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上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 1349)

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2020

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

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Five years financial data highlights

Results

		Unaudited Six months ended 30 June			
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	235,615	390,693	295,705	272,040	241,910
Profit before income tax	27,997	93,412	53,905	52,680	49,013
Income tax expense	1,368	(8,340)	(8,031)	(7,133)	(7,475)
Profit for the period	29,365	85,072	45,874	45,547	41,538
Profit attributable to :					
Shareholders of the Company	29,079	91,720	52,408	49,572	45,936
Non-controlling interests	286	(6,648)	(6,534)	(4,025)	(4,398)
Total comprehensive income for the period	29,416	85,078	45,915	45,367	41,538
Total comprehensive attributable to :					
Shareholders of the Company	29,130	91,726	52,449	49,392	45,936
Non-controlling interests	286	(6,648)	(6,534)	(4,025)	(4,398)
EBIDTA	58,240	127,809	83,862	78,710	65,524
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	RMB 0.0310	RMB 0.0994	RMB 0.0568	RMB 0.0537	RMB 0.0498

Assets and liabilities

	Unaudited 30 June 2020 RMB'000	2019 RMB'000	Audited 31 December 2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	2,402,467	1,564,825	1,469,691	1,145,134	1,120,753
Total liabilities	(533,849)	(631,676)	(515,259)	(252,652)	(247,699)
	1,868,618	933,149	954,432	892,482	873,054
Capital and reserves attributable to :					
Shareholders of the Company	1,870,370	931,525	943,218	872,390	843,554
Non-controlling interests	(1,752)	1,623	11,214	20,092	29,500
	1,868,618	933,148	954,432	892,482	873,054

Key Financial Indicators of the Company

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

(I) Five years financial data highlights (continued)

The Company adopted the China Accounting Standards for Business Enterprises to prepare its overseas financial statements since 24 February 2020 and made relevant adjustments on its interim consolidated financial statements for the six months ended 30 June 2019 according to China Accounting Standards for Business Enterprises. The interim consolidated financial statements of the Company for the six months ended 30 June 2018, 2017 and 2016 were prepared in accordance with the International Financial Reporting Standards and no adjustments were made thereto.

(II) Key accounting data

Unit: RMB

Key accounting data	Reporting Period (January to June)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Revenue	235,614,896	390,693,485	-39.69
Net profit attributable to shareholders of the listed company	29,078,874	91,719,590	-68.30
Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company	10,530,619	76,608,030	-86.25
Net cash flows from operating activities	60,819,045	100,662,251	-39.58
	As at the end of the Reporting Period	As at the end of last year	Compared with the end of last year (%)
Net assets attributable to shareholders of the listed company	1,870,369,519	931,525,379	100.79
Total assets	2,402,467,436	1,564,824,553	53.53

(III) Key financial indicators

Key financial indicators	Reporting Period (January to June)	Corresponding period of last year	Change as compared with the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.03	0.10	-70.00
Diluted earnings per share (RMB per share)	0.03	0.10	-70.00
Basic earnings per share after deduction of non-recurring profit or loss (RMB/share)	0.01	0.08	-87.50
Weighted average rate of return on net assets (%)	3.19	9.48	Decreased by 6.29 percentage point
Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%)	1.17	7.98	Decreased by 6.81 percentage point
Proportion of R & D investment in operating revenue (%)	24.15	13.46	Increased by 10.69 percentage point

Key Financial Indicators of the Company

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

(III) *Key financial indicators (continued)*

Description of key accounting data and financial indicators

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

The revenue of the Company and its subsidiaries (the "Group") during the six months ended 30 June 2020 ("Reporting Period") decreased by 39.69% comparing to the same period in 2019. As the Group's main products have to be used for treatment in hospitals, the sales volume and terminal use of the Company's products were adversely affected to different extents during the The COVID-19 epidemic (the "Epidemic") with those of ALA and LIBOd® decreasing obviously due to the restrictions of products transportation and the treatment of patients. The net profit attributable to shareholders of listed company decreased by 68.30% compared with the same period of last year.

During the Reporting Period, the Company's net cash flow from operating activities decreased by 39.58% compared with the same period of last year, which was mainly due to the decrease of revenue, and affected by the Epidemic, the slow down of the Group's receivables collection for the six months ended 2020.

As at 30 June 2020, net assets attributable to shareholders of listed company and total assets increased by 100.79% and 53.53% respectively compared with the end of last year, which was mainly due to the funds raised by the Company in the initial public offering on the The STAR Market of the Shanghai Stock Exchange ("STAR Market") in June 2020.

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

Not applicable.

Key Financial Indicators of the Company

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	Amount	Notes(if applicable)
Gains or losses from disposal of non-current assets	3,652,221	Note 5(43) in "Financial Report"
Government grants recognized through profit or loss for the period (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity according to a certain standard)	13,013,136	Note 5(39) in "Financial Report"
Profit and loss from entrusting others to invest or manage assets	4,344,657	Note 5(40) in "Financial Report"
Other non-operating income and expenses other than the above items	293,274	
Other profit/loss items falling within the definition of non-recurring profit and loss	-982	Note 5(40) in "Financial Report"
Effect on minority interests	-549,923	
Effect on income tax	-2,204,128	
Total	18,548,255	

IV. OTHERS

Not applicable.

Overview of the Company's Businesses

I. INTRODUCTION OF THE MAIN BUSINESSES, OPERATION MODEL AND INDUSTRY SITUATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) *The main businesses of the company*

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

The main products of the Group includes:

1. *Aminolevulinic Acid Hydrochloride Topical Powder (艾拉®, ALA)*

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

2. *Long Circulating Doxorubicin Hydrochloride Liposome Injection (里葆多®, LIBO®)*

LIBO® for the treatment of tumors, was launched to market in August 2009. The drug is a new doxorubicin formula which adopts the advanced stealth liposomal encapsulation technology and has passive targeting characteristics. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and remarkably lowering the effects of cardiac toxicity, myelosuppression and hair-loss. Doxorubicin hydrochloride liposome is used for the treatment of Kaposi's sarcoma, breast cancer, ovarian cancer and other kinds of tumors.

3. *Hemoporfin For Injection (复美达®, FuMeiDa)*

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

Overview of the Company's Businesses

I. INTRODUCTION OF THE MAIN BUSINESSES, OPERATION MODEL AND INDUSTRY SITUATION OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(II) Operation model of the company

1. Profit model

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

2. Procurement model

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

3. Production model

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

4. Sales and marketing model

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

5. Management model

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

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

Overview of the Company's Businesses

I. INTRODUCTION OF THE MAIN BUSINESSES, OPERATION MODEL AND INDUSTRY SITUATION OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(III) Basic information of the Company's industry

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

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

2. Current situation of dermatology medicine industry in China

At present, air pollution is becoming more and more serious, which causes the incidence rate of skin diseases to increase, and the factors causing such diseases are evolving. Dermatitis is a common and frequently occurring disease in medical science, which is characterized by a wide range of patients, large number of syndromes and long treatment time. In recent years, the number of patients with skin diseases continues to grow, and their age is becoming younger and younger. Due to the repeated skin diseases, delayed treatment and high treatment costs, skin diseases bring great disadvantages to the rehabilitation of patients.

– The treatment of condyloma acuminata

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

– The treatment of PWS

PWS is a common congenital vascular malformation characterized by ectatic capillaries in the papillary layer of the dermis. The visible manifestation of this disorder is usually relatively flat patches composing of expanded capillaries that rarely swell up. The lesions tend to become darker and thicker with time and rarely fade away during the patient's life. PWS may occur on anywhere of the body; its appearance on face and neck is reported to be about 0.3~0.4% incidence of infants worldwide. Before age 40, over 65% of patients without treatment will face the situation of thicken and modular lesions causing great negative effect to the patients' appearance and severe emotional depression.

Overview of the Company's Businesses

I. INTRODUCTION OF THE MAIN BUSINESSES, OPERATION MODEL AND INDUSTRY SITUATION OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(III) Basic information of the Company's industry (continued)

3. Current situation of China's antineoplastic drug industry

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

– The current situation of anthracycline antineoplastic drug industry

Anthracyclines are anti-tumor antibiotics, which are chemical matters produced by microorganisms with antitumor activity. Anthracycline drugs include daunorubicin (DNR), doxorubicin (ADM), epirubicin (EPI), pirarubicin (THP), mitoxantrone (MIT) and carborubicin. Doxorubicin ranks first in the market share of anthracycline anticancer drugs in China, and it is also the fastest growing variety. Doxorubicin is commonly used in the treatment of malignant lymphoma, acute leukemia and breast cancer. It not only has satisfactory curative effect on lymphoma, Kaposi's sarcoma, multiple myeloma, gynecological tumor, breast cancer and other tumors, but also can effectively improve the related adverse reactions, significantly reduce cardiac toxicity and improve the treatment index.

II. CORE TECHNOLOGY AND R&D PROGRESS

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

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

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

(1) Genetic Engineering Technical Platform

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

Antibody-conjugated drug is an important research and development direction of the Company's genetic engineering technical platform. At present, Antibody-conjugated drugs have shown obvious advantages in clinical treatment, and its curative effect is much higher than that of conventional antibody combined with chemotherapy drugs in the treatment of tumor. In order to grasp the development trend of biopharmaceutical field, the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection ("CD30-MMAE") for the treatment of tumors is undergoing clinical trial phase I research. The Trop2 antibody-conjugated drug and the Her2 antibody-conjugated drug for triple negative breast cancer, bladder cancer, gastric cancer and other tumors are under pre-clinical study.

Overview of the Company's Businesses

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

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

(2) Photodynamic Technical Platform

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

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

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

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

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

Under this technical platform, the projects in research of the Group during the Reporting Period is Aminolevulinic Acid Hydrochloride used for the treatment of CIN, which is currently in phase II clinical research; and the application Aminolevulinic Acid Hydrochloride used for the treatment of moderate and severe acne, which is under phase I clinical research.

Overview of the Company's Businesses

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

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

(3) Nano Technical Platform

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

Under this technical platform, LIBOd® for the treatment of tumors, was launched to market in 2009. According to the requirements of relevant PRC laws and regulations, the Company started the domestic bioequivalence evaluation research from 2019. Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒) for the treatment of tumors is under the pre-clinical study and its improvements have been made in large-scale production processes. The production of such project has been upgraded and the Company will launch the bioequivalence study and then apply for the drug registration base on the market conditions. The Group will further develop drugs based on the platform of preparation technology of nano drugs to speed up the ability and the progress of commercialization for the Group.

(4) Oral Solid Preparation Technical Platform

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

Under this technical platform, obeticholic acid (奥贝胆酸) for the treatment of hepatobiliary disease of the Group has obtained a relevant patent in mainland China and is performing the bioequivalence study. It is a generic drug of a medicine developed in the US and listed worldwide for the treatment of primary biliary cirrhosis (PBC). Such drug has a large market in China which is a country with high incidence of hepatobiliary disease. The selective inhibitor project for JAK1, a small molecular targeting drug of the Group, has been confirmed to have great therapeutic value on the autoimmune disease. The Company is looking forward to finding a new me-better drug containing therapeutic advantages.

Overview of the Company's Businesses

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

2. R&D achievements obtained during the reporting period

The selective inhibitor project for JAK1, a small molecular targeting drug of the Group, obtained the clinical trial approval during the Reporting Period.

During the Reporting Period, the Group applied for 1 invention patent, and has been granted 2 domestic invention patents. As the end of June 2020, the Group has cumulatively applied for 88 invention patents, and has been granted 48 invention patents.

For details of the pipeline of the Company, please refer to "Discussion and Analysis on Business Operations"- "II. Core Technology and R&D Progress"- "4. Research Projects".

3. R&D investment

Unit: RMB

Expended R&D investment for the period	54,373,006
Capitalized R&D investment for the period	2,530,230
Total R&D investment	56,903,236
Portion of R&D investment to the operating revenue (%)	24.15
Portion of Capitalized R&D investment (%)	4.45

4. Research projects

Unit: RMB0'000

No.	Project Name	Estimated Total Investment Amount	Amount Investment in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
1	The registration project of Hemoporfin in the United States	23,000.00	360.89	1,274.79	The Group has conducted an preliminary communication with the US Food and Drug Administration (the "FDA") and will submit the clinical application as soon as possible after improving relevant proposal.	Allowing Hemoporfin product to enter into the US market by successfully registration and introduction of Hemoporfin to the US market, will achieve the target of internationalization of the Company's core products, increase new profit growth points for the Company and increase its overall scope of business, constant profitability and overall competitiveness.	Photodynamic Technical	PWS

Overview of the Company's Businesses

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

4. Research projects (continued)

No.	Project Name	Estimated Total Investment Amount	Amount Investment in the Current Period	Accumulated Investment Amount	Progress or Phased Results	Target to Be Achieved	Technical Standards	Specific Application Prospect
2	The innovational research and sustainable development project in relation to biological medicine	24,000.00	1,234.03	3,716.40	For details, please refer to "Overview of the Company's Business" – "IV. Analysis of Core Competitiveness for the Reporting Period" "1. Analysis of core competitiveness.	The focus of this project is to invest in the Company's research and development platforms for its core technologies, so as to expand its research and development channels, increase its overall competitiveness, strengthen its sustainable development ability in the biomedical domain, with an ultimate aim of achieving the industrialization of ongoing projects.	genetic engineering technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform	Clinical treatment of tumors, skin diseases and autoimmune diseases
Total		<u>47,000.00</u>	<u>1,594.92</u>	<u>4,991.19</u>				

Other explanations: The "Investment Amount in the Current Period" in the table above refers to the outsourcing R&D and clinical research expenses occurred during the Reporting Period. The "Accumulated Investment Amount" refers to the accumulative investment in outsourcing R&D and clinical research during the period covered by the Report on the Investment Project invested with Self-raised Funds In Advance instead of IPO proceeds.

Overview of the Company's Businesses

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

5. R&D personnel

Unit: RMB

Basic information

Number of R & D personnel (person)	99
The proportion of R&D personnel in the total number of employees of the Company	16.02
Total amount of salary of R&D personnel (yuan)	12,730,156
Average amount of salary of R & D personnel (yuan)	128,587

Education level

Education structure	Number (person)	Proportion (%)
Doctor	6	6.06
Master	42	42.42
Bachelor	41	41.41
Bachelor degree or below	10	10.10
Total	99	100.00

Age structure

Age range	Number (person)	Proportion (%)
50 and above	6	6.06
40-49	12	12.12
30-39	50	50.51
20-29	31	31.31
Total	99	100.00

III. EXPLANATION ON MATERIAL CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

For the major changes of the Company's main assets during the Reporting Period, please refer to "Discussion and Analysis on Business Operations"- "III. Operation Result for the Reporting Period" – "(III) Analysis on Assets and Liabilities".

Among them: foreign assets 3,519,934 (unit: yuan, currency: RMB), accounting for 0.15% of the total assets.

Overview of the Company's Businesses

IV. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

1. Analysis of core competitiveness

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

(1) Advantages of R&D Innovation

Technical Platform	Project Name	Proposed Indications	Progress	Comparison with Industry Technical Level
Genetic engineering	CD30-MMAE	Tumors	Clinical trial phase I	International leading level
	Trop2-directed antibody drug conjugate	Tumors	Pre-clinical study	International advanced level
	HER2-directed antibody drug conjugate	Tumors	Pre-clinical study	International advanced level
Photodynamic technology	Hemoporphin (海姆泊芬)	PWS	Clinical trial phase IV In the process of registration in USA	International leading level: new compound and new indication.
	Aminolevulinic acid	Cervical diseases infected by HPV	Clinical trial phase II	International leading level: new indication.
	Aminolevulinic acid	Acne	Clinical trial phase I	International leading level: new indication.
Nano technology	Doxorubicin liposome	Tumors	In the process of registration in USA. Prepare for domestic bioequivalence evaluation research and registration.	International advanced level
	Nanoparticle Albumin-bound Paclitaxel	Tumors	Pre-clinical study	International advanced level
Oral solid preparation technology	Obeticholic acid	Hepatobiliary disease	Bioequivalence study and drug registration	International advanced level
	JAK1 inhibitor	Autoimmune diseases	Clinical trial approval Obtained	International advanced level

(2) Advantages of Technology Platform

Please refer to "Overview of the Company's Business" – "II. Core Technology and R&D Progress".

Overview of the Company's Businesses

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

1. Analysis of core competitiveness (continued)

(3) Advantages of Promotion

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

(4) Advantages of Product Quality Control

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

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

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

(5) Advantages of Management and Technical Team

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

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

Not applicable.

Discussion and Analysis on Business Operations

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

REVIEW

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

Since the outbreak of the Epidemic, the provinces and cities in China have adopted public health measures for emergencies, including but not limited to the limitation on the travel of citizens and implementation of conditional resumption of work after the Chinese New Year holidays, to curb the spread of the Epidemic. The Company has officially resumed operation since February 2020.

As the spread of the Epidemic has been basically brought under control in China, the transportation of products and the treatment of patients have gradually resumed, and the sales volume and terminal use of the medical products of the Group have also gradually recovered. However, due to the fact that the Epidemic control measures are still in place, hospitals and their affiliated departments are still in the process of resumption of operation. The number of patients and frequency of treatments in the hospital are significantly lower than the normal level. Considering the overall impact of patients' medical treatment environment, the Group's business performance in the first half of 2020 were greatly affected. The revenue during the Reporting Period was RMB236,000,000 which decreased by 39.69% compared with the same period of last year.

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

For details of other operating conditions of the Company during the Reporting Period, please refer to "Overview of the Company's Business"- "Introduction of the Main Business, Operation Model and industry situation of the Company during the Reporting Period" and "II. Core Technology and R&D Progress".

FUTURE PROSPECTS

As we expected, the Chinese pharmaceutical industry was facing opportunities as well as severe challenges in recent years. Under the influence of various factors, many enterprises are suffering from sharp decline in income, decrease in profit, and serious shortage of development and R&D funds. Making proper choices has become an urgent issue for every enterprise to discuss.

Since its establishment, the Group, as a pharmaceutical enterprise focusing on new drug research and development, has adhered to choosing the projects that can meet the unmet needs and deficiencies of clinical and patients treatment. The evaluation system of project progress depends on whether specific accomplishment of treatment will be achieved. We know that without exploration, persistence and hard work, it is hard to lead to a pleasant breakthrough in therapeutics, but sometimes it is hard to get the corresponding return when we wait and invest. Even so, we never intend to be a mediocre pharmaceutical production or profit oriented sales enterprise without innovation. We have been seeking a balanced development in the conflict between me-too drugs and first-in-class drugs. Our strategies for research and development are strengthening our research capacities in the fields where we have leading positions, continually expanding the new clinical indications of existing projects, adhering to the projects worth spending time on, gradually applying for international drug registration and decisively terminating the projects that are not in line with the Group's value and make no progress for long term. As long as we endeavor and continue to optimize our specific strategies for research and development, we believe our projects and products will bring great benefits to the Company while demonstrating its value in the future.

