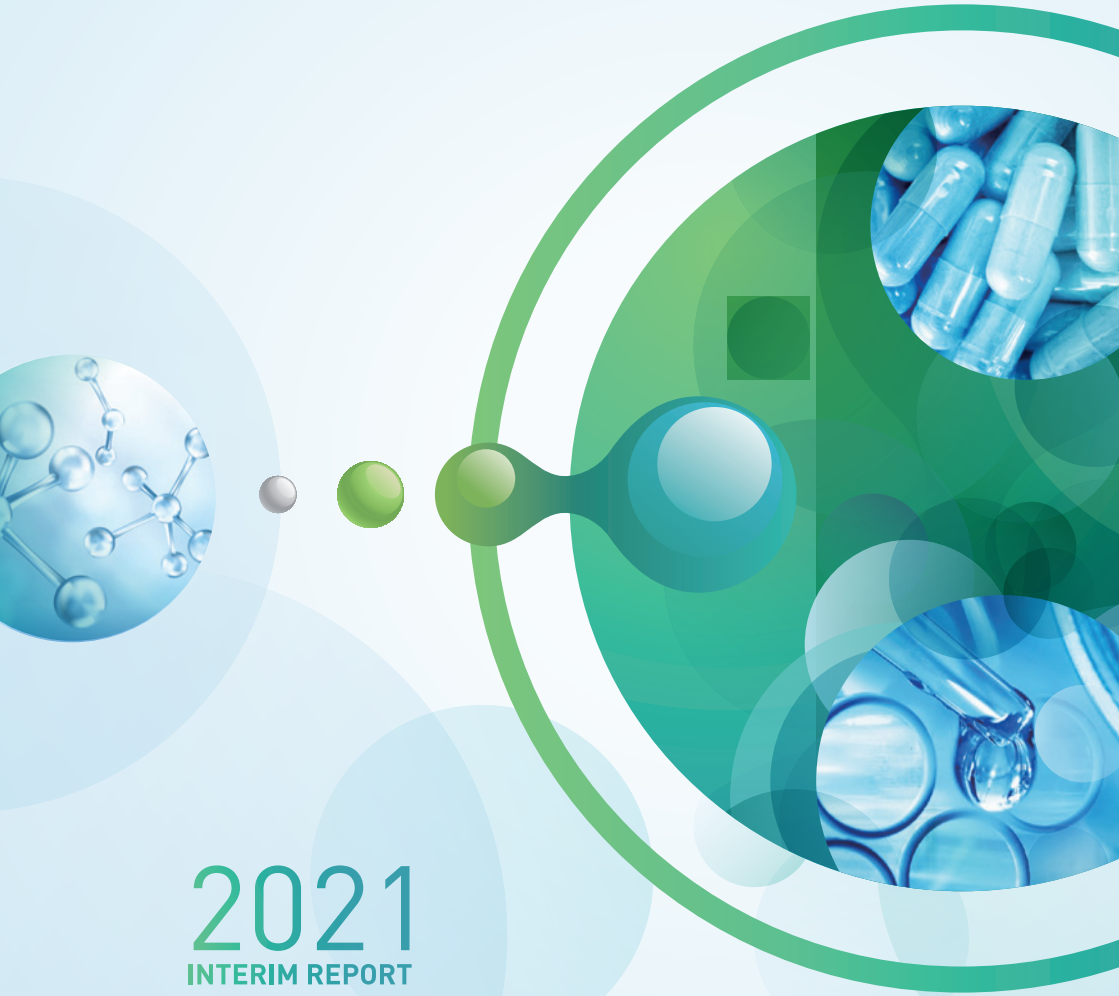
石藥集團有限公司

CSPC PHARMACEUTICAL GROUP LIMITED

(Stock Code : 1093)



2021 INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

CAI Dongchen *(Chairman and CEO)*
ZHANG Cuilong *(Vice-Chairman and Rotating CEO)*
WANG Zhenguo
PAN Weidong
WANG Huaiyu
LI Chunlei
WANG Qingxi
CHAK Kin Man
JIANG Hao

Independent Non-executive Directors

WANG Bo
CHEN Chuan
WANG Hongguang
AU Chun Kwok Alan
LAW Cheuk Kin Stephen

Audit Committee

AU Chun Kwok Alan *(Chairman)*
WANG Bo
CHEN Chuan

Nomination Committee

CAI Dongchen *(Chairman)*
WANG Bo
CHEN Chuan

Remuneration Committee

AU Chun Kwok Alan *(Chairman)*
WANG Bo
CHEN Chuan

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Company Secretary

LO Tai On

Registered Office

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Hong Kong

Share Registrar

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183 Queen's Road East
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Website

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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	Change
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue by business units:			
Finished drugs	**11,233,382**	10,231,025	+9.8%
Bulk products			
— Vitamin C	**1,080,770**	1,004,964	+7.5%
— Antibiotics and others	**835,857**	638,822	+30.8%
Functional food and others	**672,266**	714,786	-5.9%
Total revenue	**13,822,275**	12,589,597	+9.8%
Profit attributable to shareholders	**3,062,569**	2,313,996	+32.3%
	RMB cents	RMB cents (Restated)	
Earnings per share			
— Basic	**25.62**	19.36	32.3%
— Diluted	**25.62**	19.35	32.4%

The Board has declared an interim dividend of HK8 cents per share for 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2021, the Group achieved a revenue of RMB13,822 million, representing an increase of 9.8% year-on-year; and profit attributable to shareholders of RMB3,063 million, representing an increase of 32.3% year-on-year.

DIVIDEND

The Board has declared an interim dividend of HK8 cents per share for 2021 (2020: HK6 cents, equivalent to HK3.75 cents if adjusted for the effect of the issue of bonus shares on 29 October 2020). The interim dividend will be payable on 8 October 2021 to shareholders whose names appear on the register of members of the Company on 15 September 2021.

INDUSTRY REVIEW

The first half of 2021 has witnessed the continuous deepening of the national healthcare reform and the accelerated implementation of policies regulating the pharmaceutical industry. The national centralised procurement continued to expand to cover more medicine varieties with the fourth and fifth batches of procurement carried out during the period. The centralised medicines procurement has become a normalized and systematic purchase system which has effectively reduced the burden on patients as well as the medical insurance fund, and promoted industry concentration amidst competition, thus facilitating innovation and upgrading of enterprises. Regarding medical insurance policies, the 2021 adjustment plan for the national reimbursement drug list was officially released and the adjustment is expected to be completed by the end of the year. The guidelines on the "dual-channel" management framework for medicines participated in medical insurance negotiations released in May proposed to include designated retail pharmacies in the medical insurance coverage and implement a unified payment policy with medical institutions. These policies will greatly speed up the inclusion of innovative drugs in the national reimbursement drug list and promote the wider use and market coverage of products on the list. In July, the Center for Drug Evaluation of the National Medical Products Administration released draft guidelines on the clinical development of anti-tumor drugs, which highlighted a clinical value-oriented and patient-focused R&D approach. The introduction and implementation of these policies have undoubtedly brought significant impact to the pharmaceutical industry, intensified the competition for survival of the fittest in the industry and speeded up market re-shuffle. Under the environment of enhancing healthcare system and encouraging innovation in the country, the Group will fully capture the development potential and opportunities brought about by the healthcare reform policies with its strong product development and innovation capabilities, excellent product commercialisation capabilities and comprehensive production capacities.

BUSINESS REVIEW

In the first half of 2021, the results of the Group maintained a steady growth. The Group continued to put efforts in professional academic-based promotion, hospital development, lower-tier market penetration, clinical application extension and professional sales force expansion to drive the rapid growth of the key finished drug products and further enhance the market coverage to reach medical institutions at various levels in cities, counties, towns and communities. During the period, the market development of new products was carried out smoothly, which has brought in new sales contribution and facilitated a more balanced product mix of the finished drug business.

Good progress has also been made in respect of R&D:

1) Anfulike (安複利克) (amphotericin B cholesteryl sulfate complex for injection) obtained drug registration approval in China and was successfully launched in May. Amphotericin B is one of the most effective drugs with the broadest antimicrobial spectrum for prevention and treatment of invasive fungal infections. Compared with same product type available in the domestic market, the product could significantly reduce nephrotoxicity and increase dosage, demonstrating obvious clinical advantages;

2) Application for marketing approval of COPIKTRA (克必妥) (duvelisib capsules) in China was accepted and granted priority review. The product was granted marketing approval by the U.S. Food and Drug Administration (FDA) in September 2018, being the first approved dual PI3K-δ and PI3K-γ inhibitor for treatment of adult patients with relapsed/refractory follicular lymphoma after at least two prior systemic therapies;

3) Application for marketing approval of amphotericin B liposome for injection in China was submitted;

4) NBL-012, JMT101, SYHX1901, SYHX1903, JMT601, SG001 (PD-1) in combination with Keaili (克艾力) for the treatment of platinum-resistant relapsed epithelial ovarian cancer, SG001 (PD-1) in combination with Duomeisu (多美素) for the treatment of PD-L1 positive platinum-resistant relapsed epithelial ovarian cancer, SKLB1028 in combination with azacitidine for treatment-naive AML patients with FLT3 mutation, SKLB1028 in combination with standard treatment "7+3" for treatment-naive AML patients with FLT3 mutation, irinotecan liposome injection (advanced solid tumors), SYHA1811, SYSA1801 and sirolimus for injection (albumin-bound) obtained clinical trial approvals in China;

5) JMT601, NBL-012, NBL-015, DP303c and SYSA1801 obtained clinical trial approvals in the U.S.;

6) SYSA1801 for the treatment of pancreatic cancer and NBL-015 for the treatment of gastric cancer (including cancer of gastroesophageal junction) obtained orphan-drug designation in the U.S.;

7) Esomeprazole magnesium enteric capsules, nintedanib esilate soft capsules, entecavir tablets, sorafenib tosylate tablets, sitagliptin phosphate tablets, agoliptin benzoate tablets, linagliptin tablets, lacosamide tablets, pregabalin capsules, tofacitinib citrate tablets and afatinib dimaleate tablets obtained drug registration approvals in China;

8) Paroxetine hydrochloride enteric capsules and carbamazepine extended-release tablets obtained ANDA approvals in the U.S.; and

9) 19 generic drug products (33 specifications) passed or deemed to have passed the consistency of quality and efficacy evaluation of generic drugs.

