other receivables	6,339,800	–	(6,339,800)	–	–
	<u>15,341,626</u>	<u>18,146,247</u>	<u>(6,339,800)</u>	<u>–</u>	<u>27,148,073</u>

(19) Accounts payables

	30 June 2021	31 December 2020
Accounts payables	<u>5,608,800</u>	<u>5,267,823</u>

As at 30 June 2021 and 31 December 2020, the Group's accounts payable were all payables for material purchases and no significant amounts due to shareholders holding more than 5% (including 5%) of the voting shares of the Company.

(20) Contract liabilities

	30 June 2021	31 December 2020
Advance receivables	<u>1,150,932</u>	<u>1,948,705</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(21) Employee benefits payable

	30 June 2021	31 December 2020
Short-term employee benefits payable(a)	25,084,864	35,453,342
Defined contribution plans payable(b)	–	11,531
	<u>25,084,864</u>	<u>35,464,873</u>

(a) Short-term employee benefits payable

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Wages and salaries, bonus, allowances and subsidies	35,422,314	60,153,475	(70,767,104)	24,808,685
Staff welfare	–	1,367,457	(1,367,457)	–
Social security contributions	14,418	4,450,343	(4,464,761)	–
Including: Medical insurance	13,292	4,336,638	(4,349,930)	–
Work injury insurance	64	88,846	(88,910)	–
Maternity insurance	1,062	24,859	(25,921)	–
Housing funds	12,505	4,785,479	(4,797,984)	–
Labour union funds and employee education funds	4,105	927,433	(655,359)	276,179
	<u>35,453,342</u>	<u>71,684,187</u>	<u>(82,052,665)</u>	<u>25,084,864</u>

(b) Defined contribution plans payable

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Basic pensions	11,372	7,731,233	(7,742,605)	–
Unemployment insurance	159	321,460	(321,619)	–
	<u>11,531</u>	<u>8,052,693</u>	<u>(8,064,224)</u>	<u>–</u>

(22) Taxes payable

	30 June 2021	31 December 2020
Unpaid VAT	12,493,416	9,862,434
Withholding of personal income tax for employees	1,177,620	3,023,172
Enterprise income tax payable	1,482	4,604,625
	<u>13,672,518</u>	<u>17,490,231</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(23) Other payables

	30 June 2021	31 December 2020
Accrual for marketing and sales promotion expenses	263,306,987	295,065,355
Guarantee payable	42,581,333	42,431,333
Dividends payable	17,000,000	–
Long-term assets payable	5,416,238	9,606,772
Accrual for marketing and sales commission expenses	4,728,252	3,398,252
Others	8,214,170	11,159,091
	<u>341,246,980</u>	<u>361,660,803</u>

As at 30 June 2021, other payables with an age of more than one year were RMB 43,352,645 (as at 31 December 2020 : RMB 37,511,785). Other payables with an age of more than one year are mainly payable to long-term assets and guarantee payable, because the long-term asset payment node has not been reached, and the amount has not been settled.

(24) Lease liabilities

	30 June 2021	31 December 2020
Lease liabilities	22,735,816	19,690,778
Less: Current portion of non-current liabilities	(4,415,013)	(6,093,386)
	<u>18,320,803</u>	<u>13,597,392</u>

As at 30 June 2021, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(25) Deferred income

	30 June 2021	31 December 2020
Commercial compensation (a)	36,885,247	39,344,263
Government grants (b)	7,530,250	9,098,718
R & D project transfer	–	2,245,000
	<u>44,415,497</u>	<u>50,687,981</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(25) Deferred income (continued)

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021	Cause of formation
Commercial compensation (a)	39,344,263	–	(2,459,016)	36,885,247	Commercial compensation
Government grants (b)	9,098,718	318,261	(1,886,729)	7,530,250	Receive government grants
R & D project transfer	2,245,000	–	(2,245,000)	–	R & D project transfer income
	<u>50,687,981</u>	<u>318,261</u>	<u>(6,590,745)</u>	<u>44,415,497</u>	

(a) In 2018, the Group signed a market promotion service agreement with Shanghai Huizheng stating that since November 1 2018, Shanghai Huizheng would carry out market promotion for LIBOD. According to the agreement, Shanghai Huizheng paid RMB 50,000,000 to the Group as a commercial compensation for a series of expenses incurred by the Group due to the product market switch caused by the change of the promotion service provider. The aforesaid commercial compensation shall be recognized as deferred income, and shall be amortized and confirmed as profit or loss during the period of the marketing service contract.

(b) Government grants

	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021	Asset related/ Income related
			Credited to other income	Credited to non-operating income		
R & D project industrialization subsidy	8,688,750	–	(1,158,500)	–	7,530,250	Asset related
Medical R & D project grant	409,968	–	(409,968)	–	–	Income related
Others	–	318,261	(318,261)	–	–	Income related
	<u>9,098,718</u>	<u>318,261</u>	<u>(1,886,729)</u>	<u>–</u>	<u>7,530,250</u>	

The breakdown of government grants included in the Group's profit and loss for the six months ended 30 June 2021 is as follows:

Government grants	Category	Amount credited to profit or loss for the period	Items reported in profit or loss for the period
R & D project industrialization subsidy	Asset related	1,158,500	Other income
Medical R & D project grant	Income related	409,968	Other income
Others		318,261	Other income
		<u>1,886,729</u>	

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(26) Share capital

	31 December 2020	Change in the current period				Subtotal	30 June 2021
		Issue new shares	Scrip issue	Premium transfer to capital	Others		
Unlisted tradable shares – domestic corporate and individual holdings	-	-	-	-	-	-	-
Listed tradable shares-foreign listed foreign shares	34,000,000	-	-	-	-	-	34,000,000
Listed in circulation – A-share holders of domestic listed RMB common shares	70,300,000	-	-	-	-	-	70,300,000
Share capital	104,300,000	-	-	-	-	-	104,300,000