Discussion and Analysis on Business Operations

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS (continued)

FUTURE PROSPECTS (continued)

In addition, we realized that gene technology in terms of signaling pathways control, suppressing or strengthening the protein activity, will become the core technology in the area of new drugs development, especially when the research is based on the most fundamental and specific causes and molecular mechanism of diseases. We keep a close eye on hotspots of existing antibody drugs research, and have established antibody-drug conjugates ("ADC") as the main research and development direction of genetic technical platform. ADC have shown obvious advantages on tumor treatment in clinical trials, which has much better effects than the conventional antibody plus chemotherapy drugs, and ADC has its advantages even when compared with immunotherapy in the treatment of some tumors. After about 8 years of exploration, we have built a drug platform for tubulin inhibitors and topoisomerase inhibitors (sn38, DXd), which lays a foundation for further development of ADC. In particular, the self-developed ADC drug platform which based on topoisomerase DXd is not subject to the corresponding patent restrictions. Our preliminary study on this project shows that it can achieve the full exposure of ADC in plasma and the very low exposure of drugs, as well as the full exposure and accumulation of drugs in tumors, and has a bystander effect. This is an encouraging breakthrough, marking that we will have the opportunity to select different antibodies for different tumors to develop new ADC drugs. We will establish ADC production system as quickly as possible, and strive to realize ADC industrialization as early as we can.

We have been expanding the drugs development based on photodynamic technical platform. Photodynamic drugs have become the most important product line of the Group. The Group is commencing further research on molecular mechanism and their mode of action in order to discover new photodynamic compound to improve the efficacy and overcome the defects. At the same time, exploration of the fundamental research on the relationship between the penetrating power of different light wavelengths and the treatment of tumor is under progress. Meanwhile, we have planned to apply for the international registrations as well as the extension new indications based on the feedback from clinicians for the launched drugs, which will lay a foundation for the commercialization development of the Group.

The selective inhibitor project for JAK1 obtained the clinical trial approval during the Reporting Period and we will start the clinical trial phase I as soon as possible.

For product commercialization, the subsidiary of the Company, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* ("Taizhou Fudan-Zhangjiang", 泰州復旦張江藥業有限公司) has constructed two production lines for the material and injection of Hemoporfin. To fully exploit the capacity of the two production lines before further new self-developed innovative drugs obtaining production approval, the Group will choose several generic drugs which can be produced with FuMeiDa on the same production line and planned to submit the application of registration. During the Reporting Period, the registration application of Parecoxib Sodium (帕瑞昔布鈉) for analgesia has been submitted and waiting for approval. In addition, the new solid preparation production line of Taizhou Fudan-Zhangjiang is ready for the commercialization of obeicholic acid. More investments on production lines will be made in Taizhou in the next few years so as to gradually make Taizhou Fudan-Zhangjiang become the centralized production base of the Group.

Discussion and Analysis on Business Operations

II. POTENTIAL RISK FACTORS

1. *Risk in relation to new drug development*

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

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

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

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

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

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

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

Discussion and Analysis on Business Operations

II. POTENTIAL RISK FACTORS (continued)

4. Risk in relation to lack of de facto controller

As at the end of the Reporting Period, the shareholding of Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), China New Enterprise Investment Fund II, Yang Zong Meng and Wang Hai Bo, who directly hold more than 5% of the Company's shares, account for 20.15%, 15.04%, 7.67% and 5.55% of the Company's total share capital (A+H shares), respectively. There are no controlling shareholders or actual controllers in the Company. In addition, the amount of shares held by a single shareholder of the Company shall not exceed 30% of the total share capital of the Company; there is no controlling or actual controlling relationship among the shareholders of the Company, nor is there a common controlling shareholder or actual controlling person. The Company will not rule out the risk that in the future, the lack of actual controllers will lead to the instability of corporate governance structure or the reduction of decision-making efficiency, which will jeopardize the business development opportunities and thus cause fluctuations in the Company's production and operation and operation performance.

5. Foreign exchange risk

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

III. OPERATION RESULT FOR THE REPORTING PERIOD

ALA for the treatment of condyloma acuminata, LIBOd® for the treatment of tumors and FuMeiDa for the treatment of PWS are three major products of the Group, and together contributed to 99% of the sales revenue of medical products by the Group.

(I) Analysis of main businesses

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

Unit: RMB

Items	Amount For the current Period	Amount for the corresponding period of last year	Change (%)
Revenue	235,614,896	390,693,485	-39.69
Costs of sales	17,970,463	37,078,195	-51.53
Selling and distribution expenses	117,516,961	192,126,259	-38.83
General and administrative expenses	16,808,417	24,495,339	-31.38
Finance costs	-112,416	2,345,963	-104.79
Research and development expenses	54,373,006	51,197,251	6.20
Net cash flows generated from operating activities	60,819,045	100,662,251	-39.58
Net cash flows generated from investing activities	-32,205,077	-7,329,583	not applicable
Net cash flows generated from financing activities	923,837,507	-192,172,739	not applicable

Reasons for changes in revenue: Since the outbreak of the Epidemic, as the Group's main products have to be used for treatment in hospitals, the sales volume and consumption in terminals of the products were significantly affected by the restrictions of products transportation and the treatment of patients. The major products ALA, LIBOd® and FuMeiDa, have contributed significantly to revenue of the the Group, representing 46%, 44% and 9% to the total revenue of the Group, respectively. Compared to the corresponding period of last year, the sales volume of the above products reduced by 48%, 30% and 34%, respectively. For more details, please refer to note 5(32) in "Financial Report".

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) Analysis of main businesses (continued)

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

Reasons for changes in costs of sales: The costs of sales mainly decrease with the decrease of revenue. The ratio of cost to sales for the products mentioned above decreased to 8% from 9% for the same period of last year, and the gross profit margin increased a bit correspondingly. The increase of profit margin is mainly due to the decrease of production costs of LIBOd® which benefited from the optimization of production process, the improvement of efficiency of the production workshops, and the effective reduction of the purchase prices of raw materials. At the same time, the Group has been consistent in strict cost control and endeavour to increase the gross profit margin while maintaining the current product structure. For more details, please refer to note 5(32)" in "Financial Report".

Reasons for changes in selling and distribution expenses: Due to the impact of the Epidemic situation during the Reporting Period, the Company's drug promotion and sales related activities were not fully carried out, and the reduction of sales promotion activities led to a decrease in selling and distribution expenses. For more details, please refer to note 5(34)" in "Financial Report".

Reasons for changes in general and administrative expenses: The decrease in the general and administrative expenses was mainly due to the deconsolidation of the expenses of Derma Clinic Investment Co., Ltd ("Derma Clinic") since April 2019 after its disposal; at the same time, given the impact of the Epidemic, the Group reduced the daily expenses accordingly. For more details, please refer to note 5(35)" in "Financial Report".

Reasons for changes in finance costs: The decrease in the finance cost was mainly due to the increase of interest income during the Reporting Period. For more details, please refer to note 5(37)" in "Financial Report".

Reasons for changes in R&D expense: The Group adopts a conservative and prudent capitalization policy for R&D projects. Only the expenses incurred on those projects which were evaluated to be feasible in technology with clear objective, controllable risks and probable future economic benefits can be capitalized. Therefore, most of R&D costs of the Group were recognized as expenses as incurred. During the Reporting Period, the Group is actively promoting the progress of R&D projects, and the clinical, material and outsourcing R&D expenses have increased in this period, which is due to the increase of investment for the progress of R&D projects. The ratio of R&D expenses to revenue for this period was 23% (the same period of 2019: 13%). For more details, please refer to note 5(36)" in "Financial Report".

Reasons for changes in net cash flows generated from operating activities: The decrease in net cash flows generated from operating activities is mainly due to the decrease of sales revenue caused by the Epidemic situation.

Reasons for changes in net cash flows generated from investing activities: The increase in net cash flows generated from investing activities is mainly due to the increased investment in Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("BVCF Fund") during the Reporting Period.

Reasons for changes in net cash flows generated from financing activities: The increase in net cash flows generated from financing activities is mainly due to the Company's receipt of RMB996 million from initial public offering and over allotment in the first half of this year.

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) Analysis of main businesses (continued)

2. Others

- (1) Detailed explanations on significant changes in the composition of profits or the source of profits of the Company

Not applicable.

- (2) Other

Not applicable.

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

Not applicable.

(III) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB

Accounts	Amount as at 30 June 2020	Percentage of amount at the end of the current period to total asset (%)	Amount as at 30 June 2019	Percentage of amount at the end of the same period of last year to total asset (%)	Change ratio of the amount at the end of the current period to that of the same period of last year (%)	Explanation
Cash at bank and on hand ^{Note(1)}	1,529,302,256	63.66	489,387,063	31.95	212.49	During the Reporting Period, the Group issued A shares on the STAR Market, and the receipt of the proceeds leads to the increase.
Other receivables	8,880,898	0.37	13,828,778	0.90	-35.78	The amount as at 30 June 2019 included part of the equity transfer funds of Derma Clinic received by the Group.
Long-term equity investments	61,438,432	2.56	34,455,182	2.25	78.31	It's mainly due to the increase of investment in BVCF Fund during the Reporting Period
Construction in progress	268,000	0.01	94,340	0.01	184.08	It is mainly caused by the renovation of the right-of-use assets of the Group during the Reporting Period.
Right-of-use assets	4,911,023	0.20	7,487,478	0.49	-34.41	It is mainly caused by the amortization of the right-of-use assets confirmed according to the lease contract of the marketing center during the Reporting Period.

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) Analysis on assets and liabilities (continued)

1. Assets and liabilities (continued)

Accounts	Amount as at 30 June 2020	Percentage of amount at the end of the current period to total asset (%)	Amount as at 30 June 2019	Percentage of amount at the end of the same period of last year to total asset (%)	Change ratio of the amount at the end of the current period to that of the same period of last year (%)	Explanation
Long-term prepaid expenses	1,852,195	0.08	3,324,738	0.22	-44.29	It is mainly caused by the normal amortization of the improvement of the right to use assets during the Reporting Period.
Deferred tax assets	59,452,127	2.47	40,906,875	2.67	45.34	It is mainly caused by the increase of deductible temporary differences during the Reporting Period.
Other non-current assets	5,134,285	0.21	179,971,411	11.75	-97.15	It was mainly due to that the payment for the transfer of minority shareholders' equity of Taizhou Pharmaceutical Co., Ltd. has been made in the same period of last year, while the equity transfer was not completed in the same period of last year.
Short-term borrowings ^{Note(2)}	160,000,000	6.66	140,000,000	9.14	14.29	
Accounts payables	5,355,544	0.22	8,030,384	0.52	-33.31	It is mainly caused by changes in business activities during the Reporting Period.
Contract liabilities	4,388,337	0.18	19,900,702	1.30	-77.95	The amount as at 30 June 2019 included the recognition of income from technology transfer funds and cooperative R&D funds received in advance.
Employee benefits payable	8,674,603	0.36	24,741,415	1.62	-64.94	This is mainly due to the adjustment of annual bonus and salary due to the impact of Epidemic during the Reporting Period.
Taxes payable	2,077,752	0.09	20,668,331	1.35	-89.95	It is mainly resulting from the decrease of revenue and total profit due to the impact of the Epidemic during the Reporting Period.
Lease liabilities	788,051	0.03	3,999,970	0.26	-80.30	It is mainly due to the payment of the rent of the marketing center during the Reporting Period.
Capital surplus	1,200,120,029	49.95	412,293,387	26.92	191.08	This change is mainly due to the fact that the share premium of the Group's initial public offering of A shares on STAR Market was included in the capital reserve.

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) Analysis on assets and liabilities (continued)

1. Assets and liabilities (continued)

Notes :

(1) Liquidity and financial resources

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

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB1,529,302,256.

Being consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 30 June 2020 and 31 December 2019, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

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

(2) Banking borrowings

As at 30 June 2020, the outstanding amount of the loans of the Group was RMB160,000,000, which includes:

As at 29 July 2019, an unsecured short-term bank borrowing of RMB32,928,487 was taken by the Company, bore a floating interest rate at 3.915% per annum (as at 30 June 2020) and was due for repayment on 29 July 2020;

As at 27 September 2019, an unsecured short-term bank borrowing of RMB27,071,513 was taken by the Company, bore a floating interest rate at 3.915% per annum (as at 30 June 2020) and was due for repayment on 29 July 2020;

As at 28 November 2019, an unsecured short-term bank borrowing of RMB48,942,573 was taken by the Company, bore a floating interest rate at 3.870% per annum (as at 30 June 2020) and was due for repayment on 28 November 2020;

As at 10 March 2020, an unsecured short-term bank borrowing of RMB38,928,595 was taken by the Company, bore a floating interest rate at 3.770% per annum (as at 30 June 2020) and was due for repayment on 27 November 2020;

As at 30 March 2020, an unsecured short-term bank borrowing of RMB12,128,832 was taken by the Company, bore a floating interest rate at 3.770% per annum (as at 30 June 2020) and was due for repayment on 27 November 2020.

(3) Charge on assets

For the six months ended 30 June 2020, the Group had no charge on assets.

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) Analysis on assets and liabilities (continued)

1. Assets and liabilities (continued)

Notes : (continued)

(4) Future plans for material investments or capital assets

Taizhou Fudan-Zhangjiang, a subsidiary of the Company, will build new production plants as and when appropriate according to the R&D progress of the Group to meet future production needs.

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

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

Not applicable.

3. Other explanations

Not applicable.

(IV) Analysis of investment

1. Overall analysis on external equities investment

By the end of the Reporting Period, the Company's long-term equity investment was RMB61 million, an increase of RMB33 million or 118.80% over the beginning of the year. It is mainly additional investment in the joint venture BVCF Fund. For details, please refer to note 5(9) in "Financial Report".

(1) Significant equity investment

Not applicable.

(2) Significant non-equity investment

Not applicable.

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(IV) Analysis of investment (continued)

1. Overall analysis on external equities investment (continued)

(3) Financial assets measured at fair value

On 9 June 2020, Adgero Biopharmaceuticals Holdings, Inc ("Adgero") entered into an Agreement and Plan of Merger and Reorganization with DelMar Pharmaceuticals, Inc (Nasdaq Code : DPMI, "DelMar") and its wholly owned subsidiary, and Adgero will become a wholly-owned subsidiary of DelMar after the merger. A registration statement on registering the shares of common stock of DelMar to be issued to the Adgero security holders filed by DelMar was declared effective by the Securities and Exchange Commission. Consummation of the Merger is subject to approval by the stockholders of DelMar and Adgero and the relevant listing requirements of Nasdaq. As at the date of the interim report, obtaining the written approval of Adgero stockholders is underway.

In 2017, Fernovelty (Hong Kong) Holding Co., Ltd ("Fernovelty Holding"), a subsidiary of the Company, entered into the subscription agreement with Adgero to purchase ordinary shares and warrants. The Group holds 400,000 ordinary shares of Adgero as at 30 June 2020.

(V) Disposal of major assets and equities

Not applicable.

(VI) Analysis on companies under control or in which the company has shares

No.	Company Name	Main Business	Registered Capital	Equity Ratio	Total Assets (RMB)	Net Assets (RMB)	Revenue (RMB)	Net Profit (RMB)
1	Taizhou Fudan-Zhangjiang	Production for the material and injection of Hemoporphin	86,000,000	100.00%	262,644,199	92,691,500	24,121,355	4,196,388
2	Fernovelty Holding	Drug development and overseas medical projects investment	HKD10,000 (Equity)	100.00%	3,519,934	3,519,934	-	-701
3	Tracing Bio-technology Co.,Ltd	R&D, production and sales of medical diagnostic products	24,800,000	84.68%	17,222,521	-11,429,770	4,069,934	1,866,356
4	Shanghai Lead Discovery Limited Company	Screening of new drugs in China and development of "me-too" drug	20,400,000	35.29%	25,376,890	-3,648,436	-	-51,557
5	BVCF Fund	Investment in early drug research and development	201,000,000	22.54%	171,505,849	170,945,307	-	-2,045,293
6	Derma Clinic	Skin health management, medical cosmetology	55,000,000	20.00%	18,000,028	-32,000,819	2,526,725	-10,681,045

Shanghai Baosu Pharmaceutical Technology Co.,Ltd ("Shanghai Baosu") was once a holding subsidiary of the Company. It mainly undertakes the related work of nationwide sales promotion of LIBOd®, one of the Company's products. Considering that the market promotion service of LIBOd® has been undertaken by Huizheng (Shanghai) Pharmaceutical Technology Co., Ltd., ("Huizheng"), Shanghai Baosu has no actual operation. Relevant proposals on cancellation of Shanghai Baosu was approved on the 12th meeting of the 6th session of the board of directors of the Company (the "Board"). On 27 April 2020, the Market Regulation Bureau of China (Shanghai) Pilot Free Trade Zone issued no.41000001202004260018 notice of approval of cancellation of registration, approving the cancellation of registration of Shanghai Baosu.

Discussion and Analysis on Business Operations

III. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(VII) The structural entity controlled by the company

Not applicable.

IV. OTHER DISCLOSURES

(I) Warning and explanation on the forecast of a probable loss or a significant change as compared with that of the corresponding period of previous year in the accumulated net profit from the beginning of the year to the end of the next reporting period

Not applicable.

(II) Other disclosures

Not applicable.