Finished Drug Business

The finished drug business recorded sales of RMB11,233 million in the first half of 2021, representing a year-on-year increase of 9.8%. The sales performance of products by major therapeutic area is as follows.

Nervous System Disease Products

Major products include NBP (恩必普) (butylphthalide soft capsules and butylphthalide and sodium chloride injection), Oulaining (歐來寧) (oxiracetam capsules and oxiracetam for injection), Shuanling (舒安靈) (pentoxifylline extended-release tablets and pentoxifylline injection), Enxi (恩悉) (pramipexole dihydrochloride tablets) and Oulaituo (歐來妥) (memantine hydrochloride tablets).

NBP is a Class 1 new chemical drug in China and a patent-protected exclusive product mainly used for the treatment of acute ischemic stroke. Its efficacy has been widely recognised with its being listed as one of the recommended drugs in multiple editions of "Guidelines for Acute Ischemic Stroke Treatment in China" (2010, 2014 and 2018 editions) as well as in more than 20 guidelines and consensuses, including the "Guidelines for the Diagnosis and Treatment of Acute Ischemic Stroke in China", "Guidelines for the Assessment and Intervention of Cerebral Collateral Circulation in Ischemic Stroke in China (2017)", "Guidelines for the Diagnosis and Treatment of Cerebral Infarction with Traditional Chinese and Western Medicines in China (2017)", "Guidelines for Clinical Management of Cerebrovascular Diseases in China", "Guidelines for the Rational Medication for Stroke in China (2019)", "Guidelines for the Clinical Management of Cerebrovascular Diseases in China (2019)", "Community Guidelines for the Prevention and Treatment of Cerebrovascular Diseases (2020)", "Specialists' Consensus on Post-stroke Cognitive Impairment Management (2021)" and "Specialists' Consensus on the Clinical Assessment and Treatment of Acute Cerebral Infarction Ischemic Penumbra in China (2021)". For the exploration of new therapeutic areas, 167 research projects are in progress, including 74 fundamental and 93 clinical projects. In particular, the domestic Phase III trial of butylphthalide soft capsules for the treatment of vascular dementia has progressed well, with over 130 patients being enrolled in 34 centres. The application for clinical trial approval in China and related patents for butylphthalide soft capsules for the treatment of "peripheral neuropathy caused by chemotherapy" is in progress. The seven studies under the national "13th Five Year Plan" with the participation of NBP include efficacy and safety studies of butylphthalide for new treatment areas such as cerebral small vessel diseases, aortic atherosclerotic cerebral infarction and intravenous thrombolysis or endovascular treatment for acute ischemic stroke and cerebral hemorrhage. The clinical studies have progressed well and are expected to be successively completed in one to two years, which would fully update and raise the level of clinical evidence of the products and provide support for subsequent academic-based promotion.

Oulaining is mainly used for the treatment of mild to moderate memory and mental impairment resulting from vascular dementia, senile dementia and brain trauma. Oulaining has been marketed in China for 18 years with inclusion in a number of authoritative guidelines. It has become a basic drug commonly used in clinical practice with a large user base of doctors and patients covering more than 4,400 basic and tiered end-user institutions across the country. With the aging population in China, the incidence of cerebrovascular diseases and cognitive impairment diseases is increasing at high pace, and thus there is a large clinical demand for this drug type. Oulaining is now actively expanding its sales channels, penetrating into the retail market, enhancing affordability as well as strengthening the academic promotion in order to promote a steady development.

Shuanling is mainly used for the treatment of cerebrovascular diseases, peripheral vascular disease and diabetes complications, having a wide range of applications. This product is a class B national reimbursement drug and is recommended by a number of domestic and foreign clinical medication guidelines. During the period, the Group cooperated with a number of professional academic institutions to carry out more than 4,000 academic activities, covering nearly 1,000 academic experts and 44,000 persons in aggregate.

In the first half of 2021, nervous system disease products recorded sales of RMB3,611 million, representing a year-on-year decrease of 5.1%. Since implementation of the new national reimbursement drug list in March, NBP has been selling in the market at the new national reimbursement negotiated price, affordability and competitiveness of the product has been greatly improved. Leveraging on the strong market foundation with wide coverage and deep market penetration, and promotion of online out-of-pocket sales through the patient management platform of internet hospitals, NBP achieved rapid growth in sales volume with the impact of price reduction substantially alleviated. During the period, sales of NBP decreased by 8.3%, while sales of Oulaining and Shuanling decreased by 22.0% and increased by 547.0%, respectively.

Oncology products

Major products include Duomeisu (doxorubicin hydrochloride liposome injections), Jinyouli (津優力) (PEG-rhGCSF injections) and Keaili (paclitaxel for injection (albumin-bound)).

Duomeisu was developed by the "National Key Laboratory for New Pharmaceutical Preparations and Excipients" of the Group and supported by the "Major New Drug Development" projects in China. It has been recommended by the U.S. "National Comprehensive Cancer Network (NCCN) Guidelines" and Chinese Society of Clinical Oncology (CSCO) for the first-line treatment of lymphoma, ovarian cancer, relapsed or metastatic breast cancer, soft tissue sarcoma and AIDS-related Kaposi sarcoma. Duomeisu has considerable advantages in terms of efficacy and safety as compared to traditional anthracyclines, in particular a significant improvement in cardiac safety, with a breakthrough in the cumulative dose limit of traditional anthracyclines, so there still exists a good market potential. In addition, Duomeisu passed the consistency evaluation in May 2021, further enhancing its brand advantage and providing strong support for market share expansion. Apart from strengthening the existing sales areas in haematological cancer, breast cancer, gynecologic cancer and bone cancer, the Group will continue to explore new areas such as leukemia and liver cancer with the aim of further boosting the sales of Duomeisu.

Jinyouli is the first long-acting white blood cell booster drug in China. It is used to decrease the incidence of infection and pyrexia due to low neutrophil count in patients during chemotherapy, thus ensuring the administration of standardised dosage of chemotherapy. Jinyouli is well supported by clinical evidence with its Phase IV clinical study having the largest sample size in respect of study of long-acting granulocyte stimulating factor in China, covering lung cancer, breast cancer, lymphoma, ovarian cancer, colorectal cancer and gastric cancer, earning unanimous recommendations from domestic and foreign guidelines. The Group will further expand the application to gastrointestinal tumor, hematological tumor and childhood acute lymphoblastic leukemia on the basis of the existing areas and expand to cover the county-level market.

Keaili is the first-to-market generic of new generation paclitaxel chemotherapy drug in China with the consistency evaluation passed. It is made of stable nanoparticles formed by the integration of paclitaxel and human serum albumin (endogenous). The product has the distinctive features of convenience, high efficacy and safety. It has a better efficacy due to the increased dosage of paclitaxel drug and is convenient to use as administration only takes 30 minutes without the use of organic solvents as pre-treatment before administration. It is unanimously recommended by domestic and foreign guidelines and specialists' consensus from various fields in breast cancer, lung cancer, gastric cancer and gynecologic tumor. In 2020, Keaili won the national centralised procurement at the lowest price with a reduction of 70%, which has greatly reduced the financial burden of patients and improved the affordability of the drug. Driven by the Group's efforts in academic promotion and market penetration, the market share of albumin-bound paclitaxel among paclitaxel type of drugs has increased to more than 40%, and the market share of Keaili among albumin-bound paclitaxel products has reached approximately 60%, becoming the leading brand of albumin-bound paclitaxel. In 2021, Keaili was included in the national reimbursement drug list. Leveraging on the policy advantages, the Group will speed up hospital development and market penetration, capture larger market share, and continue to explore new areas such as gastric cancer, esophageal cancer, head and neck cancer, pancreatic cancer and melanoma in addition to consolidating its key areas of breast cancer, lung cancer and gynecologic tumor, so as to drive the steady sales growth of Keaili.

In the first half of 2021, oncology products recorded sales of RMB3,964 million, representing a year-on-year increase of 26.6%. In particular, the sales of Dumeisu, Keaili and Jinyouli increased by 51.0%, 17.9% and 12.8% respectively.

Anti-infective products

Major products include Shuluoke (舒羅克) (meropenem for injection), Nuomoling (諾莫靈) (amoxicillin capsules), Xianqu/Shiyao (先曲/石藥) (ceftriaxone sodium for injection), Zhongnuo Lixin (中諾立新) (cefuroxime sodium for injection), Xinweihong (新維宏) (azithromycin tablets) and Weihong (維宏) (azithromycin dispersible tablets/capsules/enteric tablets).

Affected by the policy of restrictive use of antibiotics, the market of anti-infective products has not seen any significant growth. During the period, the adoption of infection prevention measures to fight the pandemic by the general public has led to a significant drop in the number of influenza and other infectious diseases cases, resulting in a decline in demand for related medicines. In the first half of 2021, anti-infective products recorded sales of RMB1,415 million, representing a year-on-year increase of 3.2%.