	31 December 2019	Change in the current period				Subtotal	30 June 2020
		Issue new shares	Scrip issue	Premium transfer to capital	Others		
Unlisted tradable shares-domestic corporate and individual holdings	58,300,000	-	-	-	(58,300,000)	(58,300,000)	-
Listed tradable shares – foreign listed foreign shares	34,000,000	-	-	-	-	-	34,000,000
Listed in circulation – A-share holders of domestic listed RMB common shares	-	12,000,000	-	-	58,300,000	70,300,000	70,300,000
Share capital	92,300,000	12,000,000	-	-	-	12,000,000	104,300,000

(27) Capital surplus

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Share premium	1,200,120,029	-	-	1,200,120,029

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Share premium	237,796,134	962,323,895	-	1,200,120,029

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(28) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2021 income statement					
	31 December 2020	Attributable to the Company after tax	Other comprehensive income settled to retained earnings	30 June 2021	Amount before income tax	Less: other comprehensive income transferred out this period	Deduct: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders
Other comprehensive income that cannot be reclassified into profit or loss									
Changes in fair value of other equity instrument investments	(370,856)	3,979,596	-	3,608,740	3,979,596	-	-	3,979,596	-
Other comprehensive income can be reclassified into profit or loss									
Translation differences in foreign currency financial statements	(399,866)	(32,219)	-	(432,085)	(32,219)	-	-	(32,219)	-
	<u>(770,722)</u>	<u>3,947,377</u>	<u>-</u>	<u>3,176,655</u>	<u>3,947,377</u>	<u>-</u>	<u>-</u>	<u>3,947,377</u>	<u>-</u>
	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2020 income statement					
	31 December 2019	Attributable to the Company after tax	30 June 2020	Amount before income tax	Less: other comprehensive income transferred out this period	Deduct: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders	
Other comprehensive income that cannot be reclassified into profit or loss									
Changes in fair value of other equity instrument investments	(13,774,800)	-	(13,774,800)	-	-	-	-	-	-
Other comprehensive income can be reclassified into profit or loss									
Translation differences in foreign currency financial statements	(175,435)	51,371	(124,064)	51,371	-	-	51,371	-	
	<u>(13,950,235)</u>	<u>51,371</u>	<u>(13,898,864)</u>	<u>51,371</u>	<u>-</u>	<u>-</u>	<u>51,371</u>	<u>-</u>	

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(29) Surplus reserve

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Statutory surplus reserve	52,150,000	–	–	52,150,000
	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Statutory surplus reserve	46,150,000	–	–	46,150,000

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. The company's statutory surplus reserve has reached 50% of the registered capital, and will not be drawn.

(30) Undistributed profits

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Undistributed profits at the beginning of period	655,131,445	569,229,480
Add: net profit attributable to shareholders of the Company	65,485,448	29,078,874
Less: dividends declared	(52,150,000)	(64,610,000)
Undistributed profits at the end of period	668,466,893	533,698,354

In accordance with the Board of Directors on 30 March 2020, the Company recommends the payment of a final dividend of RMB 0.07 per ordinary share, totalling RMB 64,610,000 for the year ended 31 December 2019. The proposed final dividend in respect of the year ended 31 December 2019 is calculated based on the total number of shares 923,000,000 in issue.

In accordance with the Board of Directors on 27 May 2021, the Company recommends the payment of a final dividend of RMB 0.05 per ordinary share, calculated on 1,043,000,000 issued shares, totalling RMB 52,150,000 for the year ended 31 December 2020. The proposal is subject to approval by the general meeting of shareholders.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(31) Revenue and cost of sales

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Main operations revenue	398,642,051	234,554,776
Other operations revenue	395,051	1,060,120
	<u>399,037,102</u>	<u>235,614,896</u>
	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Main operations cost	(25,322,135)	(16,967,322)
Other operations cost	(18,056)	(1,003,141)
	<u>(25,340,191)</u>	<u>(17,970,463)</u>

(a) Main operations revenue and main operations cost

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sale of pharmaceutical and diagnostic products	395,130,912	(24,805,272)	234,510,174	(16,967,283)
– Service	3,511,139	(516,863)	44,602	(39)
	<u>398,642,051</u>	<u>(25,322,135)</u>	<u>234,554,776</u>	<u>(16,967,322)</u>

(b) Other operations revenue and cost of sales

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
Sales of materials	395,051	(18,056)	1,060,120	(1,003,141)
	<u>395,051</u>	<u>(18,056)</u>	<u>1,060,120</u>	<u>(1,003,141)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(32) Taxes and surcharges

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Educational surcharge	876,425	894,162
City maintenance and construction tax	328,272	301,056
Real estate tax	497,765	528,820
Stamp duty	306,894	155,531
Land use tax	185,589	199,909
	<u>2,194,945</u>	<u>2,079,478</u>

(33) Selling expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Marketing and academic promotion fees	120,977,501	79,838,597
Salary costs	36,491,149	19,345,618
Depreciation and amortization	7,548,154	6,761,027
Business Hospitality	5,223,574	3,343,041
Travel expenses	4,801,789	2,320,545
Conference fees	2,207,638	480,830
Right-of-use asset depreciation	1,881,183	1,923,660
Office expenses	1,206,817	637,322
Shipping fee	739,550	560,534
Rental fees	347,356	261,895
Others	2,692,915	2,043,892
	<u>184,117,626</u>	<u>117,516,961</u>

(34) General and administrative expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Salary costs	11,824,637	6,420,672
Audit fees	2,345,912	1,315,693
Depreciation and amortization	2,019,906	1,947,763
Administrative expenses	1,610,460	3,075,521
Rent and property fees	557,224	582,944
Consulting fee	75,472	3,000
Service fee	280	1,480
Others	3,596,703	3,461,344
	<u>22,030,594</u>	<u>16,808,417</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(35) R&D expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Outsourced R & D expenses	54,713,621	20,731,972
Salary costs	18,229,836	12,163,905
R & D department expenses	10,426,553	8,344,762
Information and materials costs	9,468,070	7,112,135
Depreciation	5,429,485	6,020,232
	<u>98,267,565</u>	<u>54,373,006</u>