Significant Events

I. GENERAL MEETING

Meeting session	Date of convening	Query index on designated website for publishing resolutions	Disclosure date of publication of the resolutions
2020 First Extraordinary General Meeting, 2020 First Class Meeting of Holders of H Shares, 2020 First Class Meeting of Holders of Domestic Shares	24 February 2020	www.hkex.com.hk	24 February 2020
2019 Annual General Meeting, 2020 Second Class Meeting of Holders of H Shares, 2020 Second Class Meeting of Holders of Domestic Shares	30 March 2020	www.hkex.com.hk	30 March 2020

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

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

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

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

Significant Events

III. THE PERFORMANCE OF UNDERTAKINGS

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

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is the undertaking fulfilled timely	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
Undertakings associated with the initial public offering	Restricted shares	Shanghai Pharmaceuticals	Shanghai Pharmaceuticals has made the following commitments in respects of shares lock-up: (1) within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by it, nor shall Fudan-Zhangjiang repurchase such shares; (2) within six months from the initial listing of Fudan-Zhangjiang, if the closing prices of Fudan-Zhangjiang's shares for twenty consecutive trading days are lower than the issue price, or the closing price at the end of six months after initial listing is lower than the issue price, the lock-up period of Fudan-Zhangjiang's A shares held by it will be automatically extended for at least six months after the expiration of the above lock-up period.	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable
	Restricted shares	China New Enterprise II	China New Enterprise II has made the following commitments in respects of shares lock-up: Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by it, nor shall Fudan-Zhangjiang repurchase such shares.	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Yang Zong Meng	Yang Zong Meng has made the following commitments in respects of shares lock-up: Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him, nor shall Fudan-Zhangjiang repurchase such shares.	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is the undertaking fulfilled timely	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Restricted shares	Wang Hai Bo	Wang Hai Bo has made the following commitments in respects of shares lock-up: (1) Within thirty-six months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, shall not transfer or entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him, nor shall Fudan-Zhangjiang repurchase such shares; (2) within six months from the initial listing of Fudan-Zhangjiang, if the closing prices of Fudan-Zhangjiang's shares for twenty consecutive trading days are lower than the issue price, or the closing price at the end of six months after initial listing is lower than the issue price, the lock-up period of Fudan-Zhangjiang's A shares held by him will be automatically extended for at least six months after the expiration of the above lock-up period.	19 June 2020-18 June 2023	Yes	Yes	Not applicable	Not applicable
	Restricted shares	Su Yong, Zhao Da Jun, Li Jun, Gan Yi Min, Yang Xiao Lin and Xue Yan	Su Yong, Zhao Da Jun, Li Jun, Gan Yi Min, Yang Xiao Lin and Xue Yan have made the following commitments in respects of shares lock-up: (1) Within twelve months from the date when Fudan-Zhangjiang's A shares upon initial public offering are listed on the Shanghai Stock Exchange, shall not transfer of entrust to others to manage Fudan-Zhangjiang's domestic shares issued prior to the initial listing directly or indirectly held by him/her, nor shall Fudan-Zhangjiang repurchase such shares; (2) within six months from the initial listing of Fudan-Zhangjiang, if the closing prices of Fudan-Zhangjiang's shares for twenty consecutive trading days are lower than the issue price, or the closing price at the end of six months after initial listing is lower than the issue price, the lock-up period of Fudan-Zhangjiang's A shares held by him/her will be automatically extended for at least six months after the expiration of the above lock-up period.	19 June 2020-18 June 2021	Yes	Yes	Not applicable	Not applicable

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is the undertaking fulfilled timely	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Shanghai Pharmaceuticals	Shanghai Pharmaceuticals has made the following commitment in respects of shareholding reduction: (1) If Shanghai Pharmaceuticals reduces its shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by Shanghai Pharmaceuticals, Shanghai Pharmaceuticals shall earnestly abide by the relevant regulations of securities regulatory authority in relation to the share reduction, prudently formulate the shareholding reduction plan, and the number of shares to be reduced every year by Shanghai Pharmaceuticals shall not exceed 5% of the total share capital of the Fudan-Zhangjiang within 2 years after the expiration of share restriction period. (2) Shanghai Pharmaceuticals' method of reducing its shareholding of Fudan-Zhangjiang shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc. (3) The transaction price of shares of Fudan-Zhangjiang held and to be reduced by Shanghai Pharmaceuticals shall not be lower than the issue price at the initial listing; if ex-dividend and ex-rights events such as distribution of dividend, bonus shares, conversion from capital reserves to share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of shareholding reduction shall be adjusted correspondingly. (4) If Shanghai Pharmaceuticals conducts shareholding reduction through centralised bidding transaction, it shall report the shareholding reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by Shanghai Pharmaceuticals is less than 5% shares of Fudan-Zhangjiang). When Shanghai Pharmaceuticals reduces its shareholding in Fudan-Zhangjiang through other methods, it shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority in a timely and accurate manner. "	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is the undertaking fulfilled timely	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	China New Enterprise II	China New Enterprise II has made the following commitment in respects of share reduction: (1) If China New Enterprise II reduces its shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by China New Enterprise II, China New Enterprise II shall earnestly abide by the relevant regulations of securities regulatory authority in relation to the shareholding reduction, prudently formulate the shareholding reduction plan, and the number of shares to be reduced every year shall not exceed 100% of the total shares of Fudan-Zhangjiang held by China New Enterprise II within 2 years after the expiration of shares restriction period; (2) China New Enterprise II's method of reducing its shareholding of Fudan-Zhangjiang's shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc.; (3) The transaction price of shareholding reduction shall not be lower than the issue price at the initial listing, if lex-dividend and ex-rights events such as distribution of dividend, bonus shares, capital reserves to increase share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of shareholding reduction shall be adjusted correspondingly; (4) If China New Enterprise II conducts shareholding reduction through centralised bidding transaction, it shall report the shareholding reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by China New Enterprise II is less than 5% shares of Fudan-Zhangjiang). When China New Enterprise II reduces its shareholding in Fudan-Zhangjiang through other methods, it shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority and the Shanghai Stock Exchange in a timely and accurate manner.	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is the undertaking fulfilled timely	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Yang Zong Meng	Yang Zong Meng has made the following commitment in respects of share reduction: (1) If I reduces my shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by me, I shall earnestly abide by the relevant regulations of securities regulatory authority in relation to the shareholding reduction, prudently formulate the shareholding reduction plan, and the number of shares to be reduced every year shall not exceed 5% of the total shares capital of Fudan-Zhangjiang within 2 years after the expiration of shares restriction period; (2) The method of reducing my shareholding of Fudan-Zhangjiang shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc.; (3) The transaction price of shareholding reduction of Fudan-Zhangjiang held by myself shall not be lower than the issue price at the initial listing, if ex-dividend and ex-rights events such as distribution of dividend, bonus shares, capital reserves to increase share capital, occurred in Fudan-Zhangjiang before the shareholding reduction of Fudan-Zhangjiang, the price of shareholding reduction shall be adjusted correspondingly; (4) If I conduct shareholding reduction through centralised bidding transaction, I shall report the share reduction plan to the Shanghai Stock Exchange 15 trading days before the first sale of shares, and make an announcement (Except when the shareholding held by myself is less than 5% shares of Fudan-Zhangjiang). When I reduce the shares in Fudan-Zhangjiang through other methods, I shall make an announcement 3 trading days in advance, and perform information disclosure obligation in accordance with the then applicable rules of the securities regulatory authority and the Shanghai Stock Exchange in a timely and accurate manner.	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

Background of undertakings	Category of undertakings	Party providing undertakings	Content of undertakings	Date and term of undertakings	Is there a term for performance	Is the undertaking fulfilled timely	If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure	If the undertaking fails to be fulfilled timely, please state the plan in the next step
	Others	Wang Hai Bo	Wang Hai Bo has made the following commitment in respects of shareholding reduction: (1) After the expiration of share restriction period and lock-up period of shares, during my tenure as a director/member of senior management in Fudan-Zhangjiang, I will promptly declare the shares of Fudan-Zhangjiang held by myself and the changes thereto, and the annual transfer of shares of Fudan-Zhangjiang shall not exceed 25% of the total shares of Fudan-Zhangjiang held by myself. At the same time, within four years following the expiration of the above-mentioned lock-up period, I, as a core technician of Fudan-Zhangjiang, shall not transfer annually the shares of Fudan-Zhangjiang before the initial listing exceeding 25% of the total number of shares of Fudan-Zhangjiang before its initial listing directly and indirectly held by myself (The proportion of shareholding reduction shall be used cumulatively). When I reduce my shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation. (2) If I reduce my shareholding in Fudan-Zhangjiang after the expiration of share restriction period stated in the initial listing prospectus of Fudan-Zhangjiang and the letter of undertakings issued by myself, I shall earnestly abide by the relevant regulations of securities regulatory authority in relation of the share reduction, prudently formulate the share reduction plan, and the number of share reduction on shares held by myself shall not exceed 5% of the total share capital of Fudan-Zhangjiang after 2 years of expiration of share restriction period. (3) The method of reducing the shareholding of Fudan-Zhangjiang shall comply with the then applicable requirements of relevant laws, regulations and rules, including but not limited to rules about non-public transfer, bidding transactions in the second market, block transactions and agreed transfer, etc. (4) The transaction price of shareholding reduction of Fudan-Zhangjiang held by myself shall not be lower than the issue price at the initial listing, if ex-dividend and ex-rights events such as distribution of dividend, bonus shares, capital reserves to increase	Long-term	Yes	Yes	Not applicable	Not applicable

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Explanation on appointment and dismissal of accounting firms

Considering that the Company has changed the basis for preparing its overseas financial statements to China Accounting Standards for Business Enterprises, as approved by the extraordinary general meeting of the Company held on 24 February 2020, the Company changed its overseas auditor from PricewaterhouseCoopers to PricewaterhouseCoopers Zhong Tian LLP. PricewaterhouseCoopers Zhong Tian LLP became the only auditor auditing the financial statements of the Company in accordance with the Chinese Accounting Standards for Business Enterprises, and undertook the role of the overseas auditor in accordance with the The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). PricewaterhouseCoopers Zhong Tian LLP audited the financial statements of the Company for the year ended 31 December 2019 in accordance with the Chinese Accounting Standards for Business Enterprises. For more details, please refer to the announcement of the Company dated 10 January 2020, and the circular of the Company dated 20 January 2020.

As approved by the annual general meeting of the Company held on 30 March 2020, the Company continued to appoint PricewaterhouseCoopers Zhong Tian LLP as the domestic and overseas auditor of the Group for the year 2020. For more details, please refer to the circulars of the Company dated 4 March 2020 and the announcement of the Company dated 30 March 2020 posted on HKEX website (www.hkex.com.hk).

Explanation on change in the accounting firms during the auditing period

Not applicable.

Statement of the Company on the "Non-Standard Auditing Report" prepared by the accounting firms

Not applicable.

Explanation of the Company on issuance of a "Non-Standard Auditing Report" by the certified public accountant for the financial report in the last year's annual report

Not applicable.

V. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Not applicable.

VI. MATERIAL LITIGATION AND ARBITRATION

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

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

Not applicable.

Significant Events

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

Not applicable.

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

1. *Relevant incentives disclosed in the announcements without subsequent development or change during implementation*

Not applicable.

2. *Incentives not disclosed in the announcements or with subsequent development*

During the Reporting Period, the Company has no equity incentive plans, employee share schemes or other incentive schemes.

X. SIGNIFICANT RELATED TRANSACTIONS

(I) *The related transactions in relation to daily operations*

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

Overview of events

Continuing Connected Transactions-Sales and Distribution Agreement with Shanghai Pharmaceuticals

Query index

For more details, please refer to the circular of the Company dated 11 October 2019 posted on HKEX website (www.hkex.com.hk).

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

Not applicable.

3. *Events not disclosed in the temporary announcements*

Not applicable.

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

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

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

Not applicable.

Significant Events

(III) Significant related transactions relating to joint external investment

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

(IV) Claims and liabilities with related parties

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

Not applicable.

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

Not applicable.

3. *Events not disclosed in temporary announcements*

Not applicable.

(V) Other material related transactions

Not applicable.

(VI) Others

Not applicable.

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing

Not applicable.

2. Guarantees

Not applicable.

3. Other Material Contracts

Not applicable.

Significant Events

XII. THE WORK OF THE LISTED COMPANY ON POVERTY ALLEVIATION

Not applicable.

XIII. CONVERTIBLE CORPORATE BONDS

Not applicable.

XIV. INFORMATION ON ENVIRONMENT

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

Not applicable.

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

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

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

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

(III) Explanation of reasons for non-disclosure of environmental information of companies other than those falling under key pollutant discharging units

Not applicable.

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

Not applicable.

Significant Events

XV. INFORMATION ABOUT OTHER SIGNIFICANT EVENTS

- (I) *Situations, causes and impacts of the change in accounting policies, estimates and methods compared with the previous accounting period***

Not applicable.

- (II) *Situations, corrected amounts, cases and the impact of significant accounting errors incurred during the Reporting Period whose correction needed retrospective restatement***

Not applicable.

- (III) *Others***

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

I. THE CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

Unit: Share

	Before the changes		Changes for the period (+,-)		After the changes	
	Number of shares	Percentage (%)	New shares	Subtotal	Number of shares	Percentage (%)
I Shares subject to trading moratorium	583,000,000	63.17	28,940,475	28,940,475	611,940,475	58.67
1. State-owned shares	-	-	-	-	-	-
2. State-owned legal person shares	30,636,286	3.32	-	-	30,636,286	2.94
3. Other domestic shares	552,363,714	59.85	28,940,475	28,940,475	581,304,189	55.74
Of which held by: domestic non-state-owned legal person	357,563,854	38.74	28,940,475	28,940,475	386,504,329	37.06
Domestic natural persons	194,799,860	21.11	-	-	194,799,860	18.68
4. Foreign ownership	-	-	-	-	-	-
Of which held by: overseas non-state-owned legal person	-	-	-	-	-	-
Overseas natural persons	-	-	-	-	-	-
II Circulating shares not subject to trading moratorium	340,000,000	36.84	91,059,525	91,059,525	431,059,525	41.33
1. RMB ordinary shares	-	-	91,059,525	91,059,525	91,059,525	8.73
2. Domestic listed foreign shares	-	-	-	-	-	-
3. Overseas listed foreign shares	340,000,000	36.84	-	-	340,000,000	32.60
4. Others	-	-	-	-	-	-
III Total number of ordinary shares	923,000,000	100.00	120,000,000	120,000,000	1,043,000,000	100.00

2. Description of changes in ordinary shares

In order to further broaden the Company's funding channels and enhance its competitiveness, on 14 May 2020, the Company obtained the reply on approving the registration of the Company's initial public offering (regulatory permission [2020] no. 912) issued by CSRC. The A Shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020 (Stock code: 688505). The number of shares issued this time is 120,000,000 A shares (par value of RMB0.1 per share), and the Company's original 583,000,000 domestic shares were converted into A shares at the same time. The issue price of the Shares is RMB8.95 per share, and the A Shares were issued under the special mandate granted by Shareholders to the Board at the annual general meeting on 26 April 2019 and extended at the annual general meeting on 30 March 2020. The total share capital of the Company was 923,000,000 shares before the issue of A shares, and after the issue, the total share capital of the Company increased to 1,043,000,000 shares, among which the A shares were 703,000,000 shares and the H shares were 340,000,000 shares.

USE OF PROCEEDS

The total proceeds of the issue of A share are RMB1,074,000,000 and the net proceeds are RMB974,323,900 after deducting the issue fees of this offering. The net proceeds raised from the issue of A Shares shall be used in accordance with the plan items described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019.

Changes in Ordinary Shares and Particulars of Shareholders

Particulars of the proceeds raised were used as follows:

Investment Projects	Budget RMB'000	Unaudited Amount that has been utilized for the six months ended 30 June 2020 RMB'000	Unaudited Remaining balance as at 30 June 2020 RMB'000	Notes
– The Registration Project of Hemoporfin in the United States	23,000.00	1,274.79	21,725.21	
– The Innovational Research and Sustainable Development Project in Relation to Biological Medicine	24,000.00	3,716.40	20,283.60	
– The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhagnjiang	18,000.00	17,839.30	160.70	
Over-raised funds	–	–	32,432.39	<i>Note 1</i>
Total	<u>65,000.00</u>	<u>22,830.49</u>	<u>74,601.90</u>	

Notes:

- (1) The actual amount of proceeds raised from the issue of A Shares exceeding the needs of the investment projects listed above will be used to supplement the working capital related to the principal business of the Company in accordance with relevant requirements of CSRC and The Shanghai Stock Exchange ("SSE") and subject to the approval of the Board and the Shareholders' meeting. The Company will disclose relevant updates in due course.
 - (2) The unaudited amount that has been utilized for the six months ended 30 June 2020 included the amount which is used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period.
 - (3) The Company confirms that the use of proceeds from the issue of A share conforms to the disclosure of the circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A share in strict accordance with the relevant regulations. The remaining amount of proceeds to be invested is expected to be utilised by 31 December 2023. The expected timeline for the remaining amount of proceeds to be invested is subject to future adjustments if required, and the Company will comply with relevant interanal approval procedures and disclousre obligations in due course.
3. *The impacts of changes in shares on financial indicators such as earnings per share and net asset per share from the end of the Reporting Period to the disclosure date of the interim report (if any)*

Not applicable.
 4. *Other discloseable contents that the Company deems necessary or the securities regulators require disclosing*

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

(III) Changes in trade-restricted shares

Name of shareholder	Number of trade-restricted shares held at the beginning of the period	Number of shares released from restriction for the period	Number of new trade-restricted shares for the period	Number of trade-restricted shares at the end of the period	Reason for trading restriction	Date of release from trading restriction
China New Enterprise Investment Fund II	0	0	156,892,912	156,892,912	subject to trading restriction under the initial public offering	18 June 2023
Shanghai Pharmaceuticals	0	0	139,578,560	139,578,560	subject to trading restriction under the initial public offering	18 June 2023
Yang Zong Meng	0	0	80,000,000	80,000,000	subject to trading restriction under the initial public offering	18 June 2023
Wang Hai Bo	0	0	57,886,430	57,886,430	subject to trading restriction under the initial public offering	18 June 2023
Shanghai Fudan Asset Management Co., Ltd.	0	0	30,636,286	30,636,286	subject to trading restriction under the initial public offering	18 June 2021
Shanghai Zhiyuan Investment Center LP	0	0	26,160,000	26,160,000	subject to trading restriction under the initial public offering	18 June 2021
Su Yong	0	0	22,312,860	22,312,860	subject to trading restriction under the initial public offering	18 June 2021
Zhao Da Jun	0	0	19,260,710	19,260,710	subject to trading restriction under the initial public offering	18 June 2021
Shanghai Dayuan Investment Center LP	0	0	15,900,000	15,900,000	subject to trading restriction under the initial public offering	18 June 2021
Shanghai Chengyuan Investment Center LP	0	0	12,470,000	12,470,000	subject to trading restriction under the initial public offering	18 June 2021
Haitong Assets Management Huixiang FDZJ Employee Strategic Allotment Collective Assets Management Plan	0	0	11,934,962	11,934,962	subject to trading restriction under the strategic allotment of the initial public offering	18 June 2021
Li Jun	0	0	7,215,260	7,215,260	subject to trading restriction under the initial public offering	18 June 2021
Zhejiang Hisun Pharmaceutical Co., Ltd	0	0	7,000,000	7,000,000	subject to trading restriction under the strategic allotment of the initial public offering	18 June 2021
Shanghai Pudong Technology Investment Co., Ltd.	0	0	6,562,382	6,562,382	subject to trading restriction under the initial public offering	18 June 2021
Haitong Innovation Securities Investment Co., Ltd	0	0	4,800,000	4,800,000	Initial public offering of restricted for shares strategic allotment	18 June 2022
Fang Jing	0	0	5,654,600	5,654,600	subject to trading restriction under the initial public offering	18 June 2021
Zhang Man Juan	0	0	870,000	870,000	subject to trading restriction under the initial public offering	18 June 2021
Zhou Ming	0	0	800,000	800,000	subject to trading restriction under the initial public offering	18 June 2021
Lu Rong	0	0	800,000	800,000	subject to trading restriction under the initial public offering	18 June 2021
Offline restricted shares	0	0	5,205,513	5,205,513	subject to trading restriction under the offline allotment of the initial public offering	18 December 2020
Total	0	0	611,940,475	611,940,475		

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period (account)	38,363
Total number of preference shareholders with restored voting rights as at the end of the reporting period (account)	Not applicable

As at the end of the Reporting Period, the Company had 38,363 Shareholders, including 38,228 A Share Shareholders and 135 registered H Share Shareholders.

Number of depositary receipt holders

Not applicable.