Cardiovascular disease products

Major products include Xuanning (玄寧) (maleate levamlodipine tablets and dispersible tablets), Encun (恩存) (clopidogrel bisulfate tablets), Daxinning (達新寧) (dronedarone hydrochloride tablets), Abikang (阿比康) (aspirin enteric tablets) and Meiluolin (美洛林) (ticagrelor tablets).

Xuanning is mainly used for the treatment of hypertension, chronic stable angina and variant angina, and is an essential product in the national reimbursement drug list. It is also included in domestic authoritative guidelines including the "Guidelines for the Prevention and Treatment of Hypertension in China" and the "Guidelines for the Rational Medication for Hypertension". In December 2019, Xuanning received marketing approval from the U.S. Food and Drug Administration (FDA) and was the first Chinese innovative drug granted full approval by the U.S. FDA. With the progress of national policy on essential drugs, there is a good development opportunity for Xuanning. During the period, the Group stepped up the efforts in building its own sales team, refining promotion and exploring retail markets, resulting in a stable increase in the sales of Xuaning.

Encun is the only domestic clopidogrel bisulfate tablets with marketing approval granted by the U.S. FDA and has won the centralised procurement with an ideal price in 2019. It is a preferred drug with high quality and reasonable price for the treatment of coronary heart disease and secondary prevention for stroke. In 2021, which is the second year of its centralised procurement tender, Encun continued to maintain a steady sales growth.

Daxinning is the first-to-market generic dronedarone hydrochloride tablets in China and is mainly used for the treatment of sinus arrhythmia patients with a medical history of paroxysmal or persistent atrial fibrillation. Daxinning, which has received support from the national project of "Major New Drugs Development", is an exclusive product in China and is not expected to be selected for national centralised procurement in the short term. With the ongoing aging population in China, the base of patients with atrial fibrillation will gradually increase with growing attention, antiarrhythmic drugs will have a promising market prospect. At present, drugs used for patients with arrhythmia are limited and with the existence of certain limitations. Dronedarone, with its good efficacy and the best safety, is recommended by the atrial fibrillation management guidelines in Europe and the U.S. Since launch in October 2019, the Group has established a dedicated sales team and engaged in professional academic-based promotion and patient management, with more than 25,000 patients with atrial fibrillation having used the drug so far within two years.

In the first half of 2021, cardiovascular disease products recorded sales of RMB1,450 million, representing a year-on-year increase of 31.1%. In particular, Xuanning, Encun and Daxinning recorded a sales growth of 32.1%, 35.5% and 537.9%, respectively.

Respiratory disease products

Major products include Qixiao (琦效) (arbidol hydrochloride tablets), Zhongnuo Like (中諾立克) (ambroxol hydrochloride oral solution), Zhongnuoping (中諾平) (ambroxol hydrochloride extended-release tablets) and Nuoyian (諾一安) (montelukast sodium tablets/chewable tablets).

Qixiao, a broad-spectrum antiviral drug, is mainly used for the treatment of viral infections represented by influenza. The Group will increase efforts in medical research on Qixiao in various therapeutic areas, establish the evidence of efficacy comparable to oseltamivir in the influenza area and actively promote clinical applications of the product in emergency, pediatrics, respiratory and infection departments.

In the first half of 2021, respiratory disease products recorded sales of RMB190 million, representing a year-on-year decrease of 25.7%.

Digestion and metabolism disease products

Major products include Linmeixin (林美欣) (glimepiride dispersible tablets), Shuanglexin (雙樂欣) (metformin hydrochloride tablets/extended-release tablets), Xinweiping (欣維平) (acarbose tablets) and Debixin (得必欣) (omeprazole enteric capsules). In the first half of 2021, digestion and metabolism disease products recorded sales of RMB247 million, representing a year-on-year decrease of 2.7%.

Products in other therapeutic areas

Major products include Gubang (固邦) (alendronate sodium tablets/enteric tablets), Qimaite (奇邁特) (tramadol hydrochloride tablets) and Youdening (優德寧) (celecoxib capsules). In the first half of 2021, products in other therapeutic areas recorded sales of RMB356 million, representing a year-on-year increase of 16.4%.

Bulk Product Business

Vitamin C

In the first half of 2021, the vitamin C product series recorded sales of RMB1,081 million, representing a year-on-year increase of 7.5%. Owing to the pandemic and changes in supply and demand, the average selling prices of vitamin C products were higher than the same period last year, and the Group continued to be ranked first in terms of export sales in the industry. The Group has laid out plan to further increase market share and extend to untapped markets. It will also continue to optimise customer structure, explore overseas sales channels and focus on branding in order to raise the overall market competitiveness.

Antibiotics and Others

In the first half of 2021, the antibiotic and other product series recorded sales of RMB836 million, representing a year-on-year increase of 30.8%, which was primarily attributable to the increase in sales volume and price of certain products. The Group will keep developing end-user customers, accelerating accreditation in the high-end market, as well as steadily improving product quality and reducing costs.

Functional Food and Other Business

In the first half of 2021, the business recorded sales of RMB672 million, representing a year-on-year decrease of 5.9%. The sales of caffeine products remained stable but sales of Guoweikang (vitamin C health supplements) declined slightly during the period. The Group will continue to maintain a steady business growth through technology upgrade, cost control and market development.

Research and Development

The Group has a leading R&D team in China with bases located in Shijiazhuang, Shanghai, Beijing and the United States, focusing on the discovery, research and development of small molecule target drugs, nanodrugs, monoclonal antibody drugs, bispecific antibody drugs, antibody-drug conjugates, mRNA vaccines, small nucleic acid drugs and biological drugs in the field of immunity.

The Group firmly believes in the importance of investing in research and development so that the Group can have strong product and technology innovation capability as well as a rich pipeline of drugs under development. The R&D expenses for the period amounted to RMB1,613 million (charged to the profit or loss statement), representing a year-on-year increase of 11.0% and accounting for approximately 14.4% of the revenue from the finished drug business. At present, there are around 300 projects in the pipeline, of which over 40 are innovative small molecule drugs, over 40 are innovative macromolecule drugs and over 30 are drugs of new preparation, primarily focusing on the therapeutic areas of oncology, immunology and respiratory, psychiatry and neurology, metabolism, cardio-cerebrovascular system and anti-infectives. Currently, there are 29 products pending drug registration approval, 40 products under clinical trials (including 33 innovative drugs and 7 new preparation drugs), 5 products under bioequivalence tests and 11 products and indications pending clinical trial approval.

With a focus on clinical value and innovation, the Group is committed to building a technology platform with its own intellectual property rights to differentiate itself from competitors in the industry. The Group's nanodrug technology platform is the most competitive in the industry with a leading pipeline layout in the international arena. The "National Key Laboratory for New Formulations and Excipients" established by the Group has been recognized as "excellent" for several times in the evaluation of the State Key Laboratories. In respect of nanodrug delivery technology, the Group has systematically deployed and developed a number of core delivery technologies including nanoliposomes, albumin nano-formulations, polymeric micelles, and lipid nanoparticles for the delivery of nucleic acid drugs and nucleic acid vaccines. In the area of large macromolecule drug development, the focus is on the development of multifunctional protein and antibody drugs, such as bispecific and trifunctional antibodies as well as novel ADC drugs. In the area of small molecule drug development, the focus is on building PROTAC, LYTAC and AI-based screening platforms, developing small molecule targeted drugs with multiple functions such as anti-tumour/immune modulation, and systematically developing small molecule drugs based on epigenetics in order to achieve competitive differentiation. In terms of nucleic acid drug development, mRNA vaccine and small nucleic acid drug platforms have been established. Important progress has been made in mRNA vaccines for a number of major infectious diseases as well as in small nucleic acid drugs for major genetic and metabolic diseases.

The major products under clinical trial are as follows:

Late clinical stage

Drug Candidate	Type	Target	Indication	Status
COPIKTRA (duvelisib capsules)	Chemical drug	PI3K-δ, PI3K-γ	Follicular lymphoma	NDA submitted
Rezetinib mesylate capsules	Chemical drug	EGFR	Non-small cell lung cancer	NDA submitted
SKLB1028	Chemical drug	FLT3, Abl, Lyn, EGFR	Acute myeloid leukemia	Pivotal trial
DBPR108	Chemical drug	DPP-4	Diabetes	Pivotal trial
SYHA121-28	Chemical drug	RET, EGFR, VEGFR, FGFR	Non-small cell lung cancer with RET gene fusion mutation	Pivotal trial
Butylphthalide soft capsules	Chemical drug		Vascular dementia	Pivotal trial
JMT101	Biological drug (monoclonal antibody)	EGFR	Non-small cell lung cancer with EGFR 20 exon insertion mutation	Pivotal trial
JMT103	Biological drug (monoclonal antibody)	RANKL	Giant cell tumor of bone	Pivotal trial
SYSA1802	Biological drug (monoclonal antibody)	PD-1	Cervical cancer	Pivotal trial
Omalizumab biosimilar	Biological drug (monoclonal antibody)	IgE	Urticaria	Pivotal trial
Mitoxantrone hydrochloride liposome injection	Nanodrug		Peripheral T-cell lymphoma	NDA submitted
Amphotericin B liposome for injection	Nanodrug		Invasive fungal infection	NDA submitted
Irinotecan liposome injection	Nanodrug		Pancreatic cancer	Pivotal trial
Daunorubicin cytarabine liposome for injection	Nanodrug		Leukemia	Pivotal trial
Paclitaxel nanoparticles for injection	Nanodrug		Multiple solid tumors	Pivotal trial

