



先聲藥業集團有限公司
Simcere Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 2096

INTERIM REPORT 2022



Providing Today's Patients with

MEDICINES
of the **Future**



CONTENTS

- 2** Corporate Information
- 4** Company Overview
- 7** Management Discussion and Analysis
- 24** Corporate Governance and Other Information
- 33** Independent Auditor's Review Report
- 34** Consolidated Statement of Profit or Loss
- 35** Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 36** Consolidated Statement of Financial Position
- 39** Consolidated Statement of Changes in Equity
- 42** Condensed Consolidated Cash Flow Statement
- 43** Notes to the Unaudited Interim Financial Report

Corporate Information

Executive Directors

Mr. REN Jinsheng (*Chairman and Chief Executive Officer*)

Mr. TANG Renhong (*Co-chief Executive Officer*)

Mr. WAN Yushan

Non-executive Director

Mr. ZHAO John Huan⁽¹⁾

Independent non-executive Directors

Mr. SONG Ruilin

Mr. WANG Jianguo

Mr. WANG Xinhua

Audit committee

Mr. WANG Xinhua (*Chairman*)

Mr. SONG Ruilin

Mr. WANG Jianguo

Remuneration and appraisal committee

Mr. WANG Jianguo (*Chairman*)

Mr. WANG Xinhua

Mr. REN Jinsheng

Nomination committee

Mr. SONG Ruilin (*Chairman*)

Mr. WANG Jianguo

Mr. REN Jinsheng

Strategy committee

Mr. REN Jinsheng (*Chairman*)

Mr. ZHAO John Huan⁽¹⁾

Mr. TANG Renhong⁽²⁾

Mr. WANG Jianguo

Joint company secretaries

Mr. BAO Jun

Ms. MAK Po Man Cherie (*Member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute UK (formerly known as The Institute of Chartered Secretaries and Administrators)*)

Authorized representatives

Mr. BAO Jun

Mr. WAN Yushan

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716

17th Floor Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

Registered office

43/F, AIA Tower

183 Electric Road

North Point

Hong Kong

Headquarters and principal place of business in the PRC

No. 699–18, Xuanwu Road

Xuanwu District, Nanjing

Jiangsu

PRC

Company's website

<http://www.simcere.com>

Place of listing and stock code

The Stock Exchange of Hong Kong Limited
2096

Notes:

(1) Mr. ZHAO John Huan resigned as a non-executive Director of the Company and a member of Strategy Committee on August 31, 2022.

(2) Mr. TANG Renhong was appointed as a member of Strategy Committee on August 31, 2022.

Corporate Information

Principal banks

Bank of China Limited Nanjing Jiangbei New District Branch
No. 30, Wende Road
Pukou District, Nanjing
Jiangsu PRC

China Merchants Bank Co., Ltd., Nanjing Jiefang Road Sub-Branch
No. 53, Jiefang Street
Qinhuai District, Nanjing
Jiangsu PRC

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance
8/F Prince's Building
10 Chater Road
Central, Hong Kong

Legal adviser

Tian Yuan Law Firm LLP
Suites 3304–3309
33/F, Jardine House
One Connaught Place
Central, Hong Kong

Company Overview

Sincere Pharmaceutical Group Limited is an innovation and R&D-driven pharmaceutical company, has R&D, production and professional marketing capabilities.

The Group focuses on three therapeutic areas including oncology, nervous system, and autoimmune with forward-looking layout of disease areas that have significant clinical needs in the future. In these three major areas, the Group has 6 innovative pharmaceuticals approved for marketing and sale (including 2 imported innovative pharmaceuticals). As of June 30, 2022, the Group has over 10 products included in over 90 guidelines and pathways issued by government authorities or prestigious professional associations, and has over 40 products included in the Drugs Catalogue for the National Reimbursement Drug List (the "NRDL").

The Group pays high attention to the building of innovative pharmaceutical R&D capability, has realized functions covering the whole process from drug discovery, preclinical development, clinical trial to registration, and has established a State Key Laboratory of Translational Medicine and Innovative Drug Development. The Group has established R&D innovation centers in Shanghai, Nanjing, Beijing and Boston. The Group has nearly 60 innovative pharmaceutical R&D pipelines, and is conducting 20 registration clinical trials for 16 potential innovative pharmaceuticals. As of the date of this report, the Group had a R&D team of approximately 1,100 persons in total.

The Group has leading commercial capabilities with a nationwide sales and distribution network. As innovative pharmaceuticals continue to be approved for marketing, the Group has constantly enhanced training and improved the professional academic promotion capabilities of its marketing team so as to ensure the speed and efficiency of commercial promotion and to increase product coverage. As of the date of this report, the Group had a total of approximately 4,400 sales persons across 31 provinces, municipalities and autonomous regions in China, covering over 2,700 Class III hospitals, approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains in China.

The Group establishes manufacturing infrastructures and quality control standards in line with international standards and has continuously improved its manufacturing capabilities of pharmaceuticals. The Group has put into use of 5 PRC GMP certified production facilities for the manufacturing of its pharmaceutical products, and has received EU GMP certification or passed the U.S. FDA inspection for some of its production workshops.

Driven by our in-house R&D efforts and R&D collaborations, the Group continuously develops products that patients urgently need and have significant market potential, striving to perform the corporate mission of "providing today's patients with medicines of the future".