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

Unit: Share

Name of shareholder (full name)	Change of shareholding during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Shareholdings of the top 10 Shareholders		Shares pledged or frozen Status of shares	Number of shares	Nature of shareholders
				Number of trade- restricted shares held	Number of restricted shares including shares lent by refinancing			
HKSCC NOMINEES LIMITED ^{Note 1}	101,000	268,797,900	25.77	0	Unknown	Unknown	Unknown	Overseas legal person
Shanghai Pharmaceuticals ^{Note 1}	0	210,142,560	20.15	139,578,560	139,578,560	Nil	0	Domestic non-state-owned legal person
China New Enterprise Investment Fund II	0	156,892,912	15.04	156,892,912	156,892,912	Nil	0	Other
Yang Zong Meng	0	80,000,000	7.67	80,000,000	80,000,000	Nil	0	Domestic natural person
Wang Hai Bo	0	57,886,430	5.55	57,886,430	57,886,430	Nil	0	Domestic natural person
Shanghai Fudan Asset Management Co., Ltd.	0	30,636,286	2.94	30,636,286	30,636,286	Nil	0	Domestic non-state-owned legal person
Investco Hong Kong Limited ^{Note 1}	0	27,313,000	2.62	0	Unknown	Unknown	Unknown	Overseas legal person
Shanghai Zhiyuan Investment Center LP	0	26,160,000	2.51	26,160,000	26,160,000	Nil	0	Other
Su Yong	0	22,312,860	2.14	22,312,860	22,312,860	Nil	0	Domestic natural person
Zhao Da Jun	0	19,260,710	1.85	19,260,710	19,260,710	Nil	0	Domestic natural person

Changes in Ordinary Shares and Particulars of Shareholders

Shareholdings of the top 10 Shareholders without trade restrictions

Name of shareholder	Number of shares without trade restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <i>Note 1</i>	268,797,900	Overseas listed foreign shares	339,361,900
Shanghai Pharmaceuticals <i>Note 1</i>	70,564,000	Overseas listed foreign shares	70,564,000
Investco Hong Kong Limited <i>Note 1</i>	27,313,000	Overseas listed foreign shares	27,313,000
Li Ning	2,371,404	RMB ordinary shares	2,371,404
Haitong Securities Co., Ltd	923,557	RMB ordinary shares	923,557
Fu Hua	530,000	RMB ordinary shares	530,000
Henan Yiluo Investment Management Co., Ltd.-Huazhong No.3 Yiluo private equity investment fund	500,008	RMB ordinary shares	500,008
Xia Guo Qing	418,183	RMB ordinary shares	418,183
Dai Jian Ting	336,130	RMB ordinary shares	336,130
Zou Rong	320,000	RMB ordinary shares	320,000
Note on the related relations or concerted actions of the above shareholders	Shanghai Zhiyuan Investment Center LP, Shanghai Dayuan Investment Center LP, and Shanghai Chengyuan Investment Center LP are employee stock holding platforms of the Company. The Company is not aware whether the other Shareholders have related party relationship or acting-in-concert arrangement.		
Note on the preference shareholders with voting rights restored and number of shares held	Not applicable.		

Note 1: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shagnhai Pharmaceuticals and 27,313,000 H Shares held by Investco Hong Kong Limited. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;

Changes in Ordinary Shares and Particulars of Shareholders

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

Unit: share

No.	Name of shareholders holding trade-restricted shares	Number of trade-restricted shares	The listing and trading of trade-restricted shares		Trading restrictions
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	China New Enterprise Investment Fund II	156,892,912	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
2	Shanghai Pharmaceuticals	139,578,560	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
3	Yang Zong Meng	80,000,000	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
4	Wang Hai Bo	57,886,430	2023-06-19	0	36 months from the date when the Company's shares are listed at the SSE
5	Shanghai Fudan Asset Management Co., Ltd.	30,636,286	2021-06-19	0	12 months from the date when the Company's shares are listed at the SSE
6	Shanghai Zhiyuan Investment Center LP	26,160,000	2021-06-19	0	12 months from the date when the Company's shares are listed at the SSE
7	Su Yong	22,312,860	2021-06-19	0	12 months from the date when the Company's shares are listed at the SSE
8	Zhao Da Jun	19,260,710	2021-06-19	0	12 months from the date when the Company's shares are listed at the SSE
9	Shanghai Dayuan Investment Center LP	15,900,000	2021-06-19	0	12 months from the date when the Company's shares are listed at the SSE
10	Shanghai Chengyuan Investment Center LP	12,470,000	2021-06-19	0	12 months from the date when the Company's shares are listed at the SSE
Note on related relations or concerted actions of the above shareholders		Shanghai Zhiyuan Investment Center LP, Shanghai Dayuan Investment Center LP, and Shanghai Chengyuan Investment Center LP are employee stock holding platforms of the Company. The Company is not aware whether the other shareholders have related party relationship or acting-in-concert arrangement.			

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

Not applicable.

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

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

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

Not applicable.

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

Not applicable.

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

So far as the Directors are aware, as at 30 June 2020, the persons other than a Director, Supervisor or chief executive of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares H Shares	139,578,560 (L) 70,564,000 (L)	Interest of controlled corporation	Corporate	19.85% 20.75%	20.15%
Shanghai Pharmaceuticals	A Shares H Shares	139,578,560 (L) 70,564,000 (L)	Beneficial owner	Corporate	19.85% 20.75%	20.15%
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.32%	15.04%
Yang Zong Meng	A Shares	80,000,000 (L)	Beneficial owner	Personal	11.38%	7.67%
Invesco Hong Kong Limited	H Shares	27,313,000 (L)	Investment manager	Corporate	8.03%	2.62%

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

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Not applicable.

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

Not applicable.

V. SHARES WITH SPECIAL VOTING RIGHTS

Not applicable.

Particulars of Preference Shares

Not applicable

Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING

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

As approved at the Board meeting held on 26 April 2019 and the extraordinary general meeting held on 21 June 2019 by the Company, in accordance with the Company Law, the Implementation Measures for Issue and Underwriting of Shares on the Sci-Tech Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票發行與承銷實施辦法》), the Guidelines for Issue and Underwriting of Shares on the Sci-Tech Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票發行與承銷業務指引》) and the provisions of other relevant laws, regulations and regulatory documents, and the Articles of association of the Company ("Articles of Association"), the Company formulated the strategic allotment plan ("Strategic Allotment Plan"). The participants of the Strategic Allotment Plan shall be the senior management and core employees of the Company, who may participate in a special assets management plan ("Special Assets Management Plan") under the issue of A Shares to subscribe for the approved number of A Shares upon the consideration and approval by the Board meeting and/or the general meeting of the Company. The details of the participation in the Strategic Allotment Plan are as follows. For more details, please refer to the announcements of the Company dated 26 April 2019, 21 June 2019 and 9 June 2020, and the circulars of the Company dated 6 June 2019.

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

Name	Position	Number of shares indirectly held (shares '0,000)
Wang Hai Bo	Executive Director	99.42
Su Yong	Executive Director	79.61
Zhao Da Jun	Executive Director	79.61
Shen Bo	Non-executive Director	0
Yu Xiao Yang	Non-executive Director	0
Zhou Zhong Hui	Independent Non-executive Director	0
Lam Yiu Kin	Independent Non-executive Director	0
Xu Qing	Independent Non-executive Director	0
Yang Chun Bao	Independent Non-executive Director	0
Tang Yu Kuan	Shareholder Representative Supervisor	0
Zhou Xi	Shareholder Representative Supervisor (Resigned)	0
Liu Xiao Long	Independent Supervisor	0
Huang Jian	Independent Supervisor	0
Wang Luo Chun	Employee Representative Supervisor	29.84
Yu Dai Qing	Employee Representative Supervisor	23.87
Li June	Senior Management	59.67
Yang Xiao Lin	Senior Management	59.67
Gan Yi Min	Senior Management	59.67
Xue Yan	Senior Management	59.67
Zhang Wen Bo	Core Technicians	45.71
Tao Ji Ning	Core Technicians	21.84
Jiang Jian Ping	Core Technicians	42.73
Shen Yi Jun	Core Technicians	17.90

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

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

Not applicable.

Directors, Supervisors and Senior Management

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position held	Information on the change
Wang Hai Bo	Executive Director, the Chairman of the Board	Elected
Su Yong	Executive Director	Elected
Zhao Da Jun	Executive Director	Elected
Shen Bo	Non-Executive Director	Elected
Yu Xiao Yang	Non-Executive Director	Elected
Zhou Zhong Hui	Independent Non-Executive Director	Elected
Lam Yiu Kin	Independent Non-Executive Director	Elected
Xu Qing	Independent Non-Executive Director	Elected
Yang Chun Bao	Independent Non-Executive Director	Elected
Tang Yu Kuan	Shareholder Representative Supervisor, the Chairman of the Supervisory Committee	Elected
Liu Xiao Long	Independent Supervisor	Elected
Huang Jian	Independent Supervisor	Elected
Wang Luo Chun	Employee Representative Supervisor	Elected
Yu Dai Qing	Employee Representative Supervisor	Elected
Zhou Xi	Shareholder Representative Supervisor, the Chairman of the Supervisory Committee	Resigned
Wang Hai Bo	General Manager	Appointed
Su Yong	Vice General Manager	Appointed
Zhao Da Jun	Vice General Manager	Appointed
Li June	Vice General Manager	Appointed
Yang Xiao Lin	Vice General Manager	Appointed
Gan Yi Min	Vice General Manager	Appointed
Xue Yan	Secretary to the Board/Company Secretary, Chief financial officer	Appointed

Information on changes in Directors, Supervisors and Senior Management of the Company :

As approved by the Shareholders at the annual general meeting held on 30 March 2020, the term of the seventh session of the Board and the Supervisory Committee shall become effective from the date of being elected at the annual general meeting, until the conclusion of the annual general meeting of the Company in 2023 (except for re-election).

Directors, Supervisors and Senior Management

III. OTHER EXPLANATIONS

(I) Directors', supervisors' and chief executive's interests in shares of the company

As at 30 June 2020, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the "Model Code") were as follows:

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

Note:

1. The letter "L" stands for long position;
2. The number of shares held by the Directors and Supervisors in above table included the approximate number of shares calculated based on their respective interests in the Special Assets Management Plan (around 994,200 A Shares, 796,100 A Shares, 796,100 A Shares, 238,700 A Shares and 298,400 A Share being allotted to Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun, Mr. Wang Luo Chun and Ms. Yu Dai Qing, respectively). For more details, please refer to the announcements of the Company dated 26 April 2019, 21 June 2019 and 9 June 2020, and the circular of the Company dated 6 June 2019.

(II) Directors' and Supervisor's securities transactions

The amended "Code of transactions in the Company's securities", which was passed on 11 August 2009 by the Board meeting of the Company, has terms no less strict than the required standard of dealings set out in the Model Code. Directors and relevant employees shall comply with this code. A copy of the code is sent to each Director upon his appointment and thereafter, a notification not to deal in the securities of the Company until after the half-year results have been published would be sent to the Directors 60 days immediately preceding the date of the Board meeting in which the annual results will be approved or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and 30 days immediately preceding the date of the Board meeting in which the half-year results will be approved half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Under this code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the delegated directors and receive a dated written acknowledgement before any dealing.

Supervisors' securities transactions should comply with the code for the Directors. All the relevant employees, if any, having any price-sensitive information of the Group which is not yet disclosed should also comply with the code for the Directors.

For the six months ended 30 June 2020, all Directors, Supervisors and relevant employees have complied with the relevant requirements. The previous year has not found the Directors, the Supervisors and the relevant employees violating the above regulations.

Directors, Supervisors and Senior Management

(III) Corporate governance

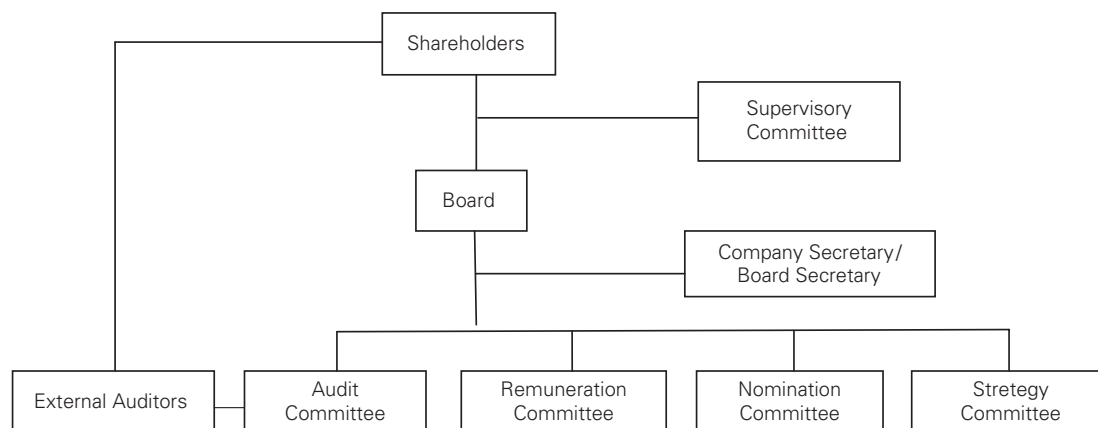
1. Audit committee

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

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group’s unaudited interim results for the six months ended 30 June 2020 before proposing to the Board for approval.

2. Corporate governance practice

The Company’s corporate governance structure is as follows:



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

- Articles of Association;
- Rules of Procedure for the Audit Committee;
- Rules of Procedure for the Remuneration Committee;
- Rules of Procedure for Nomination Committee;
- Rules of Procedure for the Strategy Committee;
- Principles regarding transactions in the Company’s securities;
- Regulations for information disclosure;

Directors, Supervisors and Senior Management

- h) Regulations for internal control management;
- i) Daily management documents of the Company.

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

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

- The positions of the chairman and the general manager rest on the same person. Although the Articles of Association contains specific requirements on the responsibilities of the chairman and the general manager (chief executive), such being the responsibilities of managing the operation of the Board and managing the daily operation of the Company, respectively, the two positions are still taken by one person. Considering that the scale of the Company is relatively small with its businesses mainly focused in the areas of research, production and sales of innovative drugs, and for the sake of management efficiency, the Board takes the view that the positions of chairman and chief executive being taken by one person is beneficial for the Company’s development at the present stage. Along with the development of the Company, the Board will consider to segregate duties of the chairman and the chief executive.

3. *Employees and salaries*

As at 30 June 2020, the Group had a total of 618 employees, as compared to 584 employees as at 30 June 2019. Staff costs including Directors’ remuneration for the six months ended 30 June 2020 were approximately RMB46,141,106, compared with approximately RMB64,723,009 for the same period in 2019. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group’s salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group.

4. *Purchase, sale or redemption of listed securities*

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

Particulars of Corporate Bonds

Not applicable.

Consolidated Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	<i>Note</i>	30 June 2020 Consolidated	31 December 2019 Consolidated
Current assets			
Cash at bank and on hand	5(1)	1,529,302,256	576,799,410
Notes receivables	5(2)	76,219,386	127,592,684
Accounts receivables	5(3) 、9(6)	294,647,710	377,006,911
Advances to suppliers	5(4)	10,743,785	16,411,027
Other receivables	5(5)	8,880,898	8,250,226
Inventories	5(6)	41,209,929	31,869,051
Other current assets	5(7)	252,773	310,035
Total current assets		<u>1,961,256,737</u>	<u>1,138,239,344</u>
Non-current assets			
Other equity instruments	5(8)	—	—
Long-term equity investments	5(9)	61,438,432	28,078,902
Fixed assets	5(10)	233,249,055	254,359,522
Construction in progress	5(11)	268,000	329,602
Right-of-use assets	5(12)	4,911,023	5,517,981
Intangible assets	5(13)	57,404,549	60,460,278
Development costs	5(13)	17,501,033	14,970,803
Goodwill	5(14)	—	—
Long-term prepaid expenses	5(15)	1,852,195	2,414,319
Deferred tax assets	5(16)	59,452,127	58,181,130
Other non-current assets	5(17)	5,134,285	2,272,672
Total non-current assets		<u>441,210,699</u>	<u>426,585,209</u>
TOTAL ASSETS		<u>2,402,467,436</u>	<u>1,564,824,553</u>

Consolidated Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	<i>Note</i>	30 June 2020 Consolidated	31 December 2019 Consolidated
Current liabilities			
Short-term borrowings	5(19)	160,000,000	148,942,573
Accounts payables	5(20)	5,355,544	6,827,902
Contract liabilities	5(21) 、9(6)	4,388,337	2,042,726
Employee benefits payable	5(22)	8,674,603	48,123,497
Taxes payable	5(23)	2,077,752	36,301,432
Other payables	5(24) 、9(6)	293,503,837	325,079,482
Current portion of non-current liabilities	5(25)	4,614,556	4,031,927
Total current liabilities		478,614,629	571,349,539
Non-current liabilities			
Lease liabilities	5(25)	788,051	2,121,534
Deferred income	5(26)	54,446,674	58,205,366
Total Non-current liabilities		55,234,725	60,326,900
Total liabilities		533,849,354	631,676,439
Owners' equity			
Share capital	5(27)	104,300,000	92,300,000
Capital surplus	5(28)	1,200,120,029	237,796,134
Other comprehensive income	5(29)	(13,898,864)	(13,950,235)
Surplus reserve	5(30)	46,150,000	46,150,000
Undistributed profits	5(31)	533,698,354	569,229,480
Total equity attributable to equity owners of the Company		1,870,369,519	931,525,379
Minority interests		(1,751,437)	1,622,735
Total owners' equity		1,868,618,082	933,148,114
TOTAL LIABILITIES AND OWNERS' EQUITY		2,402,467,436	1,564,824,553

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	<i>Note</i>	30 June 2020 Company	31 December 2019 Company
Current assets			
Cash at bank and on hand		1,477,274,854	524,036,350
Notes receivables	15(1)	76,219,386	127,592,684
Accounts receivables	15(2)	273,097,851	348,545,015
Advances to suppliers		9,903,939	16,297,676
Other receivables	15(3)	157,805,777	157,685,608
Inventories		26,272,152	21,272,140
Other current assets		7,518	–
Total current assets		<u>2,020,581,477</u>	<u>1,195,429,473</u>
Non-current assets			
Long-term equity investments	15(4)	312,773,135	285,677,396
Fixed assets		113,351,951	120,166,184
Construction in progress		–	329,602
Right-of-use assets	15(5)	3,712,011	5,517,981
Intangible assets		8,914,391	9,752,170
Long-term prepaid expenses		940,638	1,390,576
Deferred tax assets		68,078,897	67,197,900
Other non-current assets		4,316,289	2,120,672
Total non-current assets		<u>512,087,312</u>	<u>492,152,481</u>
TOTAL ASSETS		<u><u>2,532,668,789</u></u>	<u><u>1,687,581,954</u></u>

Company Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	<i>Note</i>	30 June 2020 Company	31 December 2019 Company
Current liabilities			
Short-term borrowings		160,000,000	148,942,573
Accounts payables		3,803,978	5,494,686
Contract liabilities		4,124,712	1,622,099
Employee benefits payable		7,975,201	44,442,590
Taxes payable		394,485	33,190,001
Other payables		285,931,268	313,542,721
Current portion of non-current liabilities	15(6)	4,203,595	4,031,927
Total current liabilities		466,433,239	551,266,597
Non-current liabilities			
Lease liabilities	15(6)	—	2,121,534
Deferred income		44,387,659	46,846,675
Total Non-current liabilities		44,387,659	48,968,209
Total liabilities		510,820,898	600,234,806
Owners' equity			
Share capital		104,300,000	92,300,000
Capital surplus		1,278,310,385	315,986,490
Surplus reserve		46,150,000	46,150,000
Undistributed profits		593,087,506	632,910,658
Total owners' equity		2,021,847,891	1,087,347,148
TOTAL LIABILITIES AND OWNERS' EQUITY		2,532,668,789	1,687,581,954