Early clinical stage

Drug Candidate	Type	Therapeutic Area
Ammuxetine	Chemical drug	Psychiatry
Butylphthalide soft capsules (U.S.)	Chemical drug	Neurology
Simmitinib, SYHA1803, SYHA1807, SYHA1801, SYHA1811, SYHA1813, SYHA1815, SYHX1903	Chemical drug	Oncology
SYHA1805, SYHA1402	Chemical drug	Metabolism
SYHX1901	Chemical drug	Immunity
M802*, M701*, Y150*, Y101D*, JMT601 (China and U.S.), KN026	Biological drug (bispecific antibody)	Oncology
DP303c, SYSA1801	Biological drug (antibody-drug conjugate)	Oncology
ALMB0168	Biological drug (monoclonal antibody)	Oncology
ALMB0166	Biological drug (monoclonal antibody)	Central nervous system
TG103	Biological drug (monoclonal antibody)	Metabolism
CM310, NBL-012 (China and U.S.)	Biological drug (monoclonal antibody)	Immunity
Paclitaxel cationic liposome for injection, Albumin-bound docetaxel for injection (China and U.S.), Albumin-bound sirolimus for injection	Nanodrug	Oncology
Prostaglandin liposomes for injection	Nanodrug	Cardiovascular

** Product developed by Wuhan YZY Biopharma Co. Ltd., an associate of the Group.*

The Group attaches great importance to the protection of intellectual property rights and actively files patent applications for its research and development projects. Since the beginning of the year, the Group has filed 12 international PCT applications, 86 patent applications (60 domestic and 26 overseas) and received 38 authorisations (28 domestic and 10 overseas).

In the five years ahead, the Group is expected to launch more than 30 innovative and new preparation drugs, and over 60 generic drugs. In particular, mitoxantrone liposomes, docetaxel albumin nanoparticles, sirolimus albumin nanoparticles, cisplatin polymer micelle, and paclitaxel albumin nanoparticles (fast dissolving) developed based on the nanotechnology platform; the ultra-long-acting GLP1-IgD/IgG1 Fc fusion protein in the field of non-oncology, the world's new CX43 inhibiting and antagonizing antibody, the new ADC and ISAC based on enzymatic site-specific conjugation, the CD20/CD47 bispecific antibodies based on novel asymmetric structure; as well as the multivalent mRNA vaccines against novel coronavirus mutants and small nucleic acid drugs (dosed semi-annually) are all heavyweight products with global patents and great market value. The market launch of these new products will provide strong support to the Group's high-quality growth in the future.

Business Development

In addition to internal R&D, the Group also actively seeks acquisition and cooperation opportunities in order to strengthen its product pipeline and make full use of its strong sales platform. Since the beginning of the year, the Group has collaborated with (i) Beta Pharma (Shanghai) Company Limited to obtain the exclusive product license and commercialization rights of its rezetinib mesylate capsules (BPI-7711) in China. BPI-7711 is a third generation irreversible EGFR-TKI for the treatment of non-small cell lung cancer and its application for marketing approval in China was accepted in May 2021; and (ii) Keymed Biosciences Co., Ltd. to obtain the exclusive product license and commercialization rights of its CM310 (an anti-IL-4Rα recombinant humanized monoclonal antibody) for moderate to severe asthma and chronic obstructive pulmonary disease (COPD) in China; and (iii) Jiangsu Alphamab Oncology Co., Ltd. to obtain the exclusive product license and commercialization rights of its KN026 (a HER2-targeted bispecific antibody) for breast cancer and gastric cancer in China.

In August, the Group has entered into a strategic partnership and license agreement with Flame Biosciences, Inc, ("Flame"), a U.S. innovative pharmaceutical company, to grant the exclusive rights outside of Greater China to Flame of the Group's drug candidate NBL-015 (an anti-Claudin 18.2 monoclonal antibody) and two new bispecific antibodies to be developed based on the Group's NovaTE bispecific antibody technology platform. This collaboration will be able to speed up the clinical development of the Group's innovative drug portfolio in the global market and represents a significant progress of the Group's commitment to advance its internationalization strategy.

FINANCIAL REVIEW

Revenue

During the period, revenue of the finished drugs business was RMB11,233 million, accounting for 81.3% of the total revenue, which was the major growth driver of the Group; revenue of bulk products was RMB1,917 million, accounting for 13.9% of the total revenue; revenue of functional food and others was RMB672 million, accounting for 4.8% of total revenue. Benefited from the enhancement in product portfolio of the finished drugs business as well as the increase in product prices of vitamin C bulk products, the gross profit margin increased by 1.1 percentage points to 76.1% for the period.

Other Income

Other income for the period was RMB162 million, mainly including government grant income and interest income on bank balances.

Other Gains or Losses

Other gains or losses for the period was a gain of RMB465 million, mainly including fair value changes on financial assets measured at fair value through profit or loss, fair value changes on structured bank deposits and net foreign exchange gain or loss.

Selling and Distribution Expenses

Selling and distribution expenses for the period was RMB5,320 million, representing a year-on-year increase of 9.1%. The increase in selling and distribution expenses was primarily attributable to (i) the expansion of sales force of the finished drugs business; and (ii) increased efforts in marketing and academic promotion for key finished drug products and newly launched finished drug products. The percentage of selling and distribution expenses to sales revenue was 38.5%, similar to same period last year.

Administrative Expenses

Administrative expenses for the period was RMB497 million, representing a year-on-year decrease of 11.4%, which was primarily attributable to the effective control of expenses.

Research and Development Expenses

R&D expenses for the period was RMB1,613 million, representing a year-on-year increase of 11.0%. The increase in R&D expenses was primarily attributable to (i) the increased number of products under development entering clinical trial stage; (ii) the expansion of our own clinical team; and (iii) the significant increase in the number of patients enrolled in clinical trials.

Liquidity and Financial Position

For the first half of 2021, the Group's operating activities generated a cash inflow of RMB2,743 million (first half of 2020: RMB2,429 million). Average turnover period of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) increased from 33 days in 2020 to 45 days for the period. Average turnover period of inventories (ratio of balance of inventories to cost of sales) decreased from 109 days in 2020 to 100 days for the period. Current ratio of the Group was 2.8 as at 30 June 2021, higher than 2.5 half year ago. Capital expenditure for the period amounted to approximately RMB661 million, which were mainly spent on the projects to construct production facilities and improve production efficiency.

The Group's financial position remained solid. As of 30 June 2021, the Group's bank deposits, bank balances and cash amounted to RMB8,484 million (31 December 2020: RMB7,726 million) in total with no outstanding bank loan (31 December 2020: RMB99 million).

The Group's sales are denominated in Renminbi (for domestic sales in China) and mainly in US dollars (for export sales). The Group manages its foreign exchange risks by closely monitoring its foreign exchange exposures and mitigating the impact of foreign currency fluctuations by using appropriate hedging arrangements when considered necessary.

Pledge of Assets

Assets of the Group were not charged to any third parties as of 30 June 2021.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 30 June 2021.

Employees

As of 30 June 2021, the Group had a total of 23,300 employees, the majority of whom were employed in mainland China. The Group will continue to offer competitive remuneration packages, share options, share awards and bonuses to staff based on the performance of the Group and individual employee.

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of CSPC Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 55, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	NOTES	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	**13,822,275**	12,589,597
Cost of sales		**(3,297,610)**	(3,152,244)
Gross profit		**10,524,665**	9,437,353
Other income		**162,113**	90,401
Other gains or losses		**464,857**	10,558
Selling and distribution expenses		**(5,320,143)**	(4,875,740)
Administrative expenses		**(497,030)**	(561,288)
Research and development expenses		**(1,612,964)**	(1,452,498)
Other expenses		**(79,659)**	(30,147)
Finance costs		**(4,784)**	(5,549)
Share of results of associates		**(19,471)**	(9,942)
Share of results of joint ventures		**21,021**	16,736
Gain on disposal of a joint venture		**24,273**	—
Gain on disposal of subsidiaries		**—**	314,901
Loss on deemed disposal of a subsidiary		**—**	(19,038)
Profit before tax	4	**3,662,878**	2,915,747
Income tax expense	5	**(553,767)**	(565,273)
Profit for the period		**3,109,111**	2,350,474
Profit for the period attributable to:			
Owners of the Company		**3,062,569**	2,313,996
Non-controlling interests		**46,542**	36,478
		3,109,111	2,350,474
		RMB cents (Unaudited)	RMB cents (Unaudited) (Restated)
Earnings per share	7		
— Basic		**25.62**	19.36
— Diluted		**25.62**	19.35

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**3,109,111**	2,350,474
Other comprehensive (expense) income:		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on investments in financial assets measured at fair value through other comprehensive income, net of income tax	**(13,621)**	323,429
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**12,697**	(1,471)
Other comprehensive (expense) income for the period, net of income tax	**(924)**	321,958
Total comprehensive income for the period	**3,108,187**	2,672,432
Total comprehensive income for the period attributable to:		
Owners of the Company	**3,061,645**	2,635,954
Non-controlling interests	**46,542**	36,478
	3,108,187	2,672,432