Major Products

Nervous System Products

Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection)

Oncology Products

Endostar® (Recombinant Human Endostatin Injection)

ENWEIDA® (Envafolimab Injection)

COSELA® (Trilaciclib Hydrochloride for Injection)

Autoimmune Products

Iremod® (Iguratimod Tablets)

ANTINE® (Diclofenac Sodium Sustained Release Capsules/Gel)

Orencia® (Abatacept Injection)

Other Products

Softan® (Rosuvastatin Calcium Tablets)

ZAILIN® (Amoxicillin Granules/Dispersible Tablets/Capsules)

Company Overview

Business Highlights

Our innovative pharmaceutical portfolio has expanded to six products. In July 2022, the new COSELA® (Trilaciclib hydrochloride for injection) obtained the conditional approval for marketing. For the six months ended June 30, 2022, our revenue amounted to approximately RMB2,700 million, representing an increase of approximately 27.3% as compared with that for the same period of last year, of which revenue from innovative pharmaceuticals amounted to RMB1,767 million, contributing 65.4% of the total revenue for the same period and representing an increase of approximately 44.8% as compared to the revenue from innovative pharmaceuticals for the same period of last year. Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection) enhanced our leading market position in the field of nervous system by driving revenue from nervous system products to increase approximately 74.7% as compared with the same period of last year. Meanwhile, the revenue contribution from ENWEIDA and other products further testified our commercialization ability.

Focusing on higher efficiency and persisting in differentiation, we have rapidly promoted nearly 60 innovative drug research pipelines. For the six months ended June 30, 2022, we added 5 INDs, completed FPI/FIH for 9 trials, and enrolled over 1,000 patients for clinic trials. As of the date of this report, the phase III pivotal clinical trial of Sanbexin sublingual tablets completed all patients enrollment in only 10 months, while the anti-SARSCoV-2 drug candidate SIM0417(3CL) is carrying out phase III clinical trials.

Company Overview

Financial Highlights

For the six months ended June 30, 2022, the Group recorded the following unaudited financial results:

- Revenue of approximately RMB2,700 million, representing an increase of approximately 27.3% as compared with that for the same period of last year;
- Research and development costs of approximately RMB652 million, representing an increase of approximately 3.9% as compared with that for the same period of last year, and accounting for approximately 24.1% of the revenue;
- Profit for the period of approximately RMB62 million, representing a decrease of approximately 88.8% as compared with that for the same period of last year;
- Basic earnings per share of approximately RMB0.02, representing a decrease of approximately 90.5% as compared with that for the same period of last year.

Management Discussion and Analysis

Industry Review

In the first half of 2022, the “Linkage of Three Medical Systems” regarding medical care, medical insurance and medicine has been deepened with various emerging variables such as the COVID-19 pandemic, international and domestic macro political and economic environment. China’s medical innovation is at a “critical period”. The reform of centralized and volume-based procurement has been accelerated into a new stage of normalization and institutionalization. The innovation and development of the pharmaceutical industry has been sped up to promote pharmaceutical enterprises to optimize R&D pipelines, increase R&D investment. The implementation of policies such as the 14th Five-Year Plan for Bio-Economic Development (《“十四五”生物經濟發展規劃》), the Work Plan for the Adjustment to 2022 Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《2022年國家基本醫療保險、工傷保險和生育保險藥品目錄調整工作方案》) and the Guiding Principles for Clinical Research and Development of anti-tumor Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) guides enterprises to avoid low-level repetitive follow-up research and development, encourages more differentiated innovative drugs to enter medical insurance quickly, promotes a virtuous cycle of input-output of innovative drugs, and creates more space for development of the pharmaceutical enterprises which continuously markets innovative drugs and pursues actual clinical value.

Key Milestones

During the six months ended June 30, 2022, the Group made a series of advances in respect of its product candidates and business operations, including the following key milestones and achievements:

January 29, 2022	SIM0235 (TNFR2) obtained the Investigational New Drug (“IND”) approval issued by the U.S. Food and Drug Administration (“FDA”), which is intended to be used for clinical trials of advanced solid tumors and cutaneous T-cell lymphoma (“CTCL”). This is the Group’s first self-developed drug, which was approved for clinic trials by FDA.
February 23, 2022	A randomized, double-blind, placebo-controlled, multi-center phase III clinical trial (TRACES study) evaluating safety, efficacy and pharmacokinetics of Trilaciclib Hydrochloride for Injection in extensive small-cell lung cancer (“ES-SCLC”) patients who are receiving carboplatin in combination with etoposide or topotecan treatment, has met the primary endpoint in clinical study.
February 24, 2022	SIM0408(QPCT) obtained the Clinical Trial Approval issued by the National Medical Products Administration of China (the “NMPA”) in China, and is proposed for the treatment of mild cognitive impairment (“MCI”) and dementia at mild stage caused by Alzheimer’s disease (“AD”).
March 18, 2022	The Group entered into a cooperation agreement with Lynk Pharmaceuticals Co., Ltd., pursuant to which, the Group will obtain the exclusive commercial promotion right of selective JAK1 inhibitor for rheumatoid arthritis and ankylosing spondylitis indications in China.
March 21, 2022	The anti-tumor oral protein arginine methyltransferase 5 (“PRMT5”) inhibitor SIM0272 self-developed by the Group has obtained the Clinical Trial Approval issued by the NMPA, which is intended to be used in the clinical trial for the treatment of advanced malignant tumors.

Management Discussion and Analysis

- March 28, 2022 SIM0417, a candidate drug against severe acute respiratory syndrome coronavirus 2 (“**SARS-CoV-2**”), for which the Group holds license from Shanghai Institute of Materia Medica and Wuhan Institute of Virology, Chinese Academy of Sciences, obtained approval from the NMPA to conduct the clinical trial on Mild-to-Moderate patients affected Coronavirus Disease 2019 (“**COVID-19**”) at a high risk of developing severe illness (including hospitalization or death).
- May 13, 2022 SIM0417 further obtained the Clinical Trial Approval issued by the NMPA in China, and is proposed for Post-exposure prophylaxis for close contacts of individuals who test positive for COVID-19.