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Income Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2020 Consolidated	For the six months ended 30 June 2019 Consolidated
Revenue	5(32)	235,614,896	390,693,485
Less: Cost of sales	5(32) ∨ 5(38)	(17,970,463)	(37,078,195)
Taxes and surcharges	5(33)	(2,079,478)	(2,349,082)
Selling expenses	5(34) ∨ 5(38)	(117,516,961)	(192,126,259)
General and administrative expenses	5(35) ∨ 5(38)	(16,808,417)	(24,495,339)
Research and development expenses	5(36) ∨ 5(38)	(54,373,006)	(51,197,251)
Financial income/(expenses)	5(37)	112,416	(2,345,963)
Including: Interest expenses		(3,329,237)	(3,499,926)
Interest income		4,062,490	1,263,333
Add: Other income	5(39)	13,013,136	2,100,103
Investment income	5(40)	1,703,205	14,431,799
Including: Share of loss of associates and joint ventures		(2,640,470)	(544,818)
Credit impairment losses	5(41)	(17,644,101)	(1,795,818)
Asset impairment losses	5(42)	–	(2,080,480)
Gains on disposals of assets	5(43)	3,652,221	477,399
Operating profit		27,703,448	94,234,399
Add: Non-operating income	5(44)	648,131	30,651
Less: Non-operating expenses	5(45)	(354,857)	(853,205)
Total profit		27,996,722	93,411,845
Less: Income tax expenses	5(46)	1,368,126	(8,339,916)
Net profit		29,364,848	85,071,929
Classified by continuity of operations			
Net profit from continuing operations		29,364,848	85,071,929
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to equity owners of the Company		29,078,874	91,719,590
Minority interests		285,974	(6,647,661)

Consolidated Income Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2020 Consolidated	For the six months ended 30 June 2019 Consolidated
Other comprehensive income, net of tax			
Other comprehensive income that will not be reclassified to profit or loss			
Changes in the fair value of other equity investments		—	—
Other comprehensive income that will be reclassified to profit or loss			
Translation differences on translation of foreign currency financial statements		51,371	5,718
		51,371	5,718
Total comprehensive income for the half-year		29,416,219	85,077,647
Attributable to equity owners of the Company		29,130,245	91,725,308
Attributable to minority interests		285,974	(6,647,661)
		29,416,219	85,077,647
Earnings per share			
Basic and diluted earnings per share	5(47)	0.03	0.10

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Income Statement

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2020 Company	For the six months ended 30 June 2019 Company
Revenue	15(7)	215,074,259	355,725,477
Less: Cost of sales	15(7)	(15,962,876)	(23,626,898)
Taxes and surcharges		(896,466)	(1,080,885)
Selling expenses		(110,942,605)	(183,275,915)
General and administrative expenses		(12,193,712)	(10,423,035)
Research and development expenses		(51,625,880)	(51,004,956)
Financial income/(expenses)		8,366	(2,010,614)
Including: Interest expenses		(3,329,237)	(3,128,099)
Interest income		3,941,281	1,187,271
Add: Other income		9,925,384	378,240
Investment income	15(8)	7,509,402	11,106,480
Including: Share of loss of joint ventures		(504,261)	–
Credit impairment losses		(17,521,308)	(3,039,112)
Asset impairment losses		–	(9,600,000)
Gains on disposals of assets		315,735	477,399
Operating profit		23,690,299	83,626,181
Add: Non-operating income		410,084	25,450
Less: Non-operating expenses		(291,661)	(841,103)
Total profit		23,808,722	82,810,528
Less: Income tax expenses		978,126	(8,339,916)
Net profit		24,786,848	74,470,612
Classified by continuity of operations			
Net profit from continuing operations		24,786,848	74,470,612
Net profit from discontinued operations		–	–
Other comprehensive income, net of tax		–	–
Total comprehensive income for the half-year		24,786,848	74,470,612

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Cash Flow Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2020 Consolidated	For the six months ended 30 June 2019 Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		370,948,618	432,010,919
Cash received relating to other operating activities	5(48)(a)	15,918,428	17,280,740
Sub-total of cash inflows		386,867,046	449,291,659
Cash paid for goods and services		(176,955,920)	(166,731,041)
Cash paid to and on behalf of employees		(88,712,578)	(88,485,742)
Payments of taxes and surcharges		(36,782,419)	(53,646,677)
Cash paid relating to other operating activities	5(48)(b)	(23,597,084)	(39,765,948)
Sub-total of cash outflows		(326,048,001)	(348,629,408)
Net cash flows from operating activities	5(48)(f)	60,819,045	100,662,251
Cash flows from investing activities			
Net cash received from disposal of fixed assets		10,626,506	1,297,083
Net cash received from disposal of subsidiaries		–	3,269,840
Cash received relating to other investing activities	5(48)(c)	534,344,657	1,136,826,183
Sub-total of cash inflows		544,971,163	1,141,393,106
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(11,176,240)	(18,722,689)
Net cash paid to acquire joint venture		(36,000,000)	–
Cash paid relating to other investing activities	5(48)(d)	(530,000,000)	(1,130,000,000)
Sub-total of cash outflows		(577,176,240)	(1,148,722,689)
Net cash flows from investing activities		(32,205,077)	(7,329,583)

Consolidated Cash Flow Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

	Note	For the six months ended 30 June 2020 Consolidated	For the six months ended 30 June 2019 Consolidated
Cash flows from financing activities			
Cash received from capital contributions		996,190,000	—
Cash received from borrowings		51,057,427	42,625,000
Sub-total of cash inflows		1,047,247,427	42,625,000
Cash repayments of borrowings		(40,000,000)	(50,000,000)
Cash payments for distribution of dividends, profits or interest expenses		(67,831,620)	(2,936,741)
Cash payments relating to other financing activities	5(48)(e)	(15,578,300)	(181,860,998)
Sub-total of cash outflows		(123,409,920)	(234,797,739)
Net cash flows from financing activities		923,837,507	(192,172,739)
Effect of foreign exchange rate changes on cash and cash equivalents		51,371	5,718
Net increase/(decrease) in cash and cash equivalents	5(48)(g)	952,502,846	(98,834,353)
Add: Cash and cash equivalents at beginning of the half-year	5(48)(g)	576,799,410	588,221,416
Cash and cash equivalents at end of the half-year	5(48)(g)	1,529,302,256	489,387,063

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Cash Flow Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	For the six months ended 30 June 2020 Company	For the six months ended 30 June 2019 Company
<i>Note</i>		
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	339,955,186	392,621,010
Cash received relating to other operating activities	58,817,846	2,152,514
Sub-total of cash inflows	398,773,032	394,773,524
Cash paid for goods and services	(173,811,177)	(161,630,530)
Cash paid to and on behalf of employees	(77,217,076)	(76,390,111)
Payments of taxes and surcharges	(31,583,597)	(48,869,458)
Cash paid relating to other operating activities	(63,951,273)	(28,452,455)
Sub-total of cash outflows	(346,563,123)	(315,342,554)
Net cash flows from operating activities	52,209,909	79,430,970
Cash flows from investing activities		
Net cash received from disposal of fixed assets	196,892	1,118,779
Net cash received from disposal of subsidiaries	8,389,985	3,956,600
Cash received relating to other investing activities	538,023,678	1,140,501,137
Sub-total of cash inflows	546,610,555	1,145,576,516
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(7,080,595)	(11,294,772)
Net cash paid to acquire joint venture	(36,000,000)	—
Cash paid relating to other investing activities	(530,000,000)	(1,308,953,000)
Sub-total of cash outflows	(573,080,595)	(1,320,247,772)
Net cash flows from investing activities	(26,470,040)	(174,671,256)

Company Cash Flow Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	<i>Note</i>	For the six months ended 30 June 2020 Company	For the six months ended 30 June 2019 Company
Cash flows from financing activities			
Cash received from capital contributions		996,190,000	—
Cash received from borrowings		51,057,427	40,000,000
Sub-total of cash inflows		1,047,247,427	40,000,000
Cash repayments of borrowings		(40,000,000)	(50,000,000)
Cash payments for distribution of dividends, profits or interest expenses		(67,831,620)	(2,936,741)
Cash payments relating to other financing activities		(11,917,172)	(2,177,968)
Sub-total of cash outflows		(119,748,792)	(55,114,709)
Net cash flows from financing activities		927,498,635	(15,114,709)
Effect of foreign exchange rate changes on cash and cash equivalents		—	—
Net increase/(decrease) in cash and cash equivalents		953,238,504	(110,354,995)
Add: Cash and cash equivalents at beginning of the half-year		524,036,350	554,560,168
Cash and cash equivalents at end of the half-year		1,477,274,854	444,205,173

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Attributable to equity owners of the Company						Minority interests	Total owners' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits			
Balance at 1 January 2019	92,300,000	412,293,387	(14,006,416)	46,150,000	406,481,497	11,213,505		954,431,973
Movements for the six months ended 30 June 2019								
Total comprehensive income								
Net profit	-	-	-	-	91,719,590	(6,647,661)		85,071,929
Other comprehensive income	-	-	5,718	-	-	-		5,718
Capital contribution and withdrawal by owners								
Capital contribution by owners								
Profit distribution								
Profit distribution to equity owners	-	-	-	-	(64,610,000)	-		(64,610,000)
Others	-	-	-	-	-	615,865		615,865
Balance at 30 June 2019	<u>92,300,000</u>	<u>412,293,387</u>	<u>(14,000,698)</u>	<u>46,150,000</u>	<u>433,591,087</u>	<u>5,181,709</u>		<u>975,515,485</u>
Balance at 1 January 2020	<u>92,300,000</u>	<u>237,796,134</u>	<u>(13,950,235)</u>	<u>46,150,000</u>	<u>569,229,480</u>	<u>1,622,735</u>		<u>933,148,114</u>
Movements for the six months ended 30 June 2020								
Total comprehensive income								
Net profit	-	-	-	-	29,078,874	285,974		29,364,848
Other comprehensive income	-	-	51,371	-	-	-		51,371
Capital contribution and withdrawal by owners								
Capital contribution by owners	12,000,000	962,323,895	-	-	-	-		974,323,895
Profit distribution								
Profit distribution to equity owners	-	-	-	-	(64,610,000)	-		(64,610,000)
Others	-	-	-	-	-	(3,660,146)		(3,660,146)
Balance at 30 June 2020	<u>104,300,000</u>	<u>1,200,120,029</u>	<u>(13,898,864)</u>	<u>46,150,000</u>	<u>533,698,354</u>	<u>(1,751,437)</u>		<u>1,868,618,082</u>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Statement of Changes in Owners' Equity

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2019	<u>92,300,000</u>	<u>315,986,490</u>	<u>46,150,000</u>	<u>522,005,897</u>	<u>976,442,387</u>
Movements for the six months ended 30 June 2019					
Total comprehensive income					
Net profit	–	–	–	74,470,612	74,470,612
Profit distribution					
Profit distribution to equity owners	–	–	–	(64,610,000)	(64,610,000)
Balance at 30 June 2019	<u>92,300,000</u>	<u>315,986,490</u>	<u>46,150,000</u>	<u>531,866,509</u>	<u>986,302,999</u>
Balance at 1 January 2020	<u>92,300,000</u>	<u>315,986,490</u>	<u>46,150,000</u>	<u>632,910,658</u>	<u>1,087,347,148</u>
Movements for the six months ended 30 June 2020					
Total comprehensive income					
Net profit	–	–	–	24,786,848	24,786,848
Capital contribution and withdrawal by owners					
Capital contribution by owners	12,000,000	962,323,895	–	–	974,323,895
Profit distribution					
Profit distribution to equity owners	–	–	–	(64,610,000)	(64,610,000)
Balance at 30 June 2020	<u>104,300,000</u>	<u>1,278,310,385</u>	<u>46,150,000</u>	<u>593,087,506</u>	<u>2,021,847,891</u>

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

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

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000 and 12 September 2000 from the existing or the then shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB 5,295,000 to RMB 53,000,000.

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

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

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

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

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 Domestic Shares as restricted shares to directors, senior management, mid-level management and key research staff of the Group on 24 June 2013 and 21 October 2013 at a price of RMB 0.51 with a par value of RMB 0.10 each. Upon completion of the grants, the share capital of the Company was increased to RMB 92,300,000.

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

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

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

Subsidiaries comprised in the consolidated financial statements as of 30 June 2020 are set out in Note 7.

These financial statements are authorised for issue by the Board of Directors of the Company on 25 August 2020.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position of the Company as at 30 June 2020 and of their financial performance, cash flows and other information for the six months then ended.

(3) Accounting year

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

(4) Recording currency

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

(5) Preparation of consolidated financial statements

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Cash and cash equivalents

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

(7) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(8) Financial instruments

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

(a) Financial asset

(i) Classification and measurement

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

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

Debt instruments

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(i) Classification and measurement (continued)

Debt instruments (continued)

Amortised cost

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

Fair value through OCI

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

Fair value through profit or loss

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

Equity instruments

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

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

(ii) Impairment

On the basis of expected credit losses, the Group recognises impairment of financial assets at amortised cost, debt instrument investments, contract assets, lease receivables and financial guarantee contracts at fair value through OCI and other financial assets.

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(ii) Impairment (continued)

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

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

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

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

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

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

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

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

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

The Group recognizes provision for losses or reversal of losses in profit or loss for the current period. For debt instruments at fair value through OCI, the Group recognizes impairment losses or gains into profit or loss for the current period and adjusts OCI in the meanwhile.

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(iii) De-recognition

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

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

(b) Financial liability

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

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

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

(c) Determination of fair value of financial instruments

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

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Inventories (continued)

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

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

(d) The Group adopts the perpetual inventory system.

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

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

(10) Long-term equity investments

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

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

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

(a) *Determination of investment cost*

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Long-term equity investments (continued)

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation method of fixed assets

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

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

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

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

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

(d) Disposal of fixed assets

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

(12) Construction in progress

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets

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

(a) Land use rights

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

(b) Proprietary technology

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

(c) Research and development technology

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

(d) License

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

(e) Software

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

(f) Periodical review of useful life and amortisation method

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets (continued)

(g) Research and development

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

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

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

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

(h) Impairment of intangible assets

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

(14) Long-term prepaid expenses

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

(15) Impairment of long-term assets

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

(16) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

Basic pensions

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

(17) Profit distribution

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

(18) Revenue

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Revenue (continued)

(a) Sales of goods

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

(b) Technology transfer

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

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

(c) Cooperative development, technical services and labor services

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

(19) Government grants

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

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

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

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

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

(20) Deferred income

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(21) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(22) Lease

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

The Group as the lessee

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(23) Segment information

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

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

(24) Critical accounting estimates and judgements

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

(a) Critical accounting judgements

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Development costs

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

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

(ii) Government grants

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

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

(b) Critical accounting estimates and key assumptions

(i) Useful life of fixed assets

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(24) Critical accounting estimates and judgements (continued)

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

(ii) Impairment of receivables

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

(iii) Fair value of other equity instruments

The management of the Group uses valuation techniques to estimate the fair value of other equity instruments that are not traded in an active market. Management uses judgement to select simulated liquidation valuation models and assumptions to evaluate the fair value of other equity instruments at the end of the reporting period.

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

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

(v) Income tax and deferred income tax assets

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

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

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	15%, 16.5% and 25%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	16%, 13%, 6% and 3%
City maintenance and construction tax	The payment amount of VAT and business tax paid	7% and 1%

- (a) In 2017, the Company obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR201731000222), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company for the six months ended 30 June 2020 was 15%.

In 2019, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the *Certificate of the High and New Technological Enterprise* (Certificate No. GR201931000691), with a term of validity of three years from 2019 to 2021, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation; Under Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the income tax rate applicable to Tracing Biotechnology for the six months ended 30 June 2020 was 15% (for the six months ended 30 June 2019: 15%); Shanghai Tracing Bio-technology had no taxable income for the six months ended 30 June 2020, thus no income tax expense was accrued.

In 2018, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") was granted the *Certificate of the High and New Technological Enterprise* (Certificate No. GR201832004505) by Science and Technology Department of Jiangsu Province, Finance Department of Jiangsu Province and State Tax Bureau of Jiangsu Province. The certificate is valid for three years. Under Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the income tax rate applicable to Taizhou Pharmaceutical for the six months ended 30 June 2020 was 15% (for the six months ended 30 June 2019: 15%). For the six months ended 30 June 2019 and 2020, Taizhou Pharmaceutical had no taxable income, thus no income tax expense was accrued.

Fernovelty (Hong Kong) Holding Co., Limited (Fernovelty Holding), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rate, where applicable tax rate for taxable profits within HKD 2,000,000 is 8.25% while that for taxable profits in excess of HKD 2,000,000 is 16.5%. For the six months ended 30 June 2019 and 2020, Fernovelty Holding had no taxable income, thus no income tax expense was accrued.

For the six months ended 30 June 2020, the enterprise income tax rate applicable to the other subsidiaries in the company was 25%.

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (continued)

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

Pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on Extending the Loss Carryforward Period for High and New Technology Enterprises and Small and Medium-Sized Technological Enterprises* (Cai Shui [2018] No. 76) and relevant regulations, since 1 January 2018, high and new technology enterprises or small and medium-sized technological enterprises identified in current year are allowed to carry forward the tax losses incurred and not offset in the preceding five years to subsequent years. The longest carryforward period is extended from 5 years to 10 years. Tracing Biotechnology and Taizhou Pharmaceutical, subsidiaries of the Company, completed the income tax filing of 2018 in May 2019 and are allowed by the State Administration of Taxation to extend their carryforward periods for the tax losses incurred and not offset to 10 years.

- (b) Pursuant to the Circular on *Adjustment of Tax Rate of Value-added Tax* (Cai Shui [2018] No. 32) and relevant regulations, jointly issued by the Ministry of Finance and the State Administration of Taxation and relevant regulations, the Group's applicable tax rate of revenue arising from sales of drugs is 16% from 1 May 2018, while it was 17% before then. Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement No. 39 [2019], by MOF, STA, and GACC) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, from 1 April 2019, the Group's applicable tax rate of revenue from sales of drugs is 13%.

Pursuant to the *Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the State Drug Administration on the Value-Added Tax Policies for Anti-Cancer Drugs* (Cai Shui [2018] No. 47) and relevant regulations, from 1 May 2018, companies are allowed to elect to apply simple taxation method for VAT for revenue arising from production, sales, wholesale and retail of anti-cancer drugs. The applicable rate is 3% while it was 17% before then.

Pursuant to the *Announcement on Relevant Policies for Deepening the Value-added Tax Reform* (Cai Shui Haiguan [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs and the *Announcement on the Additional Deduction Policies of Value-added Tax for Consumer Service Industry* (Cai Shui [2019] 87) jointly issued by the Ministry of Finance and the State Administration of Taxation, the Group's subsidiary Shanghai Baosu Pharmaceutical Technology Co., Ltd. ("Baosu Pharmaceutical"), as a consumer service company, qualifies for additional 10% deduction and 15% deduction of input VAT from output VAT from 1 April 2019 to 30 September 2019 and from 1 October 2019 to 31 December 2021 respectively.