(36) Financial expenses – Net

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Interest costs	–	3,221,620
Add: Interest expense on lease liabilities	399,798	107,617
Interest expenses	399,798	3,329,237
Less: Interest income	(2,162,362)	(4,062,490)
Exchange gains or losses – Net	134	300,318
Others	79,626	320,519
	<u>(1,682,804)</u>	<u>(112,416)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(37) Expenses by nature

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Changes in inventories of finished goods and work in progress	(10,352,255)	(10,919,712)
Consumed raw materials and low value consumables, etc.	25,534,709	15,371,944
Marketing and sales promotion expenses	134,768,556	87,488,844
Employee benefit expenses	79,736,880	46,141,106
Less: Amounts capitalized in development costs	(2,040,528)	(566,251)
	77,696,352	45,574,855
Outsourced R&D expenses	54,689,705	20,731,972
Depreciation and amortization	26,742,296	25,773,127
Less: Amounts capitalized in development costs	(373,585)	(782,714)
	26,368,711	24,990,413
R&D department expenses	10,426,553	8,344,762
Quality inspection expenses	2,448,323	4,920,774
Right-of-use asset depreciation	3,059,710	1,923,660
Audit Fees	2,345,912	1,389,023
– audit services	2,210,063	1,264,532
– non-audit services	135,849	124,491
Rental(i)	730,706	580,246
Others	2,038,994	6,272,066
	329,755,976	206,668,847

(i) As mentioned in Note 2 (22), the rental expenses of short-term leases and low-value leases are directly included in the current profit and loss, and the amount for the six months ended 30 June 2021 is RMB 730,706 (for the six months ended 2020: RMB 580,246).

(38) Other income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Asset related/ Income related
R&D project industrialization subsidy	1,158,500	1,158,500	Asset related
Medical R&D Project Grant	409,968	141,176	Income related
Others	318,261	683,460	Income related
Financial support	–	11,030,000	Income related
	1,886,729	13,013,136	

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(39) Investment income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Financial product income	11,894,781	4,344,657
Loss of long-term equity investment accounted by equity method	(2,832,602)	(2,640,470)
Loss from disposal of subsidiaries	-	(982)
	<u>9,062,179</u>	<u>1,703,205</u>

For the six months ended 30 June 2021 and 2020, the bank wealth management products purchased by the Group are measured at fair value and their changes are included in the current profit and loss. As at 30 June 2021 and 31 December 2020, the Group had no balance of wealth management products.

(40) Credit impairment loss

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Accounts receivables bad debt losses	18,146,247	17,644,101
Other receivables bad debt losses	(6,339,800)	-
	<u>11,806,447</u>	<u>17,644,101</u>

(41) Gains on disposals of assets

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Amount included for the six months ended 30 June 2021 non-recurring profit and loss
Gain on disposal of fixed assets	<u>607,345</u>	<u>3,652,221</u>	<u>607,345</u>

(42) Non-operating income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Amount included for the six months ended 30 June 2021 non-recurring profit and loss
Others	<u>418,833</u>	<u>648,131</u>	<u>418,833</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(43) Non-operating expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Amount included for the six months ended 30 June 2021 non-recurring profit and loss
Inventory shortage	1,761,297	–	1,761,297
Losses from scrap of fixed assets	235,275	209,011	235,275
Donation	150,000	–	150,000
Inventory loss	4,184	95,846	4,184
Others	–	50,000	–
	<u>2,150,756</u>	<u>354,857</u>	<u>2,150,756</u>

(44) Income tax expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Current income tax	(17,813)	(97,129)
Deferred income tax	1,735,202	(1,270,997)
	<u>1,717,389</u>	<u>(1,368,126)</u>

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Total profit	<u>66,786,868</u>	<u>27,996,722</u>
Income tax expenses calculated at applicable tax rates 25%	16,696,717	6,999,181
Effect of favourable tax rates	(6,754,853)	(2,987,147)
Tax losses not recognised as deferred tax assets	552,563	82,721
Deductible temporary differences not recognised as deferred tax assets	–	(384,399)
Additional deduction of research and development expenses	(9,175,748)	(5,626,386)
Costs, expenses and losses not deductible for tax purposes	1,105,104	1,098,316
Effect of eliminated unrealised profits on intra-group transactions	(62,500)	(62,500)
Reversing the deductible loss of deferred income tax assets recognized in previous years	(451,677)	(390,783)
Utilisation of previously unrecognised deductible temporary differences	(174,405)	–
Others	(17,812)	(97,129)
Income tax expenses	<u>1,717,389</u>	<u>(1,368,126)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(45) Earnings per share

(a) Basic earnings per share

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Profit attributable to shareholders of the Company	65,485,448	29,078,874
Weighted average number of ordinary shares outstanding	1,043,000,000	936,922,652
Basic earnings per share	0.06	0.03
Among them:		
– Basic earnings per share from continuing operations:	0.06	0.03
– Basic earnings per share from discontinuing operations:	–	–

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil), diluted earnings per share equals to basic earnings per share.

(46) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Interest income	2,162,362	4,062,490
Government grant	318,261	11,713,460
Deposits and guarantee receivables	152,000	40,000
Others	20,248	102,478
	2,652,871	15,918,428

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(46) Notes to the consolidated cash flow statement (continued)

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Administrative and material fees	10,426,553	8,344,762
Business hospitality	5,223,574	3,343,041
Travel expenses	4,801,789	2,320,545
Consulting service fee	4,579,533	3,702,109
Advertising expenses	1,095,385	1,715,112
others	1,822,570	4,171,515
	<u>27,949,404</u>	<u>23,597,084</u>

(c) Cash received relating to other investing activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Selling wealth management products	<u>1,883,694,781</u>	<u>534,344,657</u>

(d) Cash paid relating to other investing activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Buying wealth management products	<u>1,871,800,000</u>	<u>530,000,000</u>

(e) Cash payments relating to other financing activities

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Payment of lease liabilities	3,577,588	2,175,173
Payment of IPO agency fee	–	9,741,999
Repayment the investment funds of minority shareholders	–	3,661,128
	<u>3,577,588</u>	<u>15,578,300</u>