After the Reporting Period to the date of this report, the Group reached the following milestones:

- July 12, 2022 The marketing of COSELA[®] (generic name: Trilaciclib Hydrochloride for Injection) in China, which is a cyclin-dependent kinase CDK4/6 inhibitor developed by the Group in collaboration with G1 Therapeutics, INC. (“**G1 Therapeutics**”), has obtained the conditional approval by the NMPA. As the first therapy with function of protecting existing bone marrow when administered prior to treatment with chemotherapy, COSELA[®] will protect more cancer patients by reducing the damage caused by chemotherapy to bone marrow hematopoietic stem/progenitor cells and immune cells, thereby will fill a gap in the market.

For details of each milestone above, please refer to this report below and, where appropriate, previous announcements of the Company published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company.

Revenue

For the six months ended June 30, 2022, the revenue of the Group was approximately RMB2,700 million. In particular, the revenue from innovative pharmaceuticals became the main source of revenue for the Group, and amounted to approximately RMB1,767 million, representing a vigorous increase of approximately 44.8% as compared to the revenue from innovative pharmaceuticals for the same period of 2021. The revenue from innovative pharmaceuticals contributed 65.4% of the total revenue for the same period to set a historic high (45.1% and 62.4% for 2020 and 2021, respectively).

The Group’s revenue primarily concentrated on the strategically focused therapeutic areas: nervous system, oncology and autoimmune. The Group generates revenue from sales of pharmaceutical products and provision of promotion services. The increase of our total revenue during the first half of 2022 was mainly due to the rapid increase in revenue from an innovative drug Sanbexin[®] (Edaravone and Dexborneol Concentrated Solution for Injection).

Management Discussion and Analysis

Nervous System Products

Main products in this therapeutic area include Sanbexin[®]. For the six months ended June 30, 2022, revenue from sales of pharmaceutical products from the nervous system product portfolio reached approximately RMB1,040 million, accounting for approximately 38.5% of the Group's total revenue.

Sanbexin[®] (Edaravone and Dexborneol Concentrated Solution for Injection)

Sanbexin[®] is a category I innovative drug developed by the Group with proprietary intellectual property right, which was approved to marketing in China in July 2020 and used to treat Acute Ischemic Stroke (“**AIS**”). According to Frost & Sullivan, it is the only pharmaceutical for the treatment of stroke which has obtained the approval worldwide since 2015. On December 28, 2020, Sanbexin[®] was included in the NRDL. In 2021, data from the results of phase III TASTE clinical trial relating to Sanbexin[®] were published in STROKE, a leading international authoritative medicine journal. In the same year, Sanbexin[®] was recommended by the Specialists' Consensus on the Clinical Assessment and Treatment of Acute Cerebral Infarction Ischemic Penumbra in China and Guidelines on Primary Diagnosis and Treatment of Ischemic Stroke (Practical Edition, 2021) and other guidelines and consensuses, and multiple relevant studies were presented at the European Stroke Organization Conference (“**ESOC**”), the scientific meeting of the American Heart Association (“**AHA**”) Hypertension Council and the World Congress of Neurology (“**WCN**”).

- The TASTE II study (for evaluation of the efficacy and safety of Sanbexin[®] combined with reperfusion in the treatment of AIS patients), led by Beijing Tiantan Hospital, Capital Medical University with the participation of approximately 100 research centers in China, has progressed as planned. On March 21, 2022, the study completed the first patient in (“**FPI**”) for the clinical trial. As of the date of this report, the study has enrolled approximately 400 subjects for the clinical trial. It is expected that 80% of the cases will be enrolled within 2022.
- In May 2022, a research result of the 8th European Stroke Organization Conference (“**ESOC**”) indicated that whether thrombolysis treatment is received or not, Sanbexin[®] significantly lowers the inflammatory factor level of AIS patients and improves nervous functions, for which the improvement made by the treatment group of Sanbexin[®] combined with thrombolytic drugs is distinct.
- On May 21, 2022, Sanbexin[®] was recommended by the 2022 Guidelines on Establishment of Stroke Prevention and Treatment System (《腦卒中防治體系建設指導規範(2022版)》). The recommended contents are: Edaravone and dexborneol concentrated solution blocks the cerebral ischemia cascade through multiple targets such as free radical scavenging, inflammation resistance, glutamate excitotoxicity resistance and mitochondria protection. It can significantly improve the functional outcomes of ischemic stroke patients, and is safe for clinical use, providing a new and more effective clinical treatment for AIS (Level IIa recommendation, level A evidence).

Oncology Products

Main products in this therapeutic area include Endostar[®] (Recombinant Human Endostatin Injection). For the six months ended June 30, 2022, revenue from sales of pharmaceutical products from the oncology product portfolio reached approximately RMB457 million, accounting for approximately 16.9% of the Group's total revenue.