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**8,074,548**	7,770,442
Right-of-use assets	9	**1,094,482**	1,163,898
Investment property		**34,547**	35,406
Goodwill		**149,983**	149,983
Other intangible assets	10	**459,328**	508,742
Interests in associates		**638,120**	571,640
Interests in joint ventures		**267,189**	261,546
Amounts due from joint ventures	15	**249,284**	757,331
Other financial assets	11	**1,936,191**	1,877,024
Deferred tax assets		**82,890**	117,471
Deposits, prepayments and other receivables	13	**347,531**	505,356
Bank deposits	17	**400,000**	430,000
		13,734,093	14,148,839
Current assets			
Inventories		**1,830,244**	1,861,066
Trade receivables	12	**3,603,577**	2,398,859
Deposits, prepayments and other receivables	13	**419,968**	484,289
Bills receivables	14	**1,976,449**	1,989,549
Amounts due from related companies	15	**186,285**	144,260
Amount due from an associate	15	**—**	82,428
Amounts due from joint ventures	15	**32,443**	129,680
Structured bank deposits	16	**2,983,795**	1,535,207
Bank balances and cash	17	**8,084,241**	7,296,029
		19,117,002	15,921,367

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2021

	NOTES	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current liabilities			
Trade payables	18	**1,429,973**	1,204,566
Other payables	19	**4,644,134**	3,554,759
Contract liabilities		**329,003**	625,699
Bills payables	20	**48,200**	37,000
Contingent consideration payable		**—**	24,346
Amounts due to related companies	15	**53,454**	13,168
Amounts due to joint ventures	15	**67,626**	239,630
Lease liabilities		**95,007**	124,835
Tax liabilities		**255,022**	378,839
Borrowing	21	**—**	99,000
		6,922,419	6,301,842
Net current assets		**12,194,583**	9,619,525
Total assets less current liabilities		**25,928,676**	23,768,364
Non-current liabilities			
Other payables	19	**204,734**	253,968
Lease liabilities		**59,502**	92,879
Deferred tax liabilities		**360,213**	320,444
		624,449	667,291
Net assets		**25,304,227**	23,101,073
Capital and reserves			
Share capital	22	**10,899,412**	10,899,412
Reserves		**13,600,271**	11,432,876
Equity attributable to owners of the Company		**24,499,683**	22,332,288
Non-controlling interests		**804,544**	768,785
Total equity		**25,304,227**	23,101,073

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Equity attributable to owners of the Company									Equity attributable to non-controlling interests			
	Share capital *RMB'000*	Treasury share reserve *RMB'000* (note iv)	Share awards reserves *RMB'000*	Other reserves *RMB'000* (note i)	Statutory reserves *RMB'000* (note ii)	Capital contribution reserve *RMB'000* (note iii)	Translation reserve *RMB'000*	Accumulated profits *RMB'000*	Sub-total *RMB'000*	Share-based payment reserve of a subsidiary *RMB'000*	Share of net assets of subsidiaries *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
At 1 January 2020 (Audited)	10,899,412	(100,706)	6,721	(3,857,766)	1,789,312	46,794	(26,906)	9,704,862	18,461,723	–	1,056,442	1,056,442	19,518,165
Profit for the period	–	–	–	–	–	–	–	2,313,996	2,313,996	–	36,478	36,478	2,350,474
Other comprehensive income (expense) for the period, net of income tax	–	–	–	323,429	–	–	(1,471)	–	321,958	–	–	–	321,958
Total comprehensive income (expense) for the period	–	–	–	323,429	–	–	(1,471)	2,313,996	2,635,954	–	36,478	36,478	2,672,432
Dividend recognised as distribution *(note 6)*	–	–	–	–	–	–	–	(1,133,194)	(1,133,194)	–	–	–	(1,133,194)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(7,000)	(7,000)	(7,000)
Recognition of equity-settled share based payments	–	–	3,495	–	–	–	–	–	3,495	–	–	–	3,495
Transfer to statutory reserves	–	–	–	–	20,991	–	–	(20,991)	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,756)	(1,756)	(1,756)
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(346,617)	(346,617)	(346,617)
At 30 June 2020 (Unaudited)	10,899,412	(100,706)	10,216	(3,534,337)	1,810,303	46,794	(28,377)	10,864,673	19,967,978	–	737,547	737,547	20,705,525
At 1 January 2021 (Audited)	**10,899,412**	**(100,706)**	**13,767**	**(3,687,320)**	**1,875,242**	**46,794**	**(36,246)**	**13,321,345**	**22,332,288**	**2,080**	**766,705**	**768,785**	**23,101,073**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,062,569**	**3,062,569**	**–**	**46,542**	**46,542**	**3,109,111**
Other comprehensive (expense) income for the period, net of income tax	**–**	**–**	**–**	**(13,621)**	**–**	**–**	**12,697**	**–**	**(924)**	**–**	**–**	**–**	**(924)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(13,621)**	**–**	**–**	**12,697**	**3,062,569**	**3,061,645**	**–**	**46,542**	**46,542**	**3,108,187**
Dividend recognised as distribution *(note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(896,880)**	**(896,880)**	**–**	**–**	**–**	**(896,880)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,500)**	**(12,500)**	**(12,500)**
Recognition of equity-settled share based payments	**–**	**–**	**3,475**	**–**	**–**	**–**	**–**	**–**	**3,475**	**872**	**–**	**872**	**4,347**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(845)**	**(845)**	**–**	**845**	**845**	**–**
Disposal of financial assets measured at fair value through other comprehensive income *(note 11)*	**–**	**–**	**–**	**(240,108)**	**–**	**–**	**–**	**240,108**	**–**	**–**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**25,503**	**–**	**–**	**(25,503)**	**–**	**–**	**–**	**–**	**–**
At 30 June 2021 (Unaudited)	**10,899,412**	**(100,706)**	**17,242**	**(3,941,049)**	**1,900,745**	**46,794**	**(23,549)**	**15,700,794**	**24,499,683**	**2,952**	**801,592**	**804,544**	**25,304,227**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2021

Notes:

(i) The balance in other reserves mainly included an amount of RMB4,030,633,000 which represents the difference between the fair value of the deemed consideration under the reverse acquisition of RMB2,631,198,000 and the fair value of the consideration paid by the Company of RMB6,661,831,000 in the reverse acquisition on 29 October 2012.

(ii) The statutory reserves were appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") under the laws and regulations of the PRC.

(iii) The balance in capital contribution reserve mainly included the deemed contribution by CSPC Holdings Company Limited ("CHL"), a related company as defined in note 15, which comprise (1) the difference between the carrying amount of the net assets of entities comprising Robust Sun Holdings Limited ("Robust Sun") and its subsidiaries (collectively referred to as the "Robust Sun Group") and the consideration paid to CHL and its subsidiaries during group reorganisation under Robust Sun Group in 2012; (2) the imputed interest arising on a non-interest bearing loan from CHL in 2012 and (3) deemed capital contribution arising from the acquisition of CSPC Shengxue Glucose Co. Ltd. from CHL in 2016.

(iv) The amount represents the purchase of the Company's ordinary shares by BOCI-Prudential Trustee Limited, the trustee of the Company's share award scheme.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**2,742,651**	2,428,998
Net cash used in investing activities:		
Placement of structured bank deposits	**(1,823,500)**	(1,030,000)
(Increase) decrease in structured bank deposits with maturity within three months	**(895,000)**	1,118,900
Placement of bank deposits	**(860,000)**	—
Purchase of and deposits paid for property, plant and equipment	**(580,191)**	(839,961)
Purchase of other financial assets	**(150,125)**	(108,444)
Capital injection to associates	**(76,833)**	(60,000)
Prepayment paid for acquisition of other intangible assets	**(70,000)**	—
Capital injection to a joint venture	**(40,000)**	—
Payment of contingent consideration	**(24,346)**	(18,130)
Purchase of other intangible assets	**(11,839)**	(11,046)
Net cash outflow on disposal of subsidiaries	**—**	(591,503)
Payments of and deposits paid for right-of-use assets	**—**	(195,278)
Advance to an associate	**—**	(16,500)
Net cash outflow on deemed disposal of a subsidiary	**—**	(9,753)
Advances to joint ventures	**—**	(606)
Withdrawal of structured bank deposits	**1,303,744**	244,346
Repayment from joint ventures	**536,033**	548,600
Proceeds on disposal of other financial assets	**522,665**	136,660
Proceeds on disposal of a subsidiary	**150,914**	—
Interest received	**75,007**	26,449
Repayment from an associate	**73,310**	—
Dividend received from a joint venture	**45,000**	—
Withdrawal of restricted bank deposits	**36,571**	59,282
Proceeds on disposal of a joint venture	**34,650**	—
Withdrawal of bank deposits	**30,000**	—
Receipt of government grants related to acquisition of property, plant and equipment	**20,804**	13,821
Proceeds on disposal of property, plant and equipment	**3,806**	963
	(1,699,330)	(732,200)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 June 2021

	NOTES	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash (used in) from financing activities:			
Dividends paid		**(896,880)**	—
Repayment of borrowing		**(99,000)**	—
Payment of lease liabilities		**(62,696)**	(40,007)
Dividends paid to non-controlling interests		**(12,500)**	(7,000)
Interest on lease liabilities		**(4,225)**	(4,628)
Interest on bank borrowing		**(559)**	—
New borrowings raised		**—**	169,000
Advance from related parties		**—**	15,084
		(1,075,860)	132,449
Net (decrease) increase in cash and cash equivalents		**(32,539)**	1,829,247
Cash and cash equivalents at 1 January		**7,259,458**	4,118,236
Effect of foreign exchange rate changes		**(2,678)**	885
Cash and cash equivalents at 30 June, represented by cash at bank	*17*	**7,224,241**	5,948,368

1. BASIS OF PREPARATION

CSPC Pharmaceutical Group Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange.