For the six months ended 30 June 2021, the total lease-related cash outflow paid by the Group was RMB 4,308,294 (for the six months ended 2020: RMB 2,755,419). Except for the amount of the above-mentioned lease liabilities payment included in financing activities, the remaining cash outflows were included in operating activities.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS

(1) Equity in subsidiaries

(a) The structure of the Group

Name	Corporate category	Place of operation	Place of incorporate	Principal activities	Registered capital/ information on issued equity and claims	Share proportion		Acquisition method
						Direct	Indirect	
Taizhou Pharmaceutical	Limited liability company	Jiangsu Taizhou	No. 1 Yaocheng Avenue, Taizhou City, Jiangsu Province	Production of freeze-dried powder injections and APIs; research and development of pharmaceuticals and medical devices Development, technology development, technology transfer, technology consulting and technology promotion services, sales of Class II medical devices.	86,000,000	100%	-	Set up
Tracing Bio-technology	Limited liability company	Shanghai	308 Cailun Road, Shanghai	Research and development of medical diagnostic products (except human stem cells, genetic diagnosis and therapeutic technology development and application) and related technical services, daily necessities, sales of Class II clinical laboratory analysis instruments and software.	24,800,000	84.68%	-	Set up
Fernovelty Holding	Limited liability company	Hong Kong	LOCKHART RD WANCHAI · RM 1501, 15F	Invest in overseas medical projects.	17,438,000	100%	-	Set up

(b) Subsidiaries with significant minority interests

As at 30 June 2021 and 31 December 2020, the Group has no subsidiaries with significant minority interests.

(2) Equity in joint venture and associates

(a) Summarised financial information of significant joint venture and associates:

	Place of operation	Place of incorporate	Principal activities	If strategic for group activities	Share proportion	
					Direct	Indirect
Joint venture – BVCF Associates – Derma	Changzhou Shanghai	Changzhou Shanghai	Healthcare investment Medical investment management	No No	29.85% 20.00%	- -
Handu Pharmaceutical	Shanghai	Shanghai	Research and experimental development	No	39.57%	-

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

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

(b) Summarised financial information of significant joint venture

	30 June 2021 BVCF	31 December 2020 BVCF
Current assets	23,535,144	35,139,436
Non-current assets	171,450,000	163,450,000
Total assets	194,985,144	198,589,436
Current liabilities	–	(1,923,666)
Net assets	194,985,144	196,665,770
Share of net assets by shareholding	59,411,973	60,372,244
Carrying amount of investments in joint ventures	59,411,973	60,372,244
	For the six months ended 30 June 2021	For the six months ended 30 June 2020
General and administrative expenses	(2,181,932)	(2,435,986)
Financial expenses	301,327	390,693
Net losses	(1,880,605)	(2,045,293)
Other comprehensive income	–	–
Total comprehensive losses	(1,880,605)	(2,045,293)
Dividends received by the Group from joint ventures the half-year	–	–

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

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

(c) Summarised financial information of significant associate

	30 June 2021 Derma	30 June 2020 Derma
Current assets	5,570,918	1,860,450
Non-current assets	7,859,563	16,139,578
Total assets	13,430,481	18,000,028
Current liabilities	(50,778,900)	(50,000,847)
Net assets	(37,348,419)	(32,000,819)
Share of net assets by shareholding	(7,469,684)	(6,400,164)
Carrying amount of investments in associate	64,366	2,691,497
	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Revenue from contracts with customers	–	2,526,725
Cost of sales	(1,565,784)	(2,492,221)
Income tax expense	–	(25)
Selling expenses	(6,664)	(947,030)
General and administrative expenses	(3,536,579)	(11,062,746)
Financial expenses	(5,056)	(20,964)
Other income	–	1,318,265
Other losses	–	(3,049)
Net loss	(5,114,083)	(10,681,045)
Total comprehensive loss	(5,114,083)	(10,681,045)
Dividends received by the Group from associates for the six months 30 June 2021	–	–

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

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

(c) Summarised financial information of significant associate (continued)

	30 June 2021
	Handu Medical
Current assets	146,170,593
Non-current assets	4,385,510
Total assets	150,556,103
Current liabilities	(959,247)
Non-current liabilities	(58,003)
Total liabilities	(1,017,250)
Net assets	149,538,853
Share of net assets by shareholding	59,172,524
Carrying amount of investments in associate	264,722,761
	Period from investment date to 30 June 2021
Taxes and surcharges	(1,199)
General and administrative expenses	(594,749)
R&D expenses	(2,630,881)
Financial expenses	27
Investment income	101,105
Net loss	(3,125,697)
Total comprehensive loss	(3,125,697)
Dividends received by the Group from associates for the six months 30 June 2021.	—

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

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

(d) Summarised financial information of non-significant joint venture and associates:

	Place of operation	Place of incorporate	Principal activities	If strategic for group activities	Share proportion	
					Direct	Indirect
Associates – Lead Discovery	Shanghai	Shanghai	Efficient screening of new drugs in China, development of “me-too” and natural medicine technology	No	35%	–

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

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

In 2012, the Company’s carrying amount of investment in the associated company of Lead Discovery has been fully made provision for impairment.

7 SEGMENT INFORMATION

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

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

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

The company has no parent company and ultimate controlling party.