Management Discussion and Analysis

Endostar® (Recombinant Human Endostatin Injection)

Endostar® is the first proprietary anti-angiogenic targeted drug in China and the only endostatin approved for sale in China and worldwide. Endostar® has been included in the NRDL since 2017 and is recommended as a first-line treatment for patients with advanced non-small-cell lung cancer (“**NSCLC**”) by a number of oncology clinical practice guidelines issued by the National Health Commission of the PRC (“**NHC**”), Chinese Medical Association (中華醫學會) and Chinese Society of Clinical Oncology (“**CSCO**”). At present, the Group is actively exploring the expansion of new indications of this product in malignant serous cavity effusion. In September 2020, CSCO’s Expert Committee on Antineoplastic Safety Management (中國臨床腫瘤學會抗腫瘤藥物安全管理專家委員會) and Expert Committee on Vascular Targeting Therapy (血管靶向治療專家委員會) published the Expert Consensus on the Clinical Application of Recombinant Human Endostatin to Treat Malignant Serous Effusion (《重組人血管內皮抑制素治療惡性漿膜腔積液臨床應用專家共識》) in Chinese Clinical Oncology. Based on the relevant translational research, clinical trial and real world study, the consensus aimed to provide guidance for the reasonable application of Endostar® in the clinical practice to treat malignant serous effusions (including malignant pleural effusions, malignant ascites and malignant pericardial effusions).

- On March 18, 2021, the Group obtained the Clinical Trial Approval issued by the NMPA for the phase III clinical trial of Endostar® on the new indication of malignant thoracoabdominal effusions, that is, a randomized, controlled and double-blinded multicentre phase III clinical trial (COREMAP study) of intracavitary injection with Endostar® in combination with Cisplatin versus Placebo in combination with Cisplatin for the treatment of malignant thoracoabdominal effusions.
- On July 28, 2022, COREMAP study, taken the Shanghai East Hospital as the team leader and participated by more than 70 centers across China, completed FPI. As of the date of this report, the study has progressed in line with expectations and has enrolled over 260 subjects.
- In June 2022, the American Society of Clinical Oncology (“**ASCO**”) published 3 important research results in relation to Endostar® at its 58th annual meeting in the form of online abstract and poster, including three days intravenous infusion of Endostar® in combination with PD-1 monoclonal antibody and chemotherapy for the first-line treatment of EGFR/ALK-negative advanced non-squamous NSCLC, Endostar® in combination with whole brain radiotherapy for the treatment of NSCLC brain metastasis patients, and Endostar® in combination with radiotherapy for the treatment of low-risk locally advanced nasopharyngeal carcinoma.
- On August 6, 2022, a multicentre retrospective study of Endostar® in combination with Camrelizumab and chemotherapy for the treatment of advanced NSCLC was presented at the 2022 World Conference on Lung Cancer (“**WCLC**”).

ENWEIDA® (Envafolimab Injection)

ENWEIDA® is a single domain antibody against recombinant humanized PD-L1 and a protein fused with Fc, which was conditionally approved to marketing in China by the NMPA on November 25, 2021. ENWEIDA® is the world’s first PD-(L)1 antibody to be administered by subcutaneous injection approved for marketing. Its unique method of injection differentiates itself from other PD-(L)1 products currently on the market, with the differentiation advantages of short administration time and good safety. On March 30, 2020, the Group entered into a tripartite cooperation agreement in relation to Envafolimab with 3D (Beijing) Medicines and Jiangsu Alphamab. The above-mentioned agreement provides the Group with the exclusive right to promote Envafolimab for all oncology indications and the right of first refusal of external licensing or assignment in mainland China.

Management Discussion and Analysis

- On April 2022, ENWEIDA® was firstly included in three CSCO guidelines: CSCO Diagnosis and Treatment Guidelines for Gastric Cancer 2022 (《CSCO 胃癌診療指南 2022 版》) (Level I recommendation, Class 2A evidence); CSCO Diagnosis and Treatment Guidelines for Colorectal Cancer 2022 (《CSCO 結直腸癌診療指南 2022 版》) (Level II recommendation, Class 2A evidence); CSCO Immune Checkpoints Guidelines for Clinical Use of Inhibitors (《CSCO 免疫檢查點抑制劑臨床應用指南 2022 版》) (Level I recommendation, Class 2A evidence) for recommendation.
- As of the date of this report, the multiple-cohort and multi-institutional phase II clinical trial led by the Group on the efficacy and safety of Sevacizumab in combination with Envafolimab with or without chemotherapy for the treatment of patients with advanced solid tumors has completed the enrollment of over 60 subjects.

COSELA® (Trilaciclib Hydrochloride for Injection)

COSELA® is an effective, selective and reversible cyclin-dependent kinases 4 and 6 (CDK4/6) inhibitor. COSELA® is the world's first-in-class comprehensive myeloprotection innovative drug that can be administered prior to a chemotherapy and transiently retard hematopoietic stem cells and progenitor cells in G1 phase of cell cycle, thereby protect bone marrow cells from damage caused by cytotoxic chemotherapy. In August 2020, the Group entered into the exclusive license agreement with G1 Therapeutics to develop and commercialize Trilaciclib Hydrochloride for Injection in Greater China. On February 13, 2021, the product was approved for sale by the U.S. FDA, with the indication being preventive use in small cell lung cancer patients treated with a platinum-containing regimen in combination with etoposide-containing regimen or topotecan-containing regimen to decrease the incidence of chemotherapy-induced myelosuppression. Currently, the product has been recommended by the related key guidelines of National Comprehensive Cancer Network Guidelines (“NCCN”), Chinese Society of Clinical Oncology (“CSCO”), and other organizations.

- On February 23, 2022, it was announced that COSELA® had reached the endpoint for the randomized, double-blind, placebo-controlled, multi-center phase III clinical trial (TRACES study) evaluating the safety, efficacy, and pharmacokinetics of Trilaciclib Hydrochloride for Injection in extensive small-cell lung cancer (“ES-SCLC”) patients who are receiving carboplatin in combination with etoposide or topotecan treatment.
- On July 12, 2022, COSELA® obtained the approval by the NMPA for conditional marketing in China, with the indication of decreasing the incidence of chemotherapy-induced myelosuppression in adult patients when administered prior to a platinum/etoposide-containing regimen for extensive-stage small cell lung cancer. The approval for marketing of COSELA® is based on the data of the safety introduction stage of the TRACES study, the data of the real world study (Trila-CN-RWS-001 study) in the International Medical Tourism Pilot Zone, Boao Hope City, Hainan Free Trade Port, China, and the previous overseas data support from G1 Therapeutics. The Group plans to initiate the commercialization work on the Chinese market in the fourth quarter of 2022.