4 SUBSIDIARIES

See Note 7 for details.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS

(1) Cash at bank and on hand

	30 June 2020	31 December 2019
Cash on hand	12,038	15,333
Cash at bank	1,529,290,218	576,784,077
Including: cash at bank and on hand overseas	3,519,934	3,469,264
	<u>1,529,302,256</u>	<u>576,799,410</u>

As at 30 June 2020 and 31 December 2019, no cash at bank was restricted.

(2) Notes receivables

	30 June 2020	31 December 2019
Bank acceptance notes	76,219,386	127,592,684
Less: Provision for bad debts	—	—
	<u>76,219,386</u>	<u>127,592,684</u>

(a) As at 30 June 2020 and 31 December 2019, the above-mentioned notes of the Group were not subject to collateral or pledge.

(b) As at 30 June 2020 and 31 December 2019, the Group's notes receivables endorsed or discounted but not yet due are as follows:

	30 June 2020		31 Dec 2019	
	De- recognized	Not de- recognized	De- recognized	Not de- recognized
Bank acceptance notes i)	<u>1,702,154</u>	<u>—</u>	<u>3,256,902</u>	<u>—</u>

i) For the six months ended 30 June 2020, since endorsements or discount transactions that meet the conditions for derecognition occur by accident and the amount is not significant, the Group measures at amortized cost.

(c) Provision for bad debts

The Group's notes receivables are generated from daily business activities such as the sale of goods and the provision of labor services. Regardless of whether there is a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime. As at 30 June 2020 and 31 December 2019, the Group considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables

	30 June 2020	31 December 2019
Accounts receivables	315,386,295	380,187,531
Less: Provision for bad debts	(20,738,585)	(3,180,620)
	294,647,710	377,006,911

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

As at 30 June 2020 and 31 December 2019, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's accounts receivables.

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

	30 June 2020	31 December 2019
Within 1 year	315,179,695	379,998,095
1-2 years	130,000	26,700
2-3 years	–	78,425
Above 3 years	76,600	84,311
	315,386,295	380,187,531

(b) As at 30 June 2020, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	162,109,324	(4,129,960)	51.40%

(c) Provision for bad debts

	31 December 2019	Change amount in the period			30 June 2020
		Accrual	Reversal	Write-off	
Provision for bad debts of accounts receivables	(3,180,620)	(17,644,101)	–	86,136	(20,738,585)

As at 30 June 2020, for the accounts receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2020 and 31 December 2019, the Group did not make provision for bad debts for individual accounts receivables.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2020, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	30 June 2020		
	Accounts Balance	Provision for bad debts	
	Amount	Life expectancy Credit loss rate	Amount
Not overdue	188,117,820	—	—
Overdue within 120 days	27,460,667	1.43%	(391,597)
Overdue 120 days to 1 year	99,601,208	20.22%	(20,140,388)
Overdue 1-2 years	130,000	100.00%	(130,000)
Overdue more than 3 years	76,600	100.00%	(76,600)
	315,386,295		(20,738,585)

(iii) As at 31 December 2019, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	31 December 2019		
	Accounts Balance	Provision for bad debts	
	Amount	Life expectancy Credit loss rate	Amount
Not overdue	325,207,505	—	—
Overdue within 120 days	40,721,327	0.44%	(177,332)
Overdue 120 days to 1 year	14,069,263	20.00%	(2,813,852)
Overdue 1-2 years	26,700	100.00%	(26,700)
Overdue 2-3 years	78,425	100.00%	(78,425)
Overdue more than 3 years	84,311	100.00%	(84,311)
	380,187,531		(3,180,620)

(d) As at 30 June 2020, the book value of accounts receivables written off was RMB 86,136, and the amount of bad debt provision was RMB 86,136.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(4) Advances to suppliers

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

	30 June 2020		31 Dec 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	10,209,496	95.03%	16,411,027	100.00%
1-2 years	534,289	4.97%	–	0.00%
	10,743,785	100.00%	16,411,027	100.00%

As at 30 June 2020 and 31 December 2019, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's advances to suppliers.

(b) As at 30 June 2020, the top five advances to suppliers based on the balance of the debtors are summarized and analyzed as follows:

	Amount	% of total balance
Total top five advances to suppliers	5,843,440	54.39%

(5) Other receivables

	30 June 2020	31 December 2019
Equity transfer receivables	6,339,800	6,339,800
Deposit receivables	1,413,985	1,413,486
Receivables from employees	270,958	182,608
Guarantee Receivables	41,380	41,380
others	814,775	272,952
	8,880,898	8,250,226
Less : Provision for bad debts	–	–
	8,880,898	8,250,226

As at 30 June 2020 and 31 December 2019, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's Other receivables.

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

	30 June 2020	31 December 2019
Within 1 year	1,078,618	6,759,727
1-2 years	6,465,946	69,075
2-3 years	28,210	1,310,194
Above 3 years	1,308,124	111,230
	8,880,898	8,250,226

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For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

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

(i) As at 30 June 2020, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12 - month expected credit loss rate	Provision for bad debts
Combined accrual:		-	-
Equity transfer receivables	6,339,800	-	-
Deposit and guarantee	1,455,365	-	-
Receivables from employees	270,958	-	-
Others	814,775	-	-
	<u>8,880,898</u>		<u>-</u>

As at 30 June 2020, the Group has no other receivables in the second and third phases.

(c) Provision for bad debt

	31 December 2019	Change amount in the period			30 June 2020
		Accrual	Reversal	Write-off	
Provision for bad debts of other receivables	-	-	-	-	-

(d) As at 30 June 2020, the top five other receivables based on the balance of the debtors are summarized and analyzed as follows:

	Nature	Balance	Aging	% of total amount	Provision for bad debts
Company1	Equity transfer receivables	6,339,800	1-2 years	71.39%	-
Company2	Deposit receivables	1,267,464	3 years above	14.27%	-
Company3	Disposal of equipment	187,000	within 1 year	2.11%	-
Company4	Disposal of equipment	155,000	within 1 year	1.75%	-
Company5	Guarantee Receivables	<u>31,000</u>	1-2 years	<u>0.35%</u>	<u>-</u>
		<u>7,980,264</u>		<u>89.86%</u>	<u>-</u>

Notes to the Financial Statements

For the six months ended 30 June 2020
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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(6) Inventories

(a) The inventory is classified as follows:

	30 June 2020			31 December 2019		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	13,142,727	(1,047,362)	12,095,365	14,757,338	(1,047,362)	13,709,976
Work in progress	8,470,359	–	8,470,359	8,154,274	–	8,154,274
Finished goods	22,495,425	(2,384,015)	20,111,410	11,891,798	(2,490,876)	9,400,922
Turnover materials	532,795	–	532,795	603,879	–	603,879
	44,641,306	(3,431,377)	41,209,929	35,407,289	(3,538,238)	31,869,051

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

	31 December 2019	Accrual	Reversal	30 June 2020
Raw materials	(1,047,362)	–	–	(1,047,362)
Finished goods	(2,490,876)	–	106,861	(2,384,015)
	(3,538,238)	–	106,861	(3,431,377)

(7) Other current assets

	30 June 2020	31 December 2019
VAT-in to be deducted	252,773	310,035

(8) Other equity instruments

	30 June 2020	31 December 2019
Equity instruments	–	–
Unlisted equity investment	–	–
	30 June 2020	31 December 2019
Adgero		
– Cost	13,774,800	13,774,800
– Cumulative fair value change	(13,774,800)	(13,774,800)
	–	–

Adgero is a drug research and development enterprise. As at 30 June 2020, the company was still in the research and development stage and had not generated any revenue. During the year ended 31 December 2018, the founder and CEO of Adgero who also leads the major development and research projects resigned from Adgero due to health reason, and limited progress has been reached for the research and development projects, the management of the Group thereby considered the success of the development and research project of Adgero contains significant uncertainty and involved valuation institute to evaluate the fair value of the investment in Adgero in prior years. According to the valuation report, the fair value of Adgero was regarded as zero as at 31 December 2018, using a simulated liquidation model. The management of the Group accordingly adjusted down the investment in Adgero to zero. As at 31 December 2019 and 30 June 2020, the operation as well as R&D project progress are basically stagnant. Accordingly, the fair value of the equity instruments held by the Company for Adgero is still zero.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(9) Long-term equity investments

	30 June 2020	31 December 2019
Joint ventures(Note 7(2))	58,746,935	23,251,196
Associates(Note 7(2))	3,024,253	5,160,462
	61,771,188	28,411,658
Less: Provision for impairment of long-term equity investments	(332,756)	(332,756)
	61,438,432	28,078,902

(a) Joint ventures

	31 December 2019	Investment Addition	Reduce investment	Equity pick up	OCI Adjust- ment	Other equity changes	Changes in the period Declare cash dividends or profits	Provision for impairment	Other	30 June 2020	Impairment balance
Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("BVCF Fund").	23,251,196	36,000,000	-	(504,261)	-	-	-	-	-	58,746,935	-

During 2018, the Company subscribed for RMB 60,000,000 shares, accounting for 29.85% shares of Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("BVCF Fund"), the Company is a limited partner. According to the updated agreement, BVCF Fund added two limited partners, and the company's subscription ratio dropped to 22.54%. As at June 30 2020, the investment of RMB 6,000,000 has been fully paid to BVCF Fund.

(b) Associates

	31 December 2019	Investment Addition	Reduce investment	Equity pick up	OCI Adjust- ment	Other equity changes	Changes in the period Declare cash dividends or profits	Provision for impairment	Other	30 June 2020	Impairment balance
Shanghai Lead Discovery Limited Company ("Lead Discovery")	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma Clinic Investment Co., Ltd. ("Derma") (Note 6(2))	4,827,706	-	-	(2,136,209)	-	-	-	-	-	2,691,497	-
	5,160,462	-	-	(2,136,209)	-	-	-	-	-	3,024,253	(332,756)

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For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(10) Fixed assets

	Buildings	Machinery and equipment	Computer and electronic equipment	Motor vehicles	Total
Cost					
31 December 2019	205,936,735	267,509,538	8,272,613	3,708,194	485,427,080
Other increases in the current period	–	7,105,682	294,451	–	7,400,133
Transfers from construction in progress	739,058	–	–	–	739,058
Decrease in the current period	(9,599,157)	(3,348,569)	(13,248)	–	(12,960,974)
30 June 2020	<u>197,076,636</u>	<u>271,266,651</u>	<u>8,553,816</u>	<u>3,708,194</u>	<u>480,605,297</u>
Accumulated depreciation					
31 December 2019	(69,983,414)	(149,679,525)	(5,919,247)	(2,159,456)	(227,741,642)
Increase in the current period	(4,800,658)	(17,038,933)	(260,848)	(40,233)	(22,140,672)
Decrease in the current period	1,703,851	2,882,259	11,923	–	4,598,033
30 June 2020	<u>(73,080,221)</u>	<u>(163,836,199)</u>	<u>(6,168,172)</u>	<u>(2,199,689)</u>	<u>(245,284,281)</u>
Accumulated impairment					
31 December 2019	(1,253,955)	(1,960,466)	(111,495)	–	(3,325,916)
Decrease in the current period	1,253,955	–	–	–	1,253,955
30 June 2020	<u>–</u>	<u>(1,960,466)</u>	<u>(111,495)</u>	<u>–</u>	<u>(2,071,961)</u>
Carrying amount					
30 June 2020	<u>123,996,415</u>	<u>105,469,986</u>	<u>2,274,149</u>	<u>1,508,505</u>	<u>233,249,055</u>
31 December 2019	<u>134,699,366</u>	<u>115,869,547</u>	<u>2,241,871</u>	<u>1,548,738</u>	<u>254,359,522</u>

For the six months ended 30 June 2020, the amount of depreciation expense RMB 22,140,672 (for the six months ended 30 June 2019: RMB 22,067,668) charged to cost of sales, development costs, selling expenses, general and administrative expenses and research and development expenses were RMB 7,859,023, RMB 782,714, RMB 6,331,471, RMB 1,180,287 and RMB 5,987,177 respectively (for the six months ended 30 June 2019: RMB 9,326,551, RMB 31,155, RMB 4,989,576, RMB 1,323,256 and RMB 6,397,130).

The amount of fixed assets transferred from construction in progress was RMB 739,058 (for the six months ended 30 June 2019: RMB 5,691,093)

As at 30 June 2020 and 31 December 2019, the Group has no fixed assets that are temporarily idle and fixed assets that have not completed the property right certificate.

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For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(11) Construction in progress

	30 June 2020			31 Dec 2019		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Fudanzhangjiang workshop reconstruction project	-	-	-	329,602	-	329,602
Right-of-use asset improvement	268,000	-	268,000	-	-	-
	<u>268,000</u>	<u>-</u>	<u>268,000</u>	<u>329,602</u>	<u>-</u>	<u>329,602</u>

(i) Changes in major construction projects

Project name	Budget	31 December 2019	Increase in the current period	Transfer to fixed assets	Transfer to Long-term prepaid expenses	Disposal	30 June 2020	% of Budget	Project progress	Sources of funds
Fudanzhangjiang workshop reconstruction project	759,300	329,602	409,456	(739,058)	-	-	-	100%	100%	Equity fund
Right-of-use asset improvement	268,000	-	268,000	-	-	-	268,000	100%	100%	Equity fund
		<u>329,602</u>	<u>677,456</u>	<u>(739,058)</u>	<u>-</u>	<u>-</u>	<u>268,000</u>			

As at 30 June 2020 and 31 December 2019, the Group had no impaired construction in progress.

(12) Right-of-use assets

	Buildings
Cost	
31 December 2019	<u>9,398,281</u>
Increases in the current period	
New lease contract	1,316,702
Decreases in the current period	
Lease change	<u>(189,667)</u>
30 June 2020	<u>10,525,316</u>
Accumulated depreciation	
31 December 2019	(3,880,300)
Increase in the current period	
Accrual	(1,923,660)
Decrease in the current period	
Lease change	<u>189,667</u>
30 June 2020	<u>(5,614,293)</u>
Carrying amount	
30 June 2020	<u>4,911,023</u>
31 December 2019	<u>5,517,981</u>

Notes to the Financial Statements

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(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(13) Intangible assets

	Land use rights	Proprietary technology	R&D technology	Software	Total
Cost					
31 December 2019	37,355,573	8,843,164	44,399,679	9,007,938	99,606,354
Increase in the current period					
Purchase	—	—	—	14,602	14,602
30 June 2020	37,355,573	8,843,164	44,399,679	9,022,540	99,620,956
Accumulated amortization					
31 December 2019	(8,757,900)	(5,495,221)	(19,678,917)	(4,110,568)	(38,042,606)
Increase in the current period	(395,126)	(283,019)	(2,082,569)	(309,617)	(3,070,331)
30 June 2020	(9,153,026)	(5,778,240)	(21,761,486)	(4,420,185)	(41,112,937)
Provision for impairment loss					
31 December 2019 & 30 June 2020	—	(450,000)	(653,470)	—	(1,103,470)
Carrying amount					
30 June 2020	28,202,547	2,614,924	21,984,723	4,602,355	57,404,549
31 December 2019	28,597,673	2,897,943	24,067,292	4,897,370	60,460,278

The amortization amount of intangible assets for the six months ended 30 June 2020 was RMB 3,070,331 (for the six months ended 30 June 2019: RMB 3,159,210). As at 30 June 2020, the proportion of intangible assets formed by internal research and development to the book value of intangible assets was 38% (as at 30 June 2019: 40%).

The Group's development costs is listed below:

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
			Credited to profit or loss	Recognized as intangible assets
Taizhou Generic Pharmaceutical Industrialization Project	14,970,803	2,530,230	—	—
	<u>14,970,803</u>	<u>2,530,230</u>	<u>—</u>	<u>—</u>
				<u>17,501,033</u>

For the six months ended 30 June 2020, the Group's research and development expenditure totaled RMB 56,903,236 (for the six months ended 30 June 2019: RMB 52,604,228), of which RMB 54,373,006 (for the six months ended 30 June 2019: RMB 51,197,251) was included in profit or loss in the current period, and RMB 2,530,230 (for the six months ended 30 June 2019: RMB 1,406,977) was included in the year-end balance of development expenditure.

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For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(14) Goodwill

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Goodwill	8,937,000	–	–	8,937,000
Less: Provision for impairment	(8,937,000)	–	–	(8,937,000)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

(15) Long-term prepaid expenses

	31 December 2019	Increase in the current period	Transfer From CIP	Business combinations not under common control	Disposal of a subsidiary	Amortization in the current period	30 June 2020
Right-of-use asset improvement	1,427,762	–	–	–	–	(487,124)	940,638
Others	986,557	–	–	–	–	(75,000)	911,557
	<u>2,414,319</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(562,124)</u>	<u>1,852,195</u>

(16) Deferred tax assets

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

(a) Deferred tax assets

	30 June 2020		31 Dec 2019	
	Deductible temporary differences and losses	Deferred tax assets	Deductible temporary differences and losses	Deferred tax assets
Credit impairment provision	44,265,485	6,639,823	26,744,177	4,011,627
Accrual expenses	231,680,265	34,752,040	297,195,596	44,579,339
Deductible losses	58,926,359	8,838,954	–	–
Deferred income	41,803,279	9,221,310	44,262,295	9,590,164
	<u>376,675,388</u>	<u>59,452,127</u>	<u>368,202,068</u>	<u>58,181,130</u>
Including:				
Expected to be recovered within one year (inclusive)		50,968,521		49,328,671
Expected to be recovered after one year		8,483,606		8,852,459
		<u>59,452,127</u>		<u>58,181,130</u>

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(16) Deferred tax assets (continued)

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

	30 June 2020	31 December 2019
Deductible temporary differences	80,392,158	73,279,817
Deductible losses	98,825,934	102,742,948
	179,218,092	176,022,765

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

	30 June 2020	31 December 2019
2023	18,515	3,524,696
2024	1,254,614	1,254,614
2025	6,760,196	6,759,495
2026	18,011,512	18,011,512
2027	33,203,995	33,203,995
2028	25,318,033	25,318,033
2029	13,708,760	14,670,603
2030	550,309	—
	98,825,934	102,742,948

(17) Other non-current assets

	30 June 2020	31 December 2019
Prepaid equipment	5,134,285	2,272,672

(18) Asset impairment and loss provisions

(a) Asset impairment

	31 December 2019	Increase in the current period	Decrease in the current period		30 June 2020
			Reverse	Write-off	
Goodwill impairment provision	8,937,000	—	—	—	8,937,000
Provision for impairment of fixed assets	3,325,916	—	—	(1,253,955)	2,071,961
Provision for impairment of intangible assets	1,103,470	—	—	—	1,103,470
Provision for decline in the value of inventories	3,538,238	—	—	(106,861)	3,431,377
	16,904,624	—	—	(1,360,816)	15,543,808

Notes to the Financial Statements

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5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(18) Asset impairment and loss provisions (continued)

(b) Credit impairment provision

	31 December 2019	Increase in the current period	Decrease in the current period		30 June 2020
			Reverse	Write-off	
Provision for bad debts of accounts receivables	3,180,620	17,644,101	–	(86,136)	20,738,585

(19) Short-term borrowings

	30 June 2020	31 December 2019
Short-term bank borrowings, unsecured	160,000,000	148,942,573

As at 30 June 2020, the interest rate of short-term borrowings ranges from 3.77% to 3.915% (as at 31 December 2019: 3.87% to 3.915%).