(2) Significant subsidiaries

For basic and related information of significant subsidiaries, please refer to Note 6

(3) Joint ventures and associates

For basic and related information of joint ventures and associates, please refer to Note 6

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties

	Relationship with the Group
SPH	Shareholder
Shanghai Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shanghai Suzuken Chinese Medicine Co., Ltd.	Subsidiary of SPH
Jiangsu Zhenjiang Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Ningbo Pharmaceutical Co., Ltd.	Subsidiary of SPH
Shandong Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Keyuan Xinhai Pharmaceutical Hubei Co., Ltd.	Subsidiary of SPH
SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch	Subsidiary of SPH
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Subsidiary of SPH
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Subsidiary of SPH
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary of SPH
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Subsidiary of SPH
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	Subsidiary of SPH
China Medical Foreign Trading Liao Ning Co., Ltd.	Subsidiary of SPH
Sichuan Guojia Medical Technology Co., Ltd.	Subsidiary of SPH
Shanghai Jiaolian Pharmaceutical R&D Co., Ltd. (" Shanghai Jiaolian")	Subsidiary of SPH
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Joint venture of SPH

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions

(a) Pricing policies

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

(b) Sales of goods and services

Related party	Related transaction	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sale of pharmaceutical products	15,396,301	4,275,503
Shanghai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	6,841,766	4,569,848
China Medical Foreign Trading Liao Ning Co., Ltd.	Sale of pharmaceutical products	4,231,097	4,010,559
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	4,144,095	5,417,458
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,813,009	1,910,960
Jiangsu Zhenjiang Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,432,756	1,544,520
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	Sale of pharmaceutical products	1,358,527	356,815
SPH Changzhou Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	993,005	1,267,437
Sichuan Guojia Medical Technology Co., Ltd.	Sale of pharmaceutical products	977,480	–
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Sale of pharmaceutical products	966,457	201,345
Shandong Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	651,339	154,480
SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch	Sale of pharmaceutical products	607,774	951,586
SPH Keyuan Xinhai Pharmaceutical Hubei Co., Ltd.	Sale of pharmaceutical products	510,048	170,016
Shanghai Pharmaceutical Ningbo Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	118,998	39,749
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	–	505,356
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sale of pharmaceutical products	–	310,801
		<u>40,042,652</u>	<u>25,686,433</u>

(c) Obtaining cooperation agreement payments

Related party	Related transaction	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Shanghai Jiaolian	Obtaining cooperation agreement payments	–	4,776,500

(d) Key management compensation

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Key management compensation	<u>3,536,000</u>	<u>3,391,000</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(6) Receivables from and payables to related parties

(a) Account receivables

	30 June 2021		31 December 2020	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	9,083,701	(969,398)	10,489,243	(18,911)
Shanghai Suzuken Chinese Medicine Co., Ltd.	8,912,136	(19,928)	5,797,432	(26,434)
China Medical Foreign Trading Liao Ning Co., Ltd.	4,358,030	(10,748)	7,127,560	(4,299)
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	2,391,299	(198,403)	3,685,983	(1,545)
Shanghai Pharma Co., Ltd.	1,816,026	–	1,998,689	–
SPH Changzhou Pharmaceutical Co., Ltd.	1,796,445	(156,850)	1,471,596	(3,490)
Jiangxi Nanhua Pharmaceutical Co., Ltd.	887,247	–	1,921,301	–
SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch	626,007	(2,705)	671,625	(1,754)
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	522,996	(104,599)	849,551	(1,631)
Sichuan Guojia Medical Technology Co., Ltd.	336,168	–	408,204	–
Shandong Pharmaceutical Co., Ltd.	175,116	(1,401)	1,094,478	(175)
Beijing Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	128,250	–	25,650	–
Shanghai Pharmaceutical Ningbo Pharmaceutical Co., Ltd.	27,517	–	53,899	(27)
Jiangsu Zhenjiang Pharmaceutical Co., Ltd.	–	–	1,743,254	(5,192)
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	–	–	97,823	–
	31,060,938	(1,464,032)	37,436,288	(63,458)

(b) Contract liabilities

	30 June 2021	31 December 2020
Shanghai Jiaolian	416,409	1,563,150

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors

(a) Directors and chief executive's emoluments

The emoluments in respect of each of the executive directors, supervisors and independent non-executive directors paid/payable by the Group for the six months ended 30 June 2021 are as follows:

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Allowance and other benefits	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Wang Hai Bo	-	664,000	12,000	-	-	-	676,000
Mr. Su Yong	-	438,000	56,000	-	-	-	494,000
Mr. Zhao Da Jun	-	438,000	54,000	-	-	-	492,000
Independent non-executive directors							
Mr. Zhou Zhong Hui	-	100,000	-	-	-	-	100,000
Mr. Lam Yiu Kin	-	100,000	-	-	-	-	100,000
Mr. Xu Qing	-	100,000	-	-	-	-	100,000
Mr. Yang Chun Bao	-	100,000	-	-	-	-	100,000
Independent supervisors							
Mr. Liu Xiao Long	-	75,000	-	-	-	-	75,000
Mr. Huang Jian	-	75,000	-	-	-	-	75,000

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

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

The emoluments in respect of each of the executive directors, supervisors and independent non-executive directors paid/payable by the Group for the six months ended 30 June 2020 are as follows: (continued)

	Fee	Basic salaries and allowances	Retirement benefit costs	Bonus	Allowance and other benefits	Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Executive directors							
Mr. Wang Hai Bo	-	664,000	17,000	-	-	-	681,000
Mr. Su Yong	-	438,000	17,000	-	-	-	455,000
Mr. Zhao Da Jun	-	438,000	58,000	-	-	-	496,000
Independent non-executive directors							
Mr. Zhou Zhong Hui	-	87,500	-	-	-	-	87,500
Mr. Lam Yiu Kin	-	87,500	-	-	-	-	87,500
Mr. Xu Qing	-	87,500	-	-	-	-	87,500
Mr. Yang Chun Bao	-	50,000	-	-	-	-	50,000
Independent supervisors							
Mr. Liu Xiao Long	-	62,500	-	-	-	-	62,500
Mr. Huang Jian	-	62,500	-	-	-	-	62,500

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(7) Benefits and interests of directors (continued)

(b) Directors' retirement benefits

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

(c) Directors' termination benefits

There are no directors' termination benefits for the directors.