Management Discussion and Analysis

- In August 2022, the main results of TRACES study on random phase III study as at December 29, 2021 were presented at the World Conference on Lung Cancer (“**WCLC**”): Compared with placebo, COSELA[®] administered before chemotherapy in Chinese patients resulted in a significant decrease in the duration of severe neutropenia in Cycle 1 (0 day vs 2 days; $P=0.0003$). In addition, COSELA[®] also significantly decreased the occurrence of severe neutropenia (SN, 7.3% vs 45.2%, $P < 0.0001$), febrile neutropenia (FN, 2.4% vs 16.7%, $P=0.0267$) and grade 3/4 hematologic toxicity (53.7% vs 88.1%, $P=0.0005$). In terms of safety, among the patients using COSELA[®], all other treatment-emergent adverse events (“**TEAE**”) were lower than those of the placebo control except for a slight increase in hypertriglyceridemia and γ -glutamyltransferase. Compared with placebo, there are fewer grade ≥ 3 adverse events using COSELA[®] (61% vs 88.1%), primarily due to the lower incidence of hematological grade ≥ 3 adverse events (53.7% vs 88.1%).

In addition to the ES-SCLC indications above, COSELA[®] is conducting two phase III clinical trials for metastatic colorectal cancer (“**mCRC**”) and triple-negative breast cancer (“**TNBC**”) in China:

- COSELA[®] was incorporated into an international multi-centre phase III clinical trial program for mCRC with FOLFOXIRI/bevacizumab (PRESERVE1 Study). On September 24, 2021, the Group completed the FPI for this trial in China. On June 6, 2022, PRESERVE1 Study completed all patient enrollment globally, of which 10 research centers in China completed an enrollment of 53 cases in total.
- COSELA[®] was incorporated into an international multi-centre phase III clinical trial program for TNBC with gemcitabine and carboplatin (PRESERVE2 study). On January 7, 2022, the Group completed the FPI for this trial in China. On August 2, 2022, the clinical trial completed an enrollment of 38 cases in total in China.

Autoimmune Products

Main products in this therapeutic area include Iremod[®] (Iguratomod Tablets), ANTINE[®] (Diclofenac Sodium Sustained Release Capsules/Gel) and Orencia[®] (Abatacept Injection). For the six months ended June 30, 2022, revenue from sales of pharmaceutical products from the autoimmune product portfolio reached approximately RMB495 million, accounting for approximately 18.4% of the Group’s total revenue.

Iremod[®] (Iguratomod Tablets)

Iremod[®] is the category 1.1 new drug independently developed by the Group, and also the first Iguratimod pharmaceutical product approved for marketing in the world. Iremod[®] has been included in the National Medical Insurance Catalogue (B-List) since 2017. The indication is the active rheumatoid arthritis. Since it launched in 2012, Iremod[®] has benefited over 1 million patients (persons) in China. Iremod[®] is recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and Labor and Welfare of Japan. Currently, the Group is actively promoting the new indication expansion program on Sjögren’s syndrome for this product. In April 2020, Iremod[®] was adopted in the “Primary Sjögren’s Syndrome Diagnosis and Treatment Standards” (《原发性干燥综合征诊疗规范》) issued by the Division of Rheumatology of the Chinese Medical Doctor Association (中國醫師協會風濕免疫科醫師分會).

- On January 20, 2022, the phase II clinical trial of Iremod[®] in the treatment of active Primary Sjögren’s Syndrome, taken the Peking University People’s Hospital as the team leader, enrolled all 144 subjects. Currently, the trial entered the data statistics and analysis stage.

Management Discussion and Analysis

- In January 2022, Rheumatoid Arthritis Diagnosis and Treatment Standards (《類風濕關節炎診療規範》) recommended iguratimod among the conventional synthetic disease modifying antirheumatic drugs (“csDMARDs”).
- In June 2022, two important studies on Iremod[®] were selected for the poster of the annual meeting of the European League Against Rheumatism (“EULAR”). One exploratory study on the mechanism of treating rheumatoid arthritis-related interstitial lung disease shows that: The results from randomly dividing the mouse pulmonary fibrosis model into control group and treatment group with different concentrations, indicate that iguratimod could improve pulmonary fibrosis by inhibiting the initiation of EMT process and NLRP3 inflammasome activation, as well as reducing ROS production, which provides new insights for further application of iguratimod in interstitial pulmonary fibrosis. Another claims-based algorithms retrospective real-world study to evaluate the cost-effectiveness of iguratimod among patients with rheumatoid arthritis shows that: This proves that iguratimod combined with methotrexate for the treatment of rheumatoid arthritis patients is a strategy with both curative effect and economic cost.

Other Products

Main products in these therapeutic areas include Softan[®] (Rosuvastatin Calcium Tablets) and, ZAILIN[®] (Amoxicillin Granules/Dispersible Tablets/Capsules). For the six months ended June 30, 2022, revenue from sales of pharmaceutical products from the said product portfolio reached approximately RMB444 million, accounting for approximately 16.5% of the Group’s total revenue.

Research and Development

The Group pays high attention to the R&D of innovative pharmaceuticals. We focus on efficiency and adhere to differentiation with the core R&D goal to meet the clinical needs of patients, enrich the pipeline under research with the two-wheel-driven independent and cooperative R&D, and benefit patients around the world with our collaborative innovation.