(20) Accounts payables

	30 June 2020	31 December 2019
Accounts payables	5,355,544	6,827,902

As at 30 June 2020 and 31 December 2019, the Group's accounts payable were all payables for material purchases and no significant amounts due to shareholders holding more than 5% (including 5%) of the voting shares of the Company.

(21) Contract liabilities

	30 June 2020	31 December 2019
Advance receivables	4,388,337	2,042,726

(22) Employee benefits payable

	30 June 2020	31 December 2019
Short-term employee benefits payable(a)	8,674,603	48,123,497
Defined contribution plans payable(b)	–	–
	8,674,603	48,123,497

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(22) Employee benefits payable (continued)

(a) Short-term employee benefits payable

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Wages and salaries, bonus, allowances and subsidies	48,119,901	35,018,898	(74,717,280)	8,421,519
Staff welfare	–	800	(800)	–
Social security contributions	–	2,670,600	(2,670,600)	–
Including: Medical insurance	–	2,583,559	(2,583,559)	–
Work injury insurance	–	24,262	(24,262)	–
Maternity insurance	–	62,779	(62,779)	–
Housing funds	–	3,980,108	(3,980,108)	–
Labour union funds and employee education funds	3,596	648,273	(398,785)	253,084
	<u>48,123,497</u>	<u>42,318,679</u>	<u>(81,767,573)</u>	<u>8,674,603</u>

(b) Defined contribution plans payable

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Basic pensions	–	3,646,442	(3,646,442)	–
Unemployment insurance	–	175,985	(175,985)	–
	<u>–</u>	<u>3,822,427</u>	<u>(3,822,427)</u>	<u>–</u>

(23) Taxes payable

	30 June 2020	31 December 2019
Unpaid VAT	1,623,054	14,075,886
Withholding of personal income tax for employees	453,898	3,576,476
Enterprise income tax payable	–	18,648,131
Others	800	939
	<u>2,077,752</u>	<u>36,301,432</u>

(24) Other payables

	30 June 2020	31 December 2019
Accrual for marketing and sales promotion expenses	228,942,615	258,490,287
Accrual for Shanghai Pharmaceuticals Holding Co. Ltd. ("SPH") cooperative research project transfer	3,690,000	3,690,000
Guarantee payable	41,781,333	41,741,333
Long-term assets payable	7,286,520	6,726,276
The listing fee payable	4,917,446	–
Others	6,885,923	14,431,586
	<u>293,503,837</u>	<u>325,079,482</u>

- (a) As at 30 June 2020, other payables with an age of more than one year were RMB 41,283,493 (as at 31 December 2019 : RMB 40,567,808). Other payables with an age of more than one year are mainly payable to long-term assets and guarantee payable, because the long-term asset payment node has not been reached, and the amount has not been settled.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(25) Lease liabilities

	30 June 2020	31 December 2019
Lease liabilities	5,402,607	6,153,461
Less : Current portion of non-current liabilities	(4,614,556)	(4,031,927)
	788,051	2,121,534

As at 30 June 2020, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(26) Deferred income

	30 June 2020	31 December 2019
Commercial compensation (a)	41,803,279	44,262,295
Government grants (b)	10,398,395	11,698,071
R & D project transfer	2,245,000	2,245,000
	54,446,674	58,205,366

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020	Cause of formation
Commercial compensation (a)	44,262,295	—	(2,459,016)	41,803,279	Commercial ompensation
Government grants (b)	11,698,071	11,713,460	(13,013,136)	10,398,395	Receive government grants
R & D project transfer	<u>2,245,000</u>	<u>—</u>	<u>—</u>	2,245,000	R & D project transfer income
	<u>58,205,366</u>	<u>11,713,460</u>	<u>(15,472,152)</u>	54,446,674	

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(26) Deferred income (continued)

(b) Government grants

	31 December 2019	Increase in the current period	Decrease in the current period (credited to other income)	30 June 2020	Asset related/ Income related
R & D project industrialization subsidy	11,005,750	–	(1,158,500)	9,847,250	Asset related
Medical R & D project grant	692,321	–	(141,176)	551,145	Income related
Financial support	–	11,030,000	(11,030,000)	–	Income related
Others	–	683,460	(683,460)	–	Income related
	<u>11,698,071</u>	<u>11,713,460</u>	<u>(13,013,136)</u>	<u>10,398,395</u>	

The breakdown of government grants included in the Group's profit and loss for six months ended 30 June 2020 is as follows:

Government grants	Category	Amount credited to profit or loss for the period	Items reported in profit or loss for the period
Financial support	Income related	11,030,000	Other income
R & D project industrialization subsidy	Asset related	1,158,500	Other income
Medical R & D project grant	Income related	141,176	Other income
Others	Income related	683,460	Other income
		<u>13,013,136</u>	

(27) Share capital

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

	31 December 2018	Change in the current period					30 June 2019
		Issue new shares	Scrip issue	Premium transfer to capital	Others	Subtotal	
Unlisted tradable shares-domestic corporate and individual holdings	58,300,000	–	–	–	–	–	58,300,000
Listed tradable shares-foreign listed foreign shares	34,000,000	–	–	–	–	–	34,000,000
Share capital	<u>92,300,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>92,300,000</u>

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

(28) Capital surplus

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Share premium i)	<u>237,796,134</u>	<u>962,323,895</u>	<u>–</u>	<u>1,200,120,029</u>
	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019
Share premium	<u>412,293,387</u>	<u>–</u>	<u>–</u>	<u>412,293,387</u>

(29) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2020 income statement				
		Attributable to the Company after tax	30 June 2020	Amount before income tax	Less: other comprehensive income transferred out this year	Deduct: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders
	31 December 2019							
Other comprehensive income that cannot be reclassified into profit or loss								
Changes in fair value of other equity instrument investments	(13,774,800)	-	(13,774,800)	-	-	-	-	-
Other comprehensive income can be reclassified into profit or loss								
Translation differences in foreign currency financial statements	(175,435)	51,371	(124,064)	51,371	-	-	51,371	-
	(13,950,235)	51,371	(13,898,864)	51,371	-	-	51,371	-

	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2020 income statement				
	31 December 2019	Attributable to the Company after tax	30 June 2020	Amount before income tax	Less: other comprehensive income transferred out this year	Deduct: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders
Other comprehensive income that cannot be reclassified into profit or loss								
Changes in fair value of other equity instrument investments	(13,774,800)	-	(13,774,800)	-	-	-	-	-
Other comprehensive income can be reclassified into profit or loss								
Translation differences in foreign currency financial statements	(231,616)	5,718	(225,898)	5,718	-	-	5,718	-
	(14,006,416)	5,718	(14,000,698)	5,718	-	-	5,718	-

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(30) Surplus reserve

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Statutory surplus reserve	46,150,000	–	–	46,150,000
	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019
Statutory surplus reserve	46,150,000	–	–	46,150,000

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

(31) Undistributed profits

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Undistributed profits at the beginning of period	569,229,480	406,481,497
Add: net profit attributable to shareholders of the Company	29,078,874	91,719,590
Less: appropriation to statutory surplus reserve	–	–
dividends declared	(64,610,000)	(64,610,000)
Undistributed profits at the end of period	533,698,354	433,591,087

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

(32) Revenue and cost of sales

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Main operations revenue	234,554,776	390,693,485
Other operations revenue	1,060,120	–
	235,614,896	390,693,485
	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Main operations cost	(16,967,322)	(37,078,195)
Other operations cost	(1,003,141)	–
	(17,970,463)	(37,078,195)

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(32) Revenue and cost of sales (continued)

(a) Main operations revenue and main operations cost

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sale of pharmaceutical and diagnostic products	234,510,174	(16,967,283)	389,350,223	(34,874,672)
– Service	44,602	(39)	1,343,262	(2,203,523)
	<u>234,554,776</u>	<u>(16,967,322)</u>	<u>390,693,485</u>	<u>(37,078,195)</u>

(b) Other operations revenue and cost of sales

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
Sales of materials	<u>1,060,120</u>	<u>(1,003,141)</u>	<u>–</u>	<u>–</u>

(33) Taxes and surcharges

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Educational surcharge	810,406	869,951
Real estate tax	528,820	752,856
City maintenance and construction tax	384,812	405,861
Land use tax	199,909	206,028
Others	155,531	114,386
	<u>2,079,478</u>	<u>2,349,082</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(34) Selling expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Marketing and academic promotion fees	79,838,597	133,985,560
Salary costs	19,345,618	32,022,742
Depreciation and amortization	6,761,027	5,419,132
Business hospitality	3,343,041	2,799,257
Travel expenses	2,320,545	5,095,722
Right-of-use asset depreciation	1,923,660	1,910,802
Office expenses	637,322	804,798
Shipping fee	560,534	1,339,296
Conference fees	480,830	2,202,443
Rental fees	261,895	89,876
Others	2,043,892	6,456,631
	117,516,961	192,126,259

(35) General and administrative expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Salary costs	6,420,672	9,876,133
Administrative expenses	3,075,521	1,756,531
Depreciation and amortization	1,947,763	3,734,811
Audit fees	1,315,693	1,782,373
Rent and property fees	582,944	1,364,815
Consulting fee	3,000	1,175,853
Service fee	1,480	104,591
Right-of-use asset depreciation	–	1,708,582
others	3,461,344	2,991,650
	16,808,417	24,495,339

(36) R&D expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Outsourced R&D expenses	20,731,972	9,535,956
Salary costs	12,163,905	14,631,333
R&D department expenses	8,344,762	10,386,380
Information and materials costs	7,112,135	10,246,452
Depreciation	6,020,232	6,397,130
	54,373,006	51,197,251

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(37) Financial (income)/expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Interest costs	3,221,620	2,936,741
Less: Amounts capitalised on qualifying assets	–	–
Add: Interest expense on lease liabilities	107,617	563,185
Interest expenses	3,329,237	3,499,926
Less: Interest income	(4,062,490)	(1,263,333)
Exchange gains or losses	300,318	(331)
Others	320,519	109,701
	(112,416)	2,345,963

(38) Expenses by nature

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

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Changes in inventories of finished goods and work in progress	(10,919,712)	41,742
Consumed raw materials and low value consumables, etc.	15,371,944	19,536,271
Marketing and sales promotion expenses	87,488,844	150,362,760
Employee benefit expenses	46,141,106	64,723,009
Less: Amounts capitalized in development costs	(566,251)	(25,817)
	45,574,855	64,697,192
Outsourced R&D expenses	20,731,972	9,535,956
Depreciation and amortization	25,773,127	27,309,042
Less: Amounts capitalized in development costs	(782,714)	(31,155)
	24,990,413	27,277,887
R&D department expenses	8,344,762	10,767,068
Quality inspection expenses	4,920,774	6,588,023
Right-of-use asset depreciation	1,923,660	3,619,384
Audit Fees	1,389,023	2,151,616
– audit services	1,264,532	2,027,125
– non-audit services	124,491	124,491
Rental	580,246	902,213
Others	6,272,066	9,416,932
	206,668,847	304,897,044

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(39) Other income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Asset related/ Income related
Financial support	11,030,000	–	Income related
R&D project industrialization subsidy	1,158,500	1,158,500	Asset related
Medical R&D Project Grant	141,176	507,516	Income related
Others	683,460	434,087	Income related
	13,013,136	2,100,103	

(40) Investment income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
(Loss)/gain from disposal of subsidiaries (Note 6)	(982)	8,150,434
Financial product income	4,344,657	6,826,183
Investment loss of associates and joint ventures	(2,640,470)	(544,818)
	1,703,205	14,431,799

For the six months ended 30 June 2020 and 2019, the bank wealth management products purchased by the Group are measured at fair value and their changes are included in the current profit and loss. As at 30 June 2020 and 31 December 2019, the Group had no balance of wealth management products.

(41) Credit impairment loss

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Accounts receivables bad debt losses	17,644,101	1,795,818

(42) Asset impairment losses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Provision for decline in the value of inventories	–	2,080,480

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(43) Gains on disposals of assets

	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Amount of non-recurring profit and loss included for the six months ended 30 June 2020
Gain on disposal of fixed assets	<u>3,652,221</u>	<u>477,399</u>	<u>3,652,221</u>

(44) Non-operating income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Amount of non-recurring profit and loss included for the six months ended 30 June 2020
Others	<u>648,131</u>	<u>30,651</u>	<u>648,131</u>

(45) Non-operating expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Losses from scrap of fixed assets	209,011	799,537
Inventory loss	95,846	2,102
Others	50,000	51,566
	<u>354,857</u>	<u>853,205</u>

(46) Income tax expenses

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Current income tax	(97,129)	7,720,998
Deferred income tax	(1,270,997)	618,918
	<u>(1,368,126)</u>	<u>8,339,916</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(46) Income tax expenses (continued)

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

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Total profit	27,996,722	93,411,845
Income tax expenses calculated at applicable tax rates 25%	6,999,181	23,352,962
Effect of favourable tax rates	(2,987,147)	(8,533,119)
Tax losses not recognised as deferred tax assets	82,721	1,157,404
Deductible temporary differences not recognised as deferred tax assets	(384,399)	77,045
Additional deduction of research and development expenses	(5,626,386)	(6,146,323)
Costs, expenses and losses not deductible for tax purposes	1,098,316	176,066
Effect of eliminated unrealised profits on intra-group transactions	(62,500)	(1,268,750)
Reversing the deductible loss of deferred income tax assets recognized in previous years	(390,783)	(773,496)
Others	(97,129)	298,127
Income tax expenses	(1,368,126)	8,339,916

(47) Earnings per share

(a) Basic earnings per share

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

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Profit attributable to shareholders of the Company	29,078,874	91,719,590
Weighted average number of ordinary shares outstanding	936,922,652	923,000,000
Basic earnings per share	0.03	0.10
Among them:		
– Basic earnings per share from continuing operations:	0.03	0.10
– Basic earnings per share from discontinuing operations::	–	–

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil), diluted earnings per share equals to basic earnings per share.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(48) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Government grants	11,713,460	834,087
Interest income	4,062,490	1,263,924
Deposits and guarantees	40,000	5,005,595
Commercial compensation	–	10,000,000
others	102,478	177,134
	<u>15,918,428</u>	<u>17,280,740</u>

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Administrative and data fees	8,344,762	10,767,068
Consulting service fee	3,702,109	6,224,634
Business hospitality	3,343,041	2,799,257
Travel expenses	2,320,545	5,095,722
Advertising expenses	1,715,112	914,817
others	4,171,515	13,964,450
	<u>23,597,084</u>	<u>39,765,948</u>

(c) Cash received relating to other investing activities

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Selling wealth management products	<u>534,344,657</u>	<u>1,136,826,183</u>

(d) Cash paid relating to other investing activities

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Buying wealth management products	<u>530,000,000</u>	<u>1,130,000,000</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(e) Cash payments relating to other financing activities

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Payment of IPO agency fee	9,741,999	–
Repayment the investment funds of minority shareholders	3,661,128	–
Payment of lease liabilities	2,175,173	3,860,998
Payment of the minority equity in a subsidiary	–	178,000,000
	15,578,300	181,860,998

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

(f) Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net profit	29,364,848	85,071,929
Add: Provisions for asset impairment	–	2,080,480
Credit impairment provision	17,644,101	1,795,818
Amortization of right-of-use assets	1,923,660	3,619,384
Depreciation of fixed assets	21,357,958	22,036,513
Amortisation of intangible assets	3,070,331	3,159,210
Amortisation of long-term prepaid expenses	562,124	2,082,164
Gains on disposal of fixed assets	(3,652,221)	(477,399)
Losses on scrapping of fixed assets	209,011	799,537
Financial expenses	3,329,237	3,499,926
Investment income	(1,703,205)	(14,431,799)
(Increase)/Decrease in deferred tax assets	(1,270,997)	618,918
Increase in inventories	(9,340,878)	(7,686,918)
Decrease in operating receivables	113,901,260	9,918,934
Decrease in operating payables	(110,817,492)	(7,699,414)
Decrease in deferred income	(3,758,692)	(3,725,032)
Net cash flows from operating activities	60,819,045	100,662,251

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(g) Cash

	30 June 2020	31 December 2019
Cash	1,529,302,256	576,799,410
Less restricted cash at bank	—	—
Cash	<u>1,529,302,256</u>	<u>576,799,410</u>

(49) Foreign currency items

	30 June 2020		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand –			
USD	497,223	7.0795	3,520,090
HKD	14,314	0.9134	13,074
			<u>3,533,164</u>
			31 December 2019
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand –			
USD	497,300	6.9762	3,469,264
HKD	15,312	0.8958	13,716
			<u>3,482,980</u>

6 CHANGES IN SCOPE OF BUSINESS COMBINATIONS

(1) Cancellation of a subsidiary

For the six months ended 30 June 2020, the Company closed its wholly-owned subsidiary Baosu Pharmaceutical.

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS

(1) Equity in subsidiaries

(a) The structure of the Group

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

(b) Subsidiaries with significant minority interests

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

As at 31 December 2019, the Group has no subsidiaries with significant minority interests.

(2) Equity in joint venture and associates

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

	Place of operation	Place of incorporate	Principal activities	If strategic for group activities	Share proportion Direct Indirect
Joint venture – BVCF	Chang – zhou	Chang – zhou	Healthcare investment	No	22.54% –
Associates – Derma	Shanghai	Shanghai	Healthcare investment	No	20.00% –

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

(b) Summarised financial information of significant joint venture

	30 June 2020 BVCF	31 December 2019 BVCF
Current assets	51,505,849	19,290,600
Non-current assets	120,000,000	96,000,000
Total assets	171,505,849	115,290,600
Current liabilities	560,542	—
Total liabilities	560,542	—
Net assets	170,945,307	115,290,600
Share of net assets by shareholding	58,746,935	23,251,196
Carrying amount of investments in joint ventures	58,746,935	23,251,196
	For the six months ended 30 June 2020	For the six months ended 30 June 2019
General and administrative expenses	(2,435,986)	(2,115,012)
Financial expenses	390,693	1,007,534
Income tax expenses	—	—
Net losses	(2,045,293)	(1,107,478)
Other comprehensive income	—	—
Total comprehensive income	(2,045,293)	(1,107,478)
Dividends received by the Group from joint ventures the year	—	—

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

(c) Summarised financial information of significant associate

	30 June 2020 Derma
Current assets	1,860,450
Non-current assets	16,139,578
Total assets	18,000,028
Current liabilities	50,000,847
Total liabilities	50,000,847
Net assets	(32,000,819)
Share of net assets by shareholding	(6,400,164)
Carrying amount of investments in associate	<u>2,691,497</u>
	For the six month ended 30 June 2020
Revenue	2,526,725
Cost of sales	(2,492,221)
Taxes and surcharges	(25)
Selling expenses	(947,030)
General and administrative expenses	(11,062,746)
Financial expenses	(20,964)
Non-operating income	1,318,265
Non-operating expense	(3,049)
Net loss	(10,681,045)
Total comprehensive income	(10,681,045)
Dividends received by the Group from associates for the six months 30 June 2020.	<u>—</u>

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

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

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

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

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

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

8 SEGMENT INFORMATION

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

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

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

The company has no parent company and ultimate controlling party.