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

The Group did not pay consideration to any third parties for making available directors' services during the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the half-year or at any time during the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

(8) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2021 include 3 directors (for the six months ended 30 June 2020: 3 individuals), whose emoluments are reflected in Note (8 (7)). The emoluments paid and payable to these 2 individuals (for the six months ended 30 June 2020: 2 individuals) for the six months ended 30 June 2021 are as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Salary, bonus and allowance	876,000	876,000
Social pension	52,000	8,000
Housing funds, medical insurance and other social insurance	60,000	26,000
	988,000	910,000
	Head count	
	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Emoluments bands:		
HKD 0 – HKD 1,000,000	5	5

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

9 CONTINGENCIES

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

The Group has no significant pending litigation or arbitration.

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

The Group provides no debt guarantee to other entities.

10 COMMITMENTS

(1) Capital commitments

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

	30 June 2021	31 December 2020
Buildings, machinery and equipment	<u>3,792,153</u>	<u>7,401,770</u>

11 SUBSEQUENT EVENTS

(1) Stock repurchase

On May 27, 2021, the Board of Directors passed the Motion on the General Authorization granted to the Board of Directors to repurchase H shares. The approval agreed that the total amount of its own funds shall not exceed RMB 150 million, agreed that the repurchase shall not exceed 10% of the total number of H shares issued by the Company, and agreed that the purchase of H shares will be cancelled in accordance with the relevant provisions to reduce the registered capital of the Company. As of the date of this financial statement, the Company has repurchased 1,469,000 shares of H shares and has not completed the write-off process.

(2) Stock ownership incentive

On July 22, 2021, with the approval of the board of directors, the company passed the "Proposal on Granting Restricted Shares to incentive staff for the First Time". The proposal decided to take July 22, 2021 as the first grant date at a price of RMB 8.90 per share, to grant a total of 32.77 million restricted stocks to 258 incentive staff for the first time, and to reserve 5.23 million restricted stocks. The total number of restricted stocks granted by the incentive plan was 38 million.

12 FINANCIAL INSTRUMENTS AND RISKS

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

(1) Market risk

(a) Foreign exchange risk

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

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND RISKS (continued)

(1) Market risk (continued)

(b) Interest rate risk

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

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2021 and 2020, the Group did not enter into any interest rate swap agreements.

As at 30 June 2021 and 31 December 2020, the Group has no bank loans.

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, notes receivables, accounts receivables, other receivables etc. As at the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure; there is no credit risk exposure arising from the performance of financial guarantees off the balance sheet.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

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

As at 30 June 2021 and 31 December 2020, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk

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

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

	30 June 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities–					
Accounts payables	5,608,800	–	–	–	5,608,800
Other payables	74,249,993	–	–	–	74,249,993
Lease liabilities	5,702,922	5,372,301	9,282,079	6,661,043	27,018,345
	<u>85,561,715</u>	<u>5,372,301</u>	<u>9,282,079</u>	<u>6,661,043</u>	<u>106,877,138</u>
		31 December 2020			
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities–					
Accounts payables	5,267,823	–	–	–	5,267,823
Other payables	62,905,448	–	–	–	62,905,448
Lease liabilities	6,790,058	3,141,066	7,126,314	6,160,139	23,217,577
	<u>74,963,329</u>	<u>3,141,066</u>	<u>7,126,314</u>	<u>6,160,139</u>	<u>91,390,848</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

The changes in level 3 assets are as follows:

	Other equity instruments	Financial products	Total
1 January 2020	–	–	–
Purchase	5,623,983	3,085,100,000	3,090,723,983
Sell	(5,623,983)	(3,104,949,369)	(3,110,573,352)
A gain or loss included in profit or loss.	–	19,849,369	19,849,369
A gain or loss included in other comprehensive income	5,253,127	–	5,253,127
31 December 2020	5,253,127	–	5,253,127
Purchase	–	1,871,800,000	1,871,800,000
Sell	–	(1,883,694,781)	(1,883,694,781)
A gain or loss included in profit or loss.	–	11,894,781	11,894,781
Included in other comprehensive income	3,979,596	–	3,979,596
30 June 2021	9,232,723	–	9,232,723

A gain or loss included in profit or loss are recorded in investment income.

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

Financial assets and liabilities measured at amortised cost mainly include cash, receivables, short-term borrowings, payables.

There is little difference between the book value and fair value of the Group's financial assets and financial liabilities which are not measured at fair value.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

14 CAPITAL MANAGEMENT

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

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

The Group's total capital is listed as 'owners' equity' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated as net debt divided by total capital, which is borrowings minus cash. As at 30 June 2021 and 31 December 2020, the cash balance of the Group was much larger than the borrowing balance and, therefore, the debt ratio was not applicable.

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivables

	30 June 2021	31 December 2020
Bank acceptance notes	126,952,429	124,175,082
Less: Provision for bad debts	—	—
	<u>126,952,429</u>	<u>124,175,082</u>

(a) As at 30 June 2021, the above-mentioned notes of the Company were not subject to collateral or pledge.

(b) As at 30 June 2021, the Company's notes receivables endorsed or discounted but not yet due are as follows:

	30 June 2021	
	De-recognized	Not de-recognized
Bank acceptance note (i)	<u>6,727,558</u>	<u>—</u>

i) For the six months ended 30 June 2021, since endorsements or discount transactions that meet the conditions for derecognition occur by accident and the amount is not significant, the Company measures at amortized cost.

(c) Provision for bad debts

The Company's notes receivables are generated from daily business activities such as the sale of goods and the provision of labor services. Regardless of whether there is a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime.