The Group’s R&D strategy continues to focus on the three advantageous therapeutic areas: oncology, nervous system and autoimmune with forward-looking layout of disease areas with significant clinical needs in the future.

During the six months ended June 30, 2022, R&D investment amounted to approximately RMB652 million, accounting for approximately 24.1% of the revenue.

The Group pays high attention to the building of innovative pharmaceutical R&D capability. The Group has established R&D innovation centers in Shanghai, Nanjing, Beijing and Boston respectively, and a State Key Laboratory of Translational Medicine and Innovative Drug Development. The Group’s pharmaceutical R&D has realized functions covering the whole process from drug discovery, preclinical development, clinical trial to registration, and owns a leading innovative R&D platform in China with AI-aided drug discovery and optimization, PROTAC targeted protein degradation, protein structure modification and NK cell based treatment. As of the date of this report, the Group had a R&D team of approximately 1,100 persons in total (including approximately 130 doctors and 520 masters).

Management Discussion and Analysis

We have also established strategic cooperation with many innovative enterprises and research institutes and clinical centers at home and abroad and are exploring multiple collaborative modes such as cooperative R&D and achievement transfer. Meanwhile, the Group put forward and implemented the “Sincere Project X”, aiming to attract professional leaders in the global life sciences field to explore and create unprecedented therapy.

As of the date of this report, the Group had nearly 60 innovative pharmaceutical projects in its R&D pipeline, including 8 phase III clinical trials, 5 phase II clinical trials and 6 phase I clinical trials.

For the six months ended June 30, 2022, the Group added 5 INDs, namely SIM0235 (TNFR2/ advanced solid tumors and CTCL/the US), SIM0408 (QPCT/AD/China), SIM0272 (PRMT5/tumor/China), SIM0417 (3CL/Mild-to-Moderate COVID-19 patients/China) and SIM0417(3CL/post-exposure prophylaxis for close contacts of COVID-19 patients/China).

For the six months ended June 30, 2022, more than 1,000 patients were enrolled in clinical trials, the Group completed clinical the first-in-human trial (“**FIH**”) for 4 trials in total, namely SIM0235 (TNFR2, solid tumors, March 16), SIM0417 (3CL, health person, April 10), SIM0270 (SERD, breast cancer, May 18), SIM0272 (PRMT5, tumors, June 27); completed FPI for 5 trials in total, namely Trilaciclib Hydrochloride for Injection (CDK4/6, TNBC phase III, January 7), SIM0417 (3CL, COVID-19 phase Ib, May 14), SIM0335 (IL-17A related passways, psoriasis phase IIa, May 27), SIM0417 (3CL, COVID-19 phase II, June 13), docetaxel polymeric micelles for injection (tubulin inhibitor, solid tumors phase II, June 23).