(2) Significant subsidiaries

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

(3) Joint ventures and associates

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions

(a) Pricing policies

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

(b) Sales of goods and services

Related party	Related transaction	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	5,417,458	3,435,820
Shanghai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	4,569,848	7,800,986
Shanghai Suzuken Chinese Medicine Co., Ltd.	Sale of pharmaceutical products	4,275,503	14,551,651
China Medical Foreign Trading Liao Ning Co., Ltd.	Sale of pharmaceutical products	4,010,559	337,179
Jiangxi Nanhua Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,910,960	–
Jiangsu Hongkang Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,544,520	4,415,015
SPH Changzhou Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	1,267,437	497,241
SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch	Sale of pharmaceutical products	951,586	2,547,961
Beijing Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	505,356	171,406
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	Sale of pharmaceutical products	356,815	3,230,304
Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd.	Sale of pharmaceutical products	310,801	61,693
SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd.	Sale of pharmaceutical products	201,345	422,825
SPH Keyuan Xinhai Pharmaceutical Hubei Co., Ltd.	Sale of pharmaceutical products	170,016	314,307
Shandong Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	154,480	49,725
Shanghai Pharmaceutical Ningbo Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	39,749	251,570
Xuzhou SPH Pharmaceutical Co., Ltd.	Sale of pharmaceutical products	–	1,079,980
		<u>25,686,433</u>	<u>39,167,663</u>

(c) Obtaining cooperation agreement payments

Related party	Related transaction	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Shanghai Jiaolian	Obtaining cooperation agreement payments	<u>4,776,500</u>	<u>6,372,000</u>

(d) Payment of cooperation agreement

Related party	Related transaction	For the six months ended 30 June 2020	For the six months ended 30 June 2019
SPH	Payment of cooperation agreement	<u>–</u>	<u>800,000</u>

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(e) Key management compensation

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Key management compensation	3,391,000	3,273,000

(6) Receivables from and payables to related parties

(a) Account receivables

	30 June 2020		31 December 2019	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Shanghai Suzuken Chinese Medicine Co., Ltd.	7,373,537	(594,068)	7,489,615	(7,049)
Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd.	4,290,173	(182,816)	2,364,648	(4,729)
China Medical Foreign Trading Liao Ning Co., Ltd.	2,407,642	–	172,802	–
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	2,009,966	(493,040)	1,904,392	(9,522)
Shanghai Pharma Co., Ltd.	1,582,266	–	1,272,600	–
Jiangxi Nanhua Pharmaceutical Co., Ltd.	1,427,598	(70,047)	–	–
Jiangsu Hongkang Pharmaceutical Co., Ltd.	881,131	–	613,121	(3,066)
SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch	751,383	(4,211)	62,568	–
SPH Changzhou Pharmaceutical Co., Ltd.	696,554	–	165,440	–
Beijing Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd.	520,517	–	–	–
SPH Keyuan Xinhai Pharmaceutical Hubei Co., Ltd.	175,116	(88)	175,116	(876)
Shandong Pharmaceutical Co., Ltd.	76,950	–	12,825	–
Shanghai Pharmaceutical Ningbo Pharmaceutical Co., Ltd.	44,916	(4,492)	53,899	(269)
Xuzhou SPH Pharmaceutical Co., Ltd.	–	–	176,226	–
	22,237,749	(1,348,762)	14,463,252	(25,511)

(b) Contract liabilities

	30 June 2020	31 December 2019
Shanghai Jiaolian	3,955,437	1,030,369

(c) Other payables

	30 June 2020	31 December 2019
SPH	3,690,000	3,690,000

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

10 CONTINGENCIES

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

The Group has no significant pending litigation or arbitration.

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

The Group provides no debt guarantee to other entities.

11 COMMITMENTS

(1) Capital commitments

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

	30 June 2020	31 December 2019
Buildings, machinery and equipment	<u>867,403</u>	<u>1,260,346</u>

(2) Operating lease commitments

As at 30 June 2020, the Group had future aggregate minimum lease payments due under non-cancellable operating leases in respect of properties as follows:

	30 June 2020	31 December 2019
Within 1 year	<u>118,800</u>	<u>–</u>

12 FINANCIAL INSTRUMENTS AND RISKS

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

(1) Market risk

(a) Foreign exchange risk

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

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND RISKS (continued)

(1) Market risk (continued)

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2020 and 31 December 2019, the Group have no long-term interest bearing borrowings.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2020 and 2019, the Group did not enter into any interest rate swap agreements.

As at 30 June 2020, if interest rates on the floating rate borrowings rise/fall by 10 basis points while holding all other variables constant, the Group's net profit will decrease/increase by approximately RMB 71,428.

As at 31 December 2019, if interest rates on the floating rate borrowings rise/fall by 10 basis points while holding all other variables constant, the Group's net profit will decrease/increase by approximately RMB 111,646.

(2) Credit risk

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

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

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

As at 30 June 2020 and 31 December 2019, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk

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

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

	30 June 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities–					
Short-term borrowings	163,257,176	–	–	–	163,257,176
Accounts payables	5,355,544	–	–	–	5,355,544
Other payables	60,871,222	–	–	–	60,871,222
Lease liabilities	4,614,556	395,725	392,326	–	5,402,607
	<u>234,098,498</u>	<u>395,725</u>	<u>392,326</u>	<u>–</u>	<u>234,886,549</u>
	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities–					
Short-term borrowings	152,512,427	–	–	–	152,512,427
Accounts payables	6,827,902	–	–	–	6,827,902
Other payables	62,899,195	–	–	–	62,899,195
Lease liabilities	4,031,927	2,121,534	–	–	6,153,461
	<u>226,271,451</u>	<u>2,121,534</u>	<u>–</u>	<u>–</u>	<u>228,392,985</u>

Notes to the Financial Statements

For the six months ended 30 June 2020
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13 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

The changes in level 3 assets are as follows

	Other equity instruments	Financial products	Total
1 January 2019	—	—	—
Purchase	—	1,660,000,000	1,660,000,000
Sell	—	(1,669,829,279)	(1,669,829,279)
A gain or loss included in profit or loss.	—	9,829,279	9,829,279
A gain or loss included other comprehensive income	—	—	—
31 December 2019	—	—	—
Purchase	—	530,000,000	530,000,000
Sell	—	(534,344,657)	(534,344,657)
A gain or loss included in profit or loss.	—	4,344,657	4,344,657
A gain or loss included in other comprehensive income	—	—	—
30 June 2020	—	—	—

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

14 CAPITAL MANAGEMENT

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

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

The Group's total capital is calculated as 'owners' equity' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated as net debt divided by total capital, which is borrowings minus cash. As at 30 June 2020 and 31 December 2019, the cash balance of the Group was much larger than the borrowing balance and, therefore, the debt ratio was not applicable.

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivables

	30 June 2020	31 December 2019
Bank acceptance notes	76,219,386	127,592,684
Less: Provision for bad debts	—	—
	<u>76,219,386</u>	<u>127,592,684</u>

- (a) As at 30 June 2020 and 31 December 2019, the above-mentioned notes of the Company were not subject to collateral or pledge.
- (b) As at 30 June 2020 and 31 December 2019, the Company's notes receivables endorsed or discounted but not yet due are as follows:

	30 June 2020		31 December 2019	
	De-recognized	Not de-recognized	De-recognized	Not de-recognized
Bank acceptance notes	<u>1,702,154</u>	<u>—</u>	<u>3,256,902</u>	<u>—</u>

- i) For the six months ended 30 June 2020, since endorsements or discount transactions that meet the conditions for derecognition occur by accident and the amount is not significant, the Company measures at amortized cost.
- (c) Provision for bad debts

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

As at 30 June 2020 and 31 December 2019, the Company considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(2) Accounts receivables

	30 June 2020	31 December 2019
Accounts receivables	293,610,336	351,536,192
Less: Provision for bad debts	(20,512,485)	(2,991,177)
	<u>273,097,851</u>	<u>348,545,015</u>

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

	30 June 2020	31 December 2019
Within 1 year	<u>293,610,336</u>	<u>351,536,192</u>

(b) As at 30 June 2020, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivable	<u>141,768,276</u>	<u>(7,288,943)</u>	<u>48.28%</u>

(c) Provision for bad debts

	31 December 2019	Change amount in the period			30 June 2020
		Accrual	Reversal	Write-off	
Provision for bad debts of accounts receivables	<u>(2,991,177)</u>	<u>(17,521,308)</u>	<u>—</u>	<u>—</u>	<u>(20,512,485)</u>

For the accounts receivables in six months ended 30 June 2020 and 2019, regardless of whether there is a significant financing component, the Company calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2020 and 31 December 2019, the Company did not make provision for bad debts for individual accounts receivables.

Notes to the Financial Statements

For the six months ended 30 June 2020
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15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2020, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	Accounts Balance Amount	30 June 2020 Provision for bad debts	
		Life expectancy Credit loss rate	Amount
Not overdue	168,073,657	—	—
Overdue 120 days to-1 year	26,000,471	1.51%	(391,597)
Overdue within 1 year	99,536,208	20.21%	(20,120,888)
	<u>293,610,336</u>		<u>(20,512,485)</u>

(iii) As at 31 December 2019, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio — sales receivable :

	Accounts Balance Amount	31 December 2019 Provision for bad debts	
		Life expectancy Credit loss rate	Amount
Not overdue	296,752,248	—	—
Overdue 120 days to-1 year	40,714,681	0.44%	(177,325)
Overdue within 1 year	14,069,263	20.00%	(2,813,852)
	<u>351,536,192</u>		<u>(2,991,177)</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables

	30 June 2020	31 December 2019
Amount due from subsidiary	174,843,789	175,168,276
Amounts due from related parties i)	23,753,000	23,753,000
Equity transfer	6,339,800	6,339,800
Deposit receivable	1,304,544	1,304,544
Receivables from employees	130,958	62,608
Guarantee receivables	10,380	10,380
others	376,306	–
	206,758,777	206,638,608
Less: provision for bad debts	(48,953,000)	(48,953,000)
	157,805,777	157,685,608

- i) As at 30 June 2020, the Company receivables from related parties of Derma RMB 23,753,000. On 28 February 2019, the Company signed a share transfer agreement with Bringspring-Roadtop. After the agreement stipulates that Bringspring-Roadtop has transferred the equity, the loan will be returned by the cash flow generated by the Derma through operating activities, and the relevant profit will be given priority. The loan was repaid, and pledge guarantees were provided by its new shareholder Bringspring-Roadtop and the equity of Derma held by other shareholders. Based on the current operating conditions of Derma, the Company made provision for impairment of this receivable.

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

	30 June 2020	31 December 2019
Within 1 year	170,356,053	157,528,684
1-2 years	31,092,800	47,801,800
2-3 years	4,001,800	1,276,394
Above 3 years	1,308,124	31,730
	206,758,777	206,638,608

Notes to the Financial Statements

For the six months ended 30 June 2020
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15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Other receivables (continued)

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

(i) As at 30 June 2020, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Combined accrual:			
Amount due from subsidiary	149,643,789	—	—
Equity transfer receivables	6,339,800	—	—
Deposit and guarantee	1,314,924	—	—
Receivables from employees	130,958	—	—
Others	376,306	—	—
	<u>157,805,777</u>		<u>—</u>

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

As at 30 June 2020, the analysis of bad debt provisions of other receivables in the third phase is as follows:

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables (continued)

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

(ii) As at 31 December 2019, the analysis of bad debt provisions of other receivables in the first phase is as follows:

	Book balance	12-month expected credit loss rate	Provision for bad debts
Combined accrual:			
Amount due from subsidiary	149,968,276	—	—
Equity transfer receivables	6,339,800	—	—
Deposit and guarantee	1,314,924	—	—
Receivables from employees	62,608	—	—
	<u>157,685,608</u>		<u>—</u>

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

As at 31 December 2019, the analysis of bad debt provisions of other receivables in the third phase is as follows:

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables (continued)

- (c) As at 30 June 2020, the top five other receivables based on the balance of the debtors are summarized and analyzed as follows:

	Nature	Balance	Aging	% of total amount	Provision for bad debts
Subsidiary1	Entrusted Loan	20,200,000	Within 1 year	9.77%	(20,200,000)
	Entrusted Loan	1,000,000	1-2 years	0.48%	(1,000,000)
	Entrusted Loan	4,000,000	2-3 years	1.93%	(4,000,000)
Subsidiary2	Entrusted Loan	145,000,000	Within 1 year	70.13%	–
	Advance payment	4,643,789	Within 1 year	2.25%	–
Related party1	Loan	23,753,000	1-2 years	11.49%	(23,753,000)
Company1	Equity transfer	6,339,800	1-2 years	3.07%	–
Company2	Deposit	1,267,464	More than 3 years	0.61%	–
		<u>206,204,053</u>		<u>99.73%</u>	<u>(48,953,000)</u>

(4) Long-term equity investments

	30 June 2020	31 December 2019
Subsidiaries(a)	286,338,000	297,338,000
Joint ventures (b)	58,746,935	23,251,196
Associates(c)	332,756	332,756
	<u>345,417,691</u>	<u>320,921,952</u>
Less: Provision for impairment of long-term equity investments		
– Subsidiaries	(32,311,800)	(34,911,800)
– Associates	(332,756)	(332,756)
	<u>(32,644,556)</u>	<u>(35,244,556)</u>
	<u>312,773,135</u>	<u>285,677,396</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Long-term equity investments (continued)

(a) Subsidiaries

	31 December 2019	Investment Addition	Changes in the period Reduce investment	Provision for impairment	Other	30 June 2020	Impairment balance	Cash dividends declared this period
Taizhou Pharmaceutical	238,000,000	-	-	-	-	238,000,000	-	-
Tracing Bio-technology	12,363,000	-	-	-	-	12,363,000	(18,537,000)	-
Fernovelty Holding	3,663,200	-	-	-	-	3,663,200	(13,774,800)	-
Baosu Pharmaceutical	8,400,000	-	(8,400,000)	-	-	-	-	-
	<u>262,426,200</u>	<u>-</u>	<u>(8,400,000)</u>	<u>-</u>	<u>-</u>	<u>254,026,200</u>	<u>(32,311,800)</u>	<u>-</u>

(b) Joint venture

	31 December 2019	Investment Addition	Reduce investment	Equity pick up	OCI Adjust - ment	Other equity changes	Declare cash dividends or profits	Provision for impairment	Others	30 June 2020	Impairment balance
BVCF Fund	23,251,196	36,000,000	-	(504,261)	-	-	-	-	-	58,746,935	-

(c) Associate

	31 December 2019	Investment Addition	Reduce investment	Equity pick up	OCI Adjust - ment	Other equity changes	Declare cash dividends or profits	Provision for impairment	Others	30 June 2020	Impairment balance
Lead Discovery	332,756	-	-	-	-	-	-	-	-	332,756	(332,756)
Derma	-	-	-	-	-	-	-	-	-	-	-
	<u>332,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,756</u>	<u>(332,756)</u>

Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(5) Right-of-use asset

	Buildings
Cost	
31 December 2019	9,398,281
Increases in the current period	
New lease contract	117,690
Decreases in the current period	
Other	(189,667)
30 June 2020	9,326,304
Accumulated depreciation	
31 December 2019	(3,880,300)
Increases in the current period	
Accrual	(1,923,660)
Decreases in the current period	
Other	189,667
30 June 2020	(5,614,293)
Carrying amount	
30 June 2020	3,712,011
31 December 2020	5,517,981

(6) Lease liabilities

	30 June 2020	31 December 2019
Lease liabilities	4,203,595	6,153,461
Less : Current portion of non-current liabilities	(4,203,595)	(4,031,927)
	—	2,121,534

As at 30 June 2020, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(7) Revenue and cost of sales

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Main operations revenue	215,072,932	355,722,029
Other operations revenue	1,327	3,448
	215,074,259	355,725,477
	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Main operations cost	(15,961,814)	(23,623,450)
Other operations cost	(1,062)	(3,448)
	(15,962,876)	(23,626,898)

(a) Main operations revenue and main operations cost

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
– Sale of pharmaceutical and diagnostic products	210,026,699	(10,915,581)	352,354,402	(20,255,823)
– Provide technology service	5,046,233	(5,046,233)	3,367,627	(3,367,627)
	215,072,932	(15,961,814)	355,722,029	(23,623,450)

(b) Other operations revenue and cost of sales

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
– Sales of materials	1,327	(1,062)	3,448	(3,448)

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Investment income

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Financial product income	4,344,657	6,826,183
Interest income from entrusted loans	3,679,021	3,674,954
Investment (loss)/income from disposal of long-term equity investments	(10,015)	605,343
Equity pick up	(504,261)	—
	7,509,402	11,106,480

The Company does not have any significant restrictions on repatriation of investment income.

Supplementary Information of Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Gains and losses from disposal of non-current assets	3,652,221	477,399
Government grants recognised in profits	13,013,136	2,100,103
Except for effective hedging business related to the Group's normal business operations, gains and losses on changes in fair value from holding transactional financial assets, and investment income from disposal of transactional financial assets and other non-current financial assets	4,344,657	6,826,183
Investment (loss)/income from disposal of subsidiary	(982)	8,150,434
Non-operating income and expenses other than the above	293,274	(822,554)
	21,302,306	16,731,565
Impact of income tax expense	(2,204,128)	(1,120,727)
Impact on the minority interests, net of tax	(549,923)	(499,278)
	18,548,255	15,111,560

Basis for preparation of summary of non-recurring profit or loss

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RECONCILIATION OF DOMESTIC AND FOREIGN FINANCIAL STATEMENTS

On 24 February 2020, according to the approval of the shareholders' meeting, the Company started to use the consolidated financial statements prepared under CAS to file the annual report with the Stock Exchange of Hong Kong from the year ended 31 December 2019. Since that, the Group did not prepare the reconciliation between the financial statements prepared under CAS and IFRS.

Supplementary Information of Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%) For the six months ended 30 June 2020	Earnings per share Basic earnings per share For the six months ended 30 June 2020	Diluted earnings per share For the six months ended 30 June 2020
Net profit attributable to ordinary shareholders of the Company	3.19%	0.03	0.03
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.17%	0.01	0.01
	Weighted average Basic earnings per share For the six months ended 30 June 2019	Earnings per share Diluted earnings per share For the six months ended 30 June 2019	Diluted earnings per share For the six months ended 30 June 2019
Net profit attributable to ordinary shareholders of the Company	9.48%	0.10	0.10
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	7.98%	0.08	0.08

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>), Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Company (<http://www.fd-zj.com>). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to the shareholders and made available for review on the aforesaid websites in due course.

By order of the Board

Wang Hai Bo

Chairman

As at the date on the publication of this announcement, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)

Mr. Su Yong (*Executive Director*)

Mr. Zhao Da Jun (*Executive Director*)

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

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

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

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

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

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

Shanghai, the PRC

25 August 2020

* *For identification purpose only*