As at 30 June 2021 and 31 December 2020, the Company considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables

	30 June 2021	31 December 2020
Accounts receivables	407,001,019	437,579,597
Less: Provision for bad debts	(26,876,473)	(8,726,026)
	<u>380,124,546</u>	<u>428,853,571</u>

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

	30 June 2021	31 December 2020
Within 1 year	407,001,019	436,473,845
1 to 2 years	–	1,105,752
	<u>407,001,019</u>	<u>437,579,597</u>

(b) As at 30 June 2021, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivable	<u>212,604,734</u>	<u>(16,410,733)</u>	<u>52.24%</u>

(c) Provision for bad debts

	31 December 2020	Change amount in the period			30 June 2021
		Accrual	Reversal	Write-off	
Provision for bad debts of accounts receivables	<u>(8,726,026)</u>	<u>(18,150,447)</u>	<u>–</u>	<u>–</u>	<u>(26,876,473)</u>

For the accounts receivables in six months ended 30 June 2021 and 2020, regardless of whether there is a significant financing component, the Company calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2021 and 31 December 2020, the Company did not make provision for bad debts for individual accounts receivables.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2021, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	Accounts Balance Amount	30 June 2021	
		Provision for bad debts	
		Life expectancy Credit loss rate	Amount
Not overdue	233,303,610	—	—
Overdue within 120 days	47,196,204	3.10%	(1,461,465)
Overdue 120 days to 1 year	126,501,205	20.09%	(25,415,008)
	<u>407,001,019</u>		<u>(26,876,473)</u>

(iii) As at 31 December 2020, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	Accounts Balance Amount	31 December 2020	
		Provision for bad debts	
		Life expectancy Credit loss rate	Amount
Not overdue	279,108,377	—	—
Overdue within 120 days	121,439,511	0.33%	(395,680)
Overdue 120 days to 1 year	35,925,957	20.11%	(7,224,594)
Overdue 1 year to 2 years	1,105,752	100.00%	(1,105,752)
	<u>437,579,597</u>		<u>(8,726,026)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables

	30 June 2021	31 December 2020
Amount due from subsidiary	174,867,923	148,093,844
Amounts due from related parties (i)	23,753,000	23,753,000
Deposit receivable	1,919,721	1,876,647
Receivables from employees	116,208	169,007
Guarantee receivables	8,380	10,380
Equity transfer	–	6,339,800
Others	1,044,984	470,176
	201,710,216	180,712,854
Less: provision for bad debts	(48,953,000)	(55,292,800)
	152,757,216	125,420,054

i) As at 30 June 2021, the Company receivables from related parties of Derma RMB 23,753,000. On February 28, 2019, the Company signed a share transfer agreement with Bringspring-Roadtop. After the agreement stipulates that Bringspring-Roadtop has transferred the equity, the loan will be returned by the cash flow generated by the Derma through operating activities, and the relevant profit will be preferred to repay the loan, and pledge guarantees were provided by its new shareholder Bringspring-Roadtop and the equity of Derma held by other shareholders. Based on the current operating conditions of Derma, the Company made provision for impairment of this receivable.

(a) The aging analysis of other receivables is as follows:

	30 June 2021	31 December 2020
Within 1 year	56,645,292	24,308,130
1-2 years	120,005,000	127,297,800
2-3 years	23,754,800	27,801,800
Above 3 years	1,305,124	1,305,124
	201,710,216	180,712,854

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(b) Statement of loss provision and changes in its carrying amount

(i) As at 30 June 2021, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Combined accrual:			
Amount due from subsidiary	149,667,923	-	-
Deposit and guarantee	1,928,101	-	-
Receivables from employees	116,208	-	-
Others	1,044,984	-	-
	<u>152,757,216</u>		<u>-</u>

As at 30 June 2021 and 31 December 2020, the Company has no other receivables in the second phase.

As at 30 June 2021, the analysis of bad debt provisions of other receivables in the third phase is as follows:

	Book balance	Expected credit loss rate throughout the lifetime	Provision for bad debts
Individual accruals:			
Amount due from subsidiary	25,200,000	100%	(25,200,000)
Amounts due from related parties	23,753,000	100%	(23,753,000)
	<u>48,953,000</u>		<u>(48,953,000)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(b) Statement of loss provision and changes in its carrying amount (continued)

(ii) As at 31 December 2020, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Combined accrual:			
Amount due from subsidiary	122,893,844	–	–
Deposit and guarantee	1,887,027	–	–
Receivables from employees	169,007	–	–
Others	470,176	–	–
	<u>125,420,054</u>		<u>–</u>

As at 31 December 2020 and 31 December 2019, the Company has no other receivables in the second phase.

As at 31 December 2020, the analysis of bad debt provisions of other receivables in the third phase is as follows:

	Book balance	Expected credit loss rate throughout the lifetime	Provision for bad debts
Individual accruals:			
Amount due from subsidiary	25,200,000	100%	(25,200,000)
Amounts due from related parties	23,753,000	100%	(23,753,000)
Equity transfer	6,339,800	100%	(6,339,800)
	<u>55,292,800</u>		<u>(55,292,800)</u>

(c) Provision for bad debt

	31 December 2020	Accrual	Reverse	30 June 2021
Provision for bad debts of other receivables	<u>(55,292,800)</u>	<u>–</u>	<u>6,339,800</u>	<u>(48,953,000)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

(d) As at 30 June 2021, the top five other receivables based on the balance of the debtors are summarized and analyzed as follows:

	Nature	Balance	Aging	% of total amount	Provision for bad debts
Subsidiary 1	Entrusted Loan	120,000,000	1-2 years	59.49%	–
	Entrusted Loan	25,000,000	Within 1 year	12.39%	–
	Advance payment	4,667,923	Within 1 year	2.31%	–
Subsidiary 2	Entrusted Loan	25,200,000	Within 1 year	12.49%	(25,200,000)
Related party 1	Loan	23,753,000	2-3 years	11.78%	(23,753,000)
Company 1	Deposit	1,267,464	Above 3 years	0.63%	–
Company 2	Deposit	562,103	Within 1 year	0.28%	–
		<u>200,450,490</u>		<u>99.37%</u>	<u>(48,953,000)</u>

(4) Long-term equity investments

	30 June 2021	31 December 2020
Subsidiaries(a)	286,338,000	286,338,000
Joint ventures(b)	59,799,180	60,372,244
Associates(c)	265,055,517	332,756
	<u>611,192,697</u>	<u>347,043,000</u>
Less: Provision for impairment of long-term equity investments		
– Subsidiaries	(39,111,800)	(36,911,800)
– Associates	(332,756)	(332,756)
	<u>(39,444,556)</u>	<u>(37,244,556)</u>
	<u>571,748,141</u>	<u>309,798,444</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Long-term equity investments (continued)