Management Discussion and Analysis

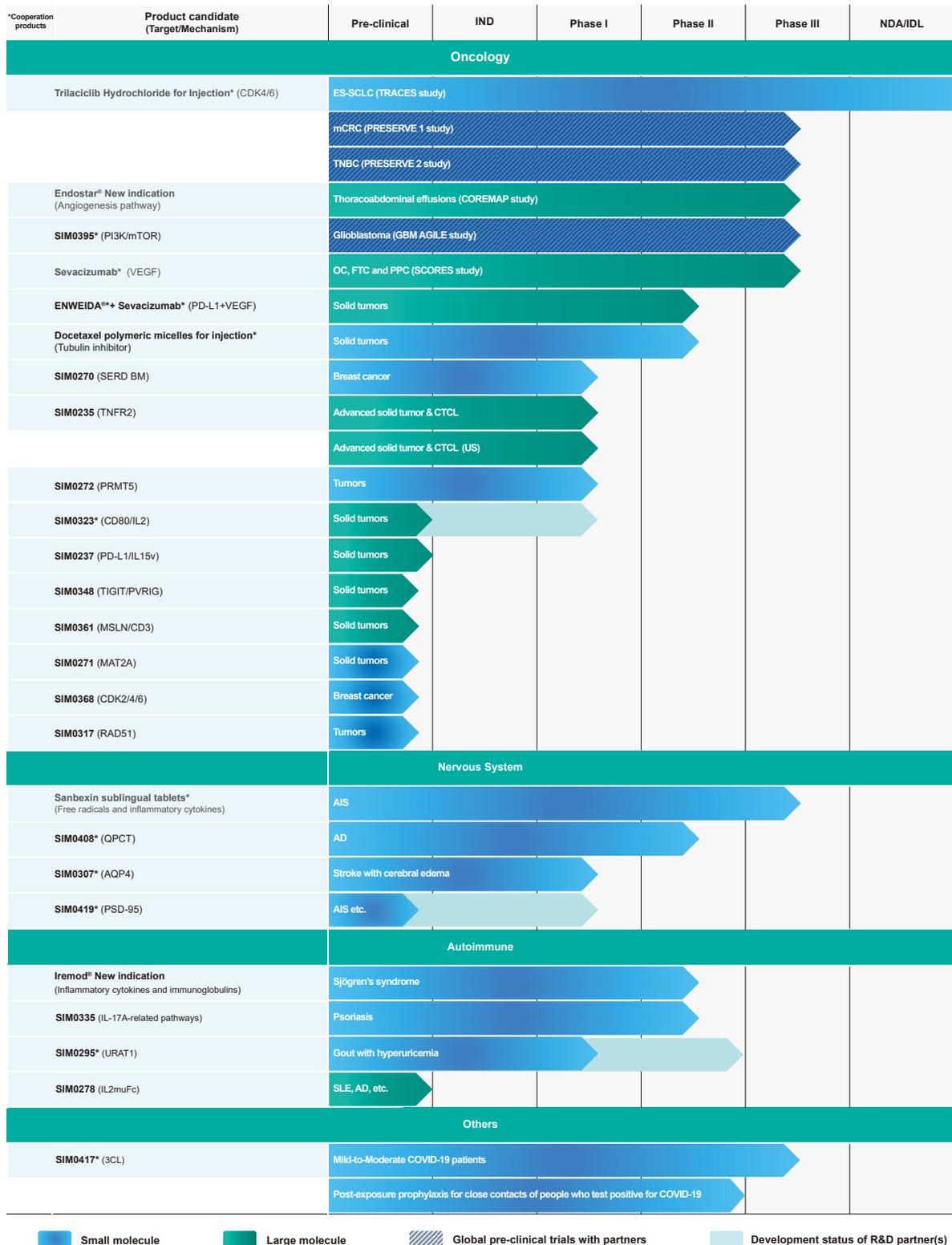


Chart The Group's Major Innovative Pharmaceutical Candidates and Their Development Status as of the date of this report

Management Discussion and Analysis

Meanwhile, the Group attaches great importance to the protection of intellectual property rights. For the six months ended June 30, 2022, the Group had 103 new invention patent applications (including domestic and overseas unpublished patent applications). Currently, the Group has accumulatively obtained 207 invention patents, 81 utility model patents and 20 appearance design patents.

For the six months ended June 30, 2022, the Group obtained approvals for 1 generic pharmaceuticals including amoxicillin and clavulanate potassium for suspension (0.15625g) and 1 consistency evaluation supplemental application regarding Biapenem for Injection (0.3g).

Drug Candidates in the Clinical Stage

Sanbexin sublingual tablets are oral solid dosage containing edaravone dexborneol compound, which can disintegrate quickly under the tongue and absorb into the blood through the sublingual venous plexus, inhibit inflammations, prevent free radicals and, protect the blood-brain barrier, thus minimizing brain cell injury or impairment caused by AIS. Such unique dosage form is expected to increase the flexibility of stroke treatment and improve medication compliance. Sequential therapy consisting of Sanbexin sublingual tablets and Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection) is expected to enable patients to receive a timely and complete treatment. In addition, administration of sublingual tablets is less dependent on medical facility conditions or compliance of patients, which makes it more suitable for research on new indications such as other nervous system diseases.

- On June 28, 2021, the phase III clinical trial of Sanbexin sublingual tablets for the treatment of AIS reached FPI. This multi-center, randomized, double-blind, parallel and placebo-controlled phase III trial was led by Peking University Third Hospital, with participation of approximately 40 research centers across the country. Patients aged 18–80 with AIS within 48 hours of onset were enrolled. The primary end point of the trial was the proportion of participants with a mRS score ≤ 1 on the 90th day after treatment, i.e. proportion of patients who regained independent living function. At the same time, other efficacy and safety indicators were evaluated and biomarkers for stroke were explored.
- On May 4, 2022, the phase III clinical study of Sanbexin sublingual tablets for the treatment of AIS in China achieved positive progress. It only took ten months to complete the enrollment of all 914 patients, and entered follow-up and data analysis stage. In August 2022, all patients completed the final visits, and the Company planned to rapidly advance the NDA application of Sanbexin sublingual tablets.

SIM0417 On November 17, 2021, the Group entered into a technology transfer contract with The Shanghai Institute of Materia Medica, Chinese Academy of Sciences, and Wuhan Institute of Virology, pursuant to which the Group obtained development, production and commercialization rights on an exclusive basis of the anti-SARS-CoV-2 drug candidate SIM0417 worldwide. SIM0417 can target 3CL, a key protease essential required for SARS-CoV-2 virus replication, and has shown good safety, in-vivo pharmacokinetics and broad-spectrum antiviral activity in pre-clinical study: (1) No drug toxicity was found in safety pharmacology, 14 day repeated administration toxicity (GLP) toxicology and genotoxicity; (2) Lung tissue is highly exposed and human plasma protein binding rate is lower; (3) Good antiviral activity against a variety of COVID-19 variants, including wild-type, Delta and Omicron strain has been exhibited with the effect to inhibit virus replication in lung and brain tissue and protect tissue damage caused by virus infection. The research results will be published in academic journals or conferences.

Management Discussion and Analysis

- On March 28, 2022, SIM0417 had obtained the First Clinical Trial Approval for drugs issued by the NMPA for the treatment of Mild-to-Moderate patients affected Coronavirus Disease 2019 (“**COVID-19**”) at a high risk of developing severe illness (including hospitalization or death).
- On April 10, 2022, the FPI for the phase I clinical trial for safety, tolerability and pharmacokinetics of SIM0417 among health adult subjects after single/multiple dose administrations was completed at Shandong Provincial Qianfoshan Hospital. On June 1, 2022, this study completed the enrollment of all patients and in-hospital observation.
- On May 13, 2022, SIM0417 obtained the Second Drug Clinical Trial Approval issued by the NMPA, which is used for post-exposure prophylaxis for close contacts of people who test positive for COVID-19.
- On June 13, 2022, the FPI for the phase II clinic study of SIM0417 for treatment of COVID-19 was completed at Fudan University Zhongshan Hospital. On July 23, 2022, the Phase Ib clinical trial for adults with COVID-19 infection completed the medication of all patients in the Third People’s Hospital of Shenzhen, and follow-up observation of all patients was completed. Preliminary data show that SIM0417 has shown positive effects on viral load, negative turning time and elimination of COVID-19-related symptoms.
- As of the date of this report, in accordance with the clinical trial proposal approved by the CDE, the Group has been actively conducting two clinical trials of SIM0417 in combination with ritonavir versus placebo.