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

The financial information relating to the year ended 31 December 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

Potential impacts on application of the agenda decision of the Committee — Costs Necessary to Sell Inventories

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's existing accounting policy is to determine net realisable value taking into consideration incremental costs only. As at 30 June 2021, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee's agenda decision. The impacts on such change, if any, will be disclosed in the Group's future consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

Geographical information

The revenue from the external customers by geographical market (irrespective of the origin of the goods) based on the location of the customers are presented below:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC	**12,062,313**	10,833,709
Other Asian regions	**742,583**	671,082
Americas	**584,352**	616,412
Europe	**323,074**	339,745
Other regions	**109,953**	128,649
	13,822,275	12,589,597

(ii) Segment information

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

(a) Finished drugs — research and development, manufacture and sale of pharmaceutical products;

(b) Bulk products — manufacture and sale of vitamin C, antibiotic and other products in bulk powder form; and

(c) Functional food and others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), provision of healthcare service and others.

Glucose products were included in the segment of "Functional Food and Others" in prior periods. In the current interim period, as the directors of the Company ("Directors") consider it more appropriate to classify glucose products within bulk products in view of its nature and thus glucose products are included in the segment of antibiotics and others under "Bulk Products" for the current interim period. The comparative information has been restated to conform with current interim period's presentation.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

Revenue is recognised at a point of time upon control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the six months ended 30 June 2021 (Unaudited)

		Bulk products		Functional			
	Finished drugs	Vitamin C	Antibiotics and others	food and others	Segment total	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE							
External sales	11,233,382	1,080,770	835,857	672,266	13,822,275	–	13,822,275
Inter-segment sales	–	5,767	63,554	8,814	78,135	(78,135)	–
TOTAL REVENUE	11,233,382	1,086,537	899,411	681,080	13,900,410	(78,135)	13,822,275
SEGMENT PROFIT	2,591,280	359,335	46,059	154,623			3,151,297
Unallocated income							547,096
Unallocated expenses							(56,554)
Finance costs							(4,784)
Share of results of associates							(19,471)
Share of results of joint ventures							21,021
Gain on disposal of a joint venture							24,273
Profit before tax							3,662,878

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

For the six months ended 30 June 2020 (Unaudited)

		Bulk products		Functional			
	Finished drugs *RMB'000*	Vitamin C *RMB'000*	Antibiotics and others *RMB'000* (Restated)	food and others *RMB'000* (Restated)	Segment total *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE							
External sales	10,231,025	1,004,964	638,822	714,786	12,589,597	–	12,589,597
Inter-segment sales	–	3,263	82,919	6,871	93,053	(93,053)	–
TOTAL REVENUE	10,231,025	1,008,227	721,741	721,657	12,682,650	(93,053)	12,589,597
SEGMENT PROFIT	2,188,973	204,562	76,425	171,454			2,641,414
Unallocated income							73,249
Unallocated expenses							(96,024)
Finance costs							(5,549)
Share of results of associates							(9,942)
Share of results of joint ventures							16,736
Gain on disposal of subsidiaries							314,901
Loss on deemed disposal of a subsidiary							(19,038)
Profit before tax							2,915,747

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, fair value changes on financial assets measured at fair value through profit or loss ("FVTPL"), finance costs, central administrative expenses, share of results of joint ventures and associates, loss on deemed disposal of a subsidiary and gain on disposal of subsidiaries and a joint venture. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**349,621**	331,595
Depreciation of right-of-use assets	**68,920**	51,069
Depreciation of investment property	**859**	—
Amortisation of other intangible assets	**11,080**	6,387
Total depreciation and amortisation	**430,480**	389,051
Fair value changes on structured bank deposits (included in other gains or losses)	**(33,832)**	(31,263)
Fair value changes on financial assets measured at FVTPL (included in other gains or losses)	**(425,631)**	—
Government grant income (included in other income)	**(30,338)**	(36,169)
Impairment losses (reversed) recognised under expected credit loss model (included in other gains or losses)	**(16,971)**	30,222
Impairment loss on intangible assets (included in other expenses)	**50,000**	—
Interest income on bank balances (included in other income)	**(75,007)**	(26,449)
Loss on disposal of property, plant and equipment (included in other gains or losses)	**2,209**	4,195
Net foreign exchange loss (gain) (included in other gains or losses)	**9,627**	(14,111)

Note: For the six months ended 30 June 2021 and 2020, cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss.

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The tax charge comprises:		
Current taxation		
— PRC Enterprise Income Tax	**422,262**	511,374
— PRC withholding tax on dividends distributed by subsidiaries	**15,000**	—
— United States of America ("USA") Federal and State Income Tax	**959**	8,008
	438,221	519,382
Deferred taxation	**115,546**	45,891
	553,767	565,273

The calculation of Hong Kong Profits Tax for the Company and its subsidiaries incorporated in Hong Kong is based on the prevailing tax rates in Hong Kong. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both periods.

The basic tax rate of the Company's PRC subsidiaries is 25% under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15%.

The calculation of USA Federal and State Income Tax is based on the prevailing tax rates in the USA.

Under the EIT Law of the PRC, withholding tax is imposed on dividends distributed in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident entities shall be subject to the withholding income tax at 10% or a lower tax rate, if applicable.

5. INCOME TAX EXPENSE *(Continued)*

Deferred tax liabilities of RMB241,123,000 (31 December 2020: RMB170,124,000) has been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB4,822,460,000 (31 December 2020: RMB3,402,480,000). Deferred taxation has not been provided for the remaining accumulated profits of the PRC subsidiaries amounting to approximately RMB14,373,200,000 (31 December 2020: RMB11,478,292,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDENDS

(a) Interim dividend

The board of directors has declared the payment of an interim dividend of HK8 cents per share for 2021 amounting to approximately RMB793,783,000 (2020: RMB395,134,000) after the end of the reporting period, which has not been recognised as a liability at the end of the reporting period.

(b) Final dividend approved during the reporting period

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
2020 final dividend — HK9 cents (equivalent to RMB8.3 cents) (2020: 2019 final dividend — HK20 cents (equivalent to RMB18.2 cents)) per share	**898,321**	1,135,014
Less: Dividend for shares held by share award scheme	**(1,441)**	(1,820)
	896,880	1,133,194

The 2020 final dividend was paid during the six months ended 30 June 2021. The 2019 final dividend, which was paid on 3 July 2020, has been recognised as a liability as at 30 June 2020.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**3,062,569**	2,313,996

	For the six months ended 30 June	
	2021	2020
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**11,954,570**	11,954,570
Effect of dilutive potential ordinary shares:		
Unvested shares under share award scheme	**1,415**	1,711
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,955,985**	11,956,281

The weighted average numbers of ordinary shares for the calculation of basic earnings per share for both periods have been adjusted for the shares held by the trustee pursuant to the share award scheme.

The weighted average number of ordinary shares for the calculation of basic earnings per share for the period ended 30 June 2020 has been restated to adjust for the effect of the bonus issue on 29 October 2020.

The computation of diluted earnings per share does not assume the exercise of a subsidiary's share options since their assumed exercise would result in an increase in earnings per share.

8. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period:		
Cost	**11,013,176**	11,749,281
Accumulated depreciation	**(3,242,734)**	(3,290,105)
Net carrying amount	**7,770,442**	8,459,176
At beginning of the period, net of accumulated depreciation	**7,770,442**	8,459,176
Additions	**660,542**	746,121
Disposals	**(6,015)**	(5,158)
Disposal of subsidiaries	**—**	(879,921)
Deemed disposal of a subsidiary	**—**	(77,170)
Depreciation provided during the period	**(349,621)**	(331,595)
Exchange adjustments	**(800)**	1,196
At end of the period, net of accumulated depreciation	**8,074,548**	7,912,649
At end of the period:		
Cost	**11,647,303**	10,890,777
Accumulated depreciation	**(3,572,755)**	(2,978,128)
Net carrying amount	**8,074,548**	7,912,649

9. RIGHT-OF-USE ASSETS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CARRYING VALUES		
At beginning of the period	**1,163,898**	823,202
Additions	**—**	483,914
Disposal of a subsidiary	**—**	(149,418)
Deemed disposal of a subsidiary	**—**	(9,711)
Depreciation provided during the period	**(68,920)**	(51,069)
Exchange adjustments	**(496)**	890
At end of the period	**1,094,482**	1,097,808

10. OTHER INTANGIBLE ASSETS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period:		
Cost	**693,184**	1,306,363
Accumulated amortisation	**(184,442)**	(170,701)
Net carrying amount	**508,742**	1,135,662
At beginning of the period, net of accumulated amortisation	**508,742**	1,135,662
Additions	**11,839**	11,046
Deemed disposal of a subsidiary	**—**	(631,906)
Amortisation provided during the period	**(11,080)**	(6,387)
Impairment loss recognised during the period	**(50,000)**	—
Exchange adjustments	**(173)**	325
At end of the period, net of accumulated impairment and amortisation	**459,328**	508,740
At end of the period:		
Cost	**704,736**	685,428
Accumulated impairment and amortisation	**(245,408)**	(176,688)
Net carrying amount	**459,328**	508,740

11. OTHER FINANCIAL ASSETS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Unlisted investments in partnerships and funds	**1,668,068**	1,239,585
Listed equity securities	**46,066**	36,102
Unlisted equity securities	**222,057**	601,337
	1,936,191	1,877,024
Analysed as:		
Financial assets measured at FVTPL	**1,683,245**	1,239,585
Financial assets measured at FVTOCI *(Note)*	**252,946**	637,439
	1,936,191	1,877,024

Note: The Directors have elected to designate these investments to be measured at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The Directors consider that the Group does not have any control nor significant influence to affect the variable returns through its investment in those enterprises or similar activities.