(a) Subsidiaries

	31 December 2020	Investment Addition	Changes in the period Reduce investment	Provision for impairment	Other	30 June 2021	Impairment balance	Cash dividends declared this period
Taizhou Pharmaceutical	238,000,000	-	-	-	-	238,000,000	-	-
Tracing Bio-technology	7,763,000	-	-	(2,200,000)	-	5,563,000	(25,337,000)	-
Fernovelty Holding	3,663,200	-	-	-	-	3,663,200	(13,774,800)	-
	<u>249,426,200</u>	<u>-</u>	<u>-</u>	<u>(2,200,000)</u>	<u>-</u>	<u>247,226,200</u>	<u>(39,111,800)</u>	<u>-</u>

(b) Joint venture

	31 December 2020	Investment Addition	Reduce investment	Equity pick up	OCI Adjust-ment	Other equity changes	Declare cash dividends or profits	Provision for impairment	Others	30 June 2021	Impairment balance
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership)	60,372,244	-	-	(573,064)	-	-	-	-	-	59,799,180	-

(c) Associate

	31 December 2020	Investment Addition	Reduce investment	Equity pick up	OCI Adjust-ment	Other equity changes	Declare cash dividends or profits	Provision for impairment	Other	30 June 2021	Impairment balance
Lead Discovery	-	-	-	-	-	-	-	-	-	-	(332,756)
Derma	-	-	-	-	-	-	-	-	-	-	-
Handu Pharmaceutical	-	265,959,483	-	(1,236,722)	-	-	-	-	-	264,722,761	-
	<u>-</u>	<u>265,959,483</u>	<u>-</u>	<u>(1,236,722)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,722,761</u>	<u>(332,756)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(5) Right-of-use asset

	Buildings
Cost	
31 December 2020	<u>26,216,400</u>
Increases in the current period	
New lease contract	6,222,828
Decreases in the current period	
Lease expiry	<u>(9,138,851)</u>
30 June 2021	<u>23,300,377</u>
Accumulated depreciation	
31 December 2020	<u>(7,959,031)</u>
Increases in the current period	
Accrual	(2,859,875)
Decreases in the current period	
Lease expiry	<u>9,138,851</u>
30 June 2021	<u>(1,680,055)</u>
Carrying amount	
30 June 2021	<u><u>21,620,322</u></u>
31 December 2020	<u><u>18,257,369</u></u>

(6) Lease liabilities

	30 June 2021	31 December 2020
Lease liabilities	22,092,311	18,746,706
Less: Current portion of non-current liabilities	<u>(4,019,288)</u>	<u>(5,682,425)</u>
	<u><u>18,073,023</u></u>	<u><u>13,064,281</u></u>

As at 30 June 2021, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

Notes to the Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(7) Revenue and cost of sales

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Main operations revenue	359,119,253	215,072,932
Other operations revenue	395,051	1,327
	<u>359,514,304</u>	<u>215,074,259</u>
	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Main operations cost	(20,061,022)	(15,961,814)
Other operations cost	(18,056)	(1,062)
	<u>(20,079,078)</u>	<u>(15,962,876)</u>

(a) Main operations revenue and main operations cost

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sale of pharmaceutical and diagnostic products	353,505,774	(17,192,543)	210,026,699	(10,915,581)
– Provide technology service	5,613,479	(2,868,479)	5,046,233	(5,046,233)
	<u>359,119,253</u>	<u>(20,061,022)</u>	<u>215,072,932</u>	<u>(15,961,814)</u>

(b) Other operations revenue and cost of sales

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
– Sales of materials	395,051	(18,056)	1,327	(1,062)
	<u>395,051</u>	<u>(18,056)</u>	<u>1,327</u>	<u>(1,062)</u>

Notes to the Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(8) Investment income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Financial product income	11,894,781	4,344,657
Interest income from entrusted loans	3,405,046	3,679,021
Investment loss from disposal of long-term equity investments	–	(10,015)
Equity pick up	(1,809,786)	(504,261)
	<u>13,490,041</u>	<u>7,509,402</u>

The Company does not have any significant restrictions on repatriation of investment income.

Supplementary Information of Financial Statements

For the six months ended 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Gains and losses from disposal of non-current assets	607,345	3,652,221
Government grants recognised in profits	1,886,729	13,013,136
Except for effective hedging business related to the Group's normal business operations, gains and losses on changes in fair value from holding transactional financial assets, and investment income from disposal of transactional financial assets and other non-current financial assets	11,894,781	4,344,657
Investment income from disposal of subsidiary	–	(982)
Non-operating income and expenses other than the above	(1,731,923)	293,274
	12,656,932	21,302,306
Impact of income tax expense	(1,704,169)	(2,204,128)
Impact on the minority interests, net of tax	(10,979)	(549,923)
	10,941,784	18,548,255

Basis for preparation of summary of non-recurring profit or loss

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RECONCILIATION OF DOMESTIC AND FOREIGN FINANCIAL STATEMENTS

On 24 February 2020, according to the approval of the temporary shareholders' meeting, the Company started to use the consolidated financial statements prepared under CAS to file the annual report with the Stock Exchange of Hong Kong from the year ended 31 December 2019. Since that, the Group did not prepare the reconciliation between the financial statements prepared under CAS and IFRS.

Supplementary Information of Financial Statements

For the six months ended 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%) For the six months ended 30 June 2021	Earnings per share	
		Basic earnings per share For the six months ended 30 June 2021	Diluted earnings per share For the six months ended 30 June 2021
Net profit attributable to ordinary shareholders of the Company	3.20%	0.06	0.06
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.67%	0.05	0.05
	Weighted average return on net assets (%) For the six months ended 30 June 2020	Earnings per share	
		Basic earnings per share For the six months ended 30 June 2020	Diluted earnings per share For the six months ended 30 June 2020
Net profit attributable to ordinary shareholders of the Company	3.19%	0.03	0.03
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.17%	0.01	0.01

By order of the Board
Wang Hai Bo
Chairman

As at the date on the publication 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

11 August 2021

* *For identification purpose only*