In the current interim period, the Group disposed of some of the investments for a consideration of RMB522,665,000 (six months ended 30 June 2020: RMB136,660,000), which was also the fair value as at the date of disposal. A cumulative gain on disposal of RMB240,108,000 (six months ended 30 June 2020: nil) has been transferred from other reserves to accumulated profits.

12. TRADE RECEIVABLES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Trade receivables	**3,635,842**	2,421,295
Less: allowance for impairment	**(32,265)**	(22,436)
	3,603,577	2,398,859

The Group allows a general credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for impairment) at the end of the reporting period presented based on invoice dates which approximated the respective revenue recognition dates:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
0 to 90 days	**3,384,430**	2,209,401
91 to 180 days	**214,287**	176,777
181 to 365 days	**3,778**	11,281
More than 365 days	**1,082**	1,400
	3,603,577	2,398,859

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Prepayments *(note)*	**211,288**	90,098
Deposits paid for property, plant and equipment and right-of-use assets	**277,531**	461,437
Consideration receivable for disposal of a subsidiary	**—**	150,914
Other tax recoverable	**131,057**	134,215
Others	**147,623**	152,981
	767,499	989,645
Analysed as:		
Current	**419,968**	484,289
Non-current	**347,531**	505,356
	767,499	989,645

Note: During the period ended 30 June 2021, the Group entered into an agreement with a third party and paid a total of RMB70,000,000 as an upfront payment for acquiring the exclusive license and commercialisation right of a pharmaceutical product which is undergoing clinical trials in the PRC.

14. BILLS RECEIVABLES

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 365 days (31 December 2020: less than 365 days) and not yet due at the end of the reporting period. The management considers the default rate is low based on historical information and experience and forward-looking information that is available without undue cost or effort.

15. RELATED PARTY DISCLOSURES

During the current interim period, the Group had significant transactions and balances with related parties with details as follows:

(I) Related companies

Name of company	Nature of transactions/balances	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
CHL and its subsidiaries and associates *(note a)* (the "CHL Group")	Sales of pharmaceutical products	**290,490**	237,191
	Rental expense	**—**	483
	Recharge of utility expenses	**1,683**	1,009
	Purchase of steam	**19,305**	15,785
	Purchase of pharmaceutical products	**84,948**	8,519
	Payment of lease liabilities	**47,973**	39,241

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Balance due from/to the CHL Group		
	— trade receivables *(note b)*		
	aged 0 — 90 days	**145,164**	104,198
	aged 91 — 180 days	**37,161**	39,216
	aged 181 — 365 days	**45**	465
		182,370	143,879
	— other receivables *(note c)*	**3,915**	381
	— trade payables *(note b)*		
	aged 0 — 90 days	**(23,569)**	(488)
	aged 91 — 180 days	**(4,241)**	(1,876)
	aged more than 180 days	**(23,340)**	(5,523)
		(51,150)	(7,887)
	— other payables *(note c)*	**(2,304)**	(5,281)
	— lease liabilities	**(52,438)**	(91,654)

15. RELATED PARTY DISCLOSURES *(Continued)*

(II) Joint ventures

Name of company	Nature of transactions/balances	For the six months ended 30 June 2021 **RMB'000** **(Unaudited)**	For the six months ended 30 June 2020 *RMB'000* (Unaudited)
Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong")	Purchase of raw materials	**38,455**	126,321
	Sales of steam	**1,593**	–
	Sales of raw materials	**–**	44,340

	As at 30 June 2021 **RMB'000** **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Balance due from/to Huarong		
– trade receivables *(note b)*		
aged 0 – 90 days	**170**	77
– other receivables *(note c)*	**2,390**	16,598
– trade payables *(note b)*		
aged 0 – 90 days	**(28,513)**	(29,063)
aged 91 – 180 days	**(1,000)**	(32,915)
aged 180 – 365 days	**(397)**	–
	(29,910)	(61,978)
– other payables *(note c)*	**–**	(8,740)

15. RELATED PARTY DISCLOSURES *(Continued)*

(II) Joint ventures *(Continued)*

Name of company	Nature of transactions/balances	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Yantai Jiashi Pharmaceutical Technology Co., Ltd. and its subsidiaries ("Yantai Jiashi Group")	Purchase of property, plant and equipment	**26,586**	–

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Balance due from/to Yantai Jiashi Group		
	– other receivables	**26,586**	–
	– other payables	**(33,523)**	(29,348)

		For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bioworkshops Limited and its subsidiaries ("Bioworkshops Group")	Provision of research and development services	**19,359**	4,770
	Rental income	**1,846**	–

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Balance due from/to Bioworkshop Group		
– trade receivables *(note b)* aged 0 – 90 days	**1,286**	1,067
– other receivables – non-current *(note d)*	**249,284**	245,930
– other receivables – current *(note c)*	**2,011**	–
– trade payables *(note b)* aged 0 – 90 days	**(4,116)**	(7,015)
– other payables *(note c)*	**(77)**	(94)

15. RELATED PARTY DISCLOSURES *(Continued)*

(II) Joint ventures *(Continued)*

Name of company	Nature of transactions/balances	For the six months ended 30 June 2021 **RMB'000** (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
CSPC Zhongcheng Pharmaceutical Logistics Co., Limited and its subsidiaries ("Zhongcheng Logistics Group") *	Purchase of raw materials	**137,274**	406,625
	Recharge of utility expenses	**10**	469
	Sales of pharmaceutical products	**57,469**	187,464
	Payment of lease liabilities	**14,153**	–

	As at 30 June 2021 **RMB'000** (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Balance due from/to Zhongcheng Logistics Group		
– trade receivables *(note b)*		
aged 0 – 90 days	**–**	1,157
aged 91 – 180 days	**–**	795
	–	1,952
– other receivable *(note e)*	**–**	621,387
– lease liabilities	**–**	(66,753)
– trade payables *(note b)*		
aged 0 – 90 days	**–**	(40,100)
– other payables *(note c)*	**–**	(92,355)

* This joint venture was disposed of during the current interim period.

15. RELATED PARTY DISCLOSURES *(Continued)*

(III) Associate

Name of company	Nature of balances	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Wuhan YZY Biopharma Co., Ltd. ("YZY Biopharma")	Balance due from YZY Biopharma — other receivable *(note f)*	—	82,428

Notes:

a. Mr. Cai Dongchen, the Chairman and Chief Executive Officer of the Company, has significant influence over the Company and exercises control over CHL through a series of controlled corporations. Accordingly, CHL Group is the related party of the Group.

b. The general credit period for trade receivables and payables is 90 days (31 December 2020: 90 days).

c. Amounts are unsecured, non-interest bearing and repayable on demand.

d. Amount is unsecured and with imputed interest computed using the prevailing market interest rate of 4.75% per annum for comparable long term borrowings.

e. As at 31 December 2020, amount was unsecured, non-interest bearing and repayable on demand except for a balance of RMB511,401,000 (net of impairment of RMB24,499,000) which bore interest rate of 4.00% per annum with terms of two to three years.

f. As at 31 December 2020, amount was unsecured, repayable on demand and bore interest rate of 8.00% per annum which has been fully settled during the current interim period except for a balance of RMB9,118,000 which has been capitalised as cost of investment in associate.

15. RELATED PARTY DISCLOSURES *(Continued)*

(IV) Compensation of key management personnel

The remuneration of key management personnel, which represents the Company's directors during the period is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**6,378**	6,667
Post-employment benefits	**557**	494
	6,935	7,161

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

16. STRUCTURED BANK DEPOSITS

As at 30 June 2021, structured bank deposits of RMB2,983,795,000 carry guaranteed return ranging from 1.3% to 1.8% per annum and have a total expected return up to 3.7% per annum (31 December 2020: RMB712,737,000 carry guaranteed return of 1.4% per annum and have a total expected return up to 4.6% per annum and RMB822,470,000 carried no guaranteed return and have a total expected return up to 5.2% per annum), depending on the market prices of the underlying commodities quoted in the market as specified in the terms of relevant deposits.

The structured bank deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives.

17. BANK BALANCES AND CASH/BANK DEPOSITS

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Cash at bank	**7,224,241**	7,259,458
Bank deposits	**1,260,000**	430,000
Restricted bank deposits	**—**	36,571
	8,484,241	7,726,029
Analysed as:		
Current	**8,084,241**	7,296,029
Non-current	**400,000**	430,000
	8,484,241	7,726,029

Restricted bank deposits and bank balances carry interest at market interest rates ranging from nil to 2.90% (31 December 2020: nil to 2.90%) per annum.

As at 30 June 2021, bank deposits with a term of three years amounting to RMB400,000,000 carried interest at market interest rates ranging from 3.31% to 4.13% per annum (31 December 2020: RMB430,000,000 carried interest at market interest rates ranging from 3.31% to 4.13% per annum).

As at 30 June 2021, bank deposits with an original maturity between three months and one year amounting to RMB860,000,000 carried interest at market interest rates ranging from 3.0% to 3.6% per annum (31 December 2020: nil). The bank deposits will mature within one year from the end of the reporting period. Accordingly, these amounts are classified as current assets.

As at 31 December 2020, the restricted bank deposits represent deposits required to be placed in banks for securing certain banking facilities of the Group and are classified as current assets. The restricted bank deposits were released during the six months ended 30 June 2021 upon settlement of the relevant short-term bank facilities.

18. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
0 to 90 days	**1,227,901**	1,011,690
91 to 180 days	**60,842**	39,574
More than 180 days	**141,230**	153,302
	1,429,973	1,204,566

The general credit period on purchases of goods is up to 90 days (31 December 2020: 90 days).

19. OTHER PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Other tax payable	**78,080**	131,291
Selling expense payable	**2,738,768**	1,912,702
Payables arising from construction cost and acquisition of property, plant and equipment	**745,047**	848,242
Government grants	**411,509**	373,442
Salaries, wages and staff welfare payable	**365,271**	254,590
Others	**510,193**	288,460
	4,848,868	3,808,727
Analysed as:		
Current	**4,644,134**	3,554,759
Non-current	**204,734**	253,968
	4,848,868	3,808,727

20. BILLS PAYABLES

All bills payables of the Group are aged within 365 days (31 December 2020: within 365 days) and not yet due at the end of the reporting period. As at 31 December 2020, bills payable of RMB7,400,000 are secured by certain structured bank deposits and restricted bank deposits of the Group (30 June 2021: nil).

21. BORROWING

As at 31 December 2020, the amount represents fixed-rate RMB bank loan which is repayable within one year and carries an effective interest rate (representing contractual interest rate) of 2.05% per annum and was secured by the corporate guarantee of CHL. The bank loan was repaid during the period ended 30 June 2021.

22. SHARE CAPITAL

	Number of shares	Share capital *RMB'000*
Issued and fully paid		
At 1 January 2020 and 30 June 2020	6,236,338,403	10,899,412
Bonus issue of shares *(note)*	5,737,431,329	—
At 31 December 2020 and 30 June 2021	11,973,769,732	10,899,412

Note:

On 3 July 2020, the Company issued 1,247,267,680 ordinary shares pursuant to a bonus issue of one new share for every five existing shares held by shareholders of the Company.

On 29 October 2020, the Company issued 4,490,163,649 ordinary shares pursuant to a bonus issue of three new shares for every five existing shares held by shareholders of the Company.

23. LONG TERM INCENTIVE PROGRAM

(i) 2015 share option scheme

The share option scheme was adopted on 9 December 2015 and is valid and effective for a period of 10 years from its adoption. No share options have been granted under the scheme since its adoption.

(ii) 2018 share award scheme

The share award scheme was adopted on 20 August 2018 and is valid and effective for a period of 10 years from its adoption.

As at 30 June 2021, there are 2,394,000 awarded shares outstanding (31 December 2020: 2,394,000 awarded shares).

During the six months ended 30 June 2021, share-based payment expense of RMB3,475,000 (six months ended 30 June 2020: RMB3,495,000) has been recognised in profit or loss.

23. LONG TERM INCENTIVE PROGRAM *(Continued)*

(iii) Share option scheme adopted by a subsidiary

During the year ended 31 December 2018, Novarock Biotherapeutics Limited ("Novarock") adopted a share option scheme pursuant to which Novarock may grant options to its full-time employees and eligible persons as defined therein to subscribe for its ordinary shares.

As at 30 June 2021, there are 125,500 options with an exercise price of US$22 per share outstanding (31 December 2020: 125,500 options).

During the six months ended 30 June 2021, share-based payment expense of RMB872,000 (six months ended 30 June 2020: nil) has been recognised in profit or loss.

24. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**1,827,143**	1,458,616
Other commitments arising from research and development projects	**246,902**	147,873
Other commitments arising from investments	**462,346**	661,053

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

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

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets/ financial liability	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2021 ***RMB'000***	31 December 2020 *RMB'000*				
Equity securities listed in Hong Kong	**46,066**	36,102	Level 1	Quoted bid prices in an active market.	N/A	N/A
Unquoted investments	**1,890,125**	1,840,922	Level 3	Where recent transaction prices of underlying investments is not available, discount cash flows is used for valuation	Estimated discount rate	The higher the estimated discount rate, the lower in the fair value, vice versa.
				Discount cash flows – in this approach, the discounted cash flow method was used to capture the present value of future expected cash flows to be derived from the underlying assets.	Long-term pre-tax operating margin	The higher the long-term pre-tax operating margin, the higher the fair value, vice versa
Bills receivables	**1,127,921**	1,225,479	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers	N/A	N/A
Structured bank deposits	**2,983,795**	1,535,207	Level 2	Expected yields of underlying investments in and commodities, bonds and funds invested by bank at a discount rate that reflects the credit risk of the bank	N/A	N/A
Contingent consideration in a business combination	**–**	24,346	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Estimated discount rate	The higher the estimated discount rate, the lower the fair value, vice versa.
					Probability of the achievement of certain milestone events	The higher the probability, the higher the fair value, vice versa.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

There were no transfers between levels in the current interim period.

Unrealised fair value loss of RMB13,621,000 included in other comprehensive income for the period ended 30 June 2021 is related to other financial assets measured at FVTOCI held at the end of current reporting period (six months ended 30 June 2020: unrealised fair value gain of RMB323,429,000) and are reported as changes of "other reserves".

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports to the Directors every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liability are disclosed above.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

OTHER INFORMATION

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions

Name of director	Capacity	Number of issued ordinary shares held		Percentage of the issued shares of the Company as at 30 June 2021
Cai Dongchen	Beneficial owner	212,132,960		
	Interest of controlled corporation	2,604,708,710	*(Note)*	
		2,816,841,670		23.53%
Chak Kin Man	Beneficial owner	7,680		0.00006%

Note: Mr. Cai Dongchen is deemed to be interested in 2,604,708,710 shares, comprising (i) 410,744,640 shares directly held by Key Honesty Limited, a direct wholly-owned subsidiary of True Ally Holdings Limited ("True Ally"), (ii) 1,218,834,470 shares directly held by Massive Giant Group Limited, a direct wholly-owned subsidiary of True Ally, (iii) 948,249,600 shares directly held by True Ally, which is directly wholly-owned by Mr. Cai Dongchen and (iv) 26,880,000 shares directly held by Harmonic Choice Limited by virtue of his interests in a chain of corporations holding Harmonic Choice Limited, namely Massive Top Limited, of which March Rise Limited, Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership)（北京中宜和合眾投資管理中心（有限合夥））("Zhongyihe") and True Ally own 75%, 15% and 10%, respectively. March Rise Limited in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai Dongchen.

Other than as disclosed above, none of the directors or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2021.

OTHER INFORMATION

Arrangements to Purchase Shares or Debentures

Other than the share option scheme and share award scheme disclosed below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the shares in issue of the Company.

Long Positions

Name of substantial shareholder	Capacity	Number of issued ordinary shares held		Percentage of the issued shares of the Company as at 30 June 2021
Cai Dongchen	Beneficial owner	212,132,960		
	Interest in controlled corporation	2,604,708,710	*(Note)*	
		2,816,841,670		23.53%
True Ally Holdings Limited	Beneficial owner	948,249,600		
	Interest in controlled corporation	1,656,459,110	*(Note)*	
		2,604,708,710		21.75%
Massive Giant Group Limited	Beneficial owner	1,218,834,470		10.18%
Common Success International Limited	Beneficial owner	728,796,313		6.09%
UBS Group AG	Interest in controlled corporation	760,384,307		6.35%

Substantial Shareholders *(Continued)*

Note: Mr. Cai Dongchen is deemed to be interested in 2,604,708,710 shares, comprising (i) 410,744,640 shares directly held by Key Honesty Limited, a direct wholly-owned subsidiary of True Ally, (ii) 1,218,834,470 shares directly held by Massive Giant Group Limited, a direct wholly-owned subsidiary of True Ally, (iii) 948,249,600 shares directly held by True Ally, which is directly wholly-owned by Mr. Cai Dongchen and (iv) 26,880,000 shares directly held by Harmonic Choice Limited by virtue of his interests in a chain of corporations holding Harmonic Choice Limited, namely Massive Top Limited, of which March Rise Limited, Zhongyihe and True Ally own 75%, 15% and 10%, respectively. March Rise Limited in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai Dongchen.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares of the Company as at 30 June 2021.

Share Option Scheme

The Company has adopted a share option scheme on 9 December 2015. No options have been granted under the share option scheme since its adoption.

Share Award Scheme

The Company has adopted a share award scheme on 20 August 2018. A total of 2,394,000 shares has been granted on 15 January 2019 under the share award scheme.

Corporate Governance

The Company has complied with all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2021 except the deviation from code provision A.2.1 as set out below.

OTHER INFORMATION

Corporate Governance *(Continued)*

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Dongchen, the Company's Chairman, has also assumed the role as the chief executive officer of the Company. The Company believes that vesting both roles in Mr. Cai will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

Review of Interim Results

The interim results for the six months ended 30 June 2021 have been reviewed by the external auditor and audit committee of the Company.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 14 September 2021 to Wednesday, 15 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 September 2021.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

OTHER INFORMATION

Update on Director's information under Rule 13.51b(1) of the Listing Rules

Mr. Wang Bo, an independent non-executive director of the Company, has ceased to be an independent non-executive director of Henan Taloph Pharmaceutical Stock Co., Ltd. (listed on Shanghai Stock Exchange) with effect from 11 August 2021.

Mr. Chen Chuan, an independent non-executive director of the Company, has ceased to be a director of Beijing Dong Fang Ming Kang Medical Equipment Co., Ltd (quoted on the National Equities Exchange and Quotations System) with effect from 28 April 2021.

Mr. Law Cheuk Kin Stephen, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Keymed Biosciences Inc. (listed on the Stock Exchange of Hong Kong Limited) with effect from 3 April 2021.