Sevacizumab is a new-generation recombinant humanized anti-vascular endothelial growth factor (anti-VEGF) monoclonal antibody. In its pre-clinical studies, Sevacizumab has shown higher anti-tumor efficacy than bevacizumab at the same dose in multiple cancer models. In the phase Ib clinical trial conducted in China for the treatment of ovarian cancer, preliminary results showed a favorable safety profile and efficacy signals.

- On June 11, 2021, the FPI for the phase III clinical trial of Sevacizumab in combination with chemotherapy compared with placebo in combination with chemotherapy in patients with recurrent epithelial ovarian cancer, fallopian tube cancer and primary peritoneal cancer who failed to be treated with platinum chemotherapy regimen (SCORES Study) was completed. As of August 11, 2022, SCORES Study enrolled approximately 205 subjects in 53 centers in China as planned.
- On June 8, 2022, the Group completed the enrollment for safety run-in period for a multiple-cohorts and multi-institutional phase II clinical trial to evaluate the safety and efficacy of Sevacizumab in combination with Envafolelimab with or without chemotherapy in patients with advanced solid tumors. As of the date of this report, the phase II clinical trial completed the enrollment of 60 subjects.

Docetaxel polymeric micelles for injection uses solubilizing carrier of docetaxel with the polyethylene glycol monomethyl ether-polylactic acid block copolymer (“**mPEG-PDLLA**”), an amphiphilic biocompatible biodegradable material, to reduce the allergy and hematotoxicity of docetaxel injection, and facilitate clinical application. In September 2020, the Group reached a global cooperation with Suzhou Hightechbio Biotechnology Co., Ltd. on this product.

- On March 31, 2022, the FPI for the open, multiple-cohorts and multi-institutional phased II clinical trial on the dosing of Docetaxel Polymeric Micellar for Injection was completed at Tianjin Medical University Cancer Institute and Hospital.

Management Discussion and Analysis

SIM0270 is the second-generation oral selective estrogen receptor degrading agent (“**SERD**”) with blood-brain barrier-penetrating properties independently developed by the Group. The efficacy of SIM0270 in the in vivo model is significantly better than the only SERD-type fulvestrant for intramuscular injection currently on the market in the world, and is equivalent to the efficacy of the leading compound in the clinical trial stage. It reflects a brain-to-blood ratio significantly better than competing compounds and also shows a tumor-inhibiting drug therapy far superior to fulvestrant on the brain orthotopic model of breast cancer. It is expected to be used for the treatment of breast cancer with brain metastases.

- On December 27, 2021, SIM0270 obtained the Clinical Trial Approval issued by the NMPA, which is intended for the clinical trial of ER+/HER2-breast cancer.
- On May 18, 2022, SIM0270 completed the FPI of phase I clinical trial in the Tianjin Medical University Cancer Institute & Hospital.

SIM0235 is a tumor-immune target human immunoglobulin G1 (“**IgG1**”) humanized anti-tumor necrosis factor type 2 receptor (“**TNFR2**”) monoclonal antibody independently developed by the Group. The preclinical pharmacodynamic model shows significant single-agent efficacy and the potential and superior safety in combination with PD-1. SIM0235 can specifically recognize TNFR2 expressed on the cell surface and kill immunosuppressive cells such as regulatory T cells (“**Treg**”) and bone marrow derived suppressor cells (“**MDSC**”) with high expression of TNFR2 through Fc end functions including antibody dependent cell-mediated cytotoxicity (“**ADCC**”) and antibody dependent cell-mediated phagocytosis (“**ADCP**”). At the same time, it can also block the activation of endogenous tumor necrosis factor (“**TNF**”) on TNFR2, inhibit the immunosuppressive function mediated by TNFR2 and the proliferation of related TNFR2 + immunosuppressive cells Treg and MDSC, enhance the body’s killing immune response to tumor and play an anti-tumor role. In addition, SIM0235 can specifically recognize TNFR2 expressed on the surface of tumor cells and directly kill tumor cells with high expression of TNFR2 through the effector function mediated by Fc end of antibody.

- On December 6, 2021, SIM0235 obtained the Clinical Trial Approval issued by the NMPA, which is designed to be used for clinical trials of relapsed or refractory advanced solid tumors and cutaneous T-cell lymphoma (“**CTCL**”) in China.
- On January 29, 2022, the drug obtained the IND approval issued by the FDA, which is designed to be used for clinical trials of advanced solid tumors and CTCL.
- On March 16, 2022, the FPI for phase I clinical trial of SIM0235 was completed at Sun Yat-sen University Cancer Center. This is the first-in-human dosing of SIM0235 and is the first time that a drug candidate for this target has been used in Chinese subjects. The Phase I clinical trial will evaluate the safety, pharmacokinetics, pharmacodynamic characteristics and anti-tumor efficacy of SIM0235.

SIM0307 is an Aquaporin-4 (“**AQP4**”) inhibitor developed based on the Aquaporin water channel theory which has been awarded the Nobel Prize. It is intended for the treatment of acute severe ischaemic stroke complicated by cerebral oedema, as a first-in-class small molecule drug with a novel mechanism of action for brain oedema therapy. The Group entered into a license agreement with Aeromics, Inc. in October 2019, pursuant to which the Group obtained a proprietary and sublicensable license for its self-funded research, development, production and commercialization of SIM0307 in the Greater China region. On December 8, 2021, the FPI for the phase I clinic trial of SIM0307 was completed.

Management Discussion and Analysis

SIM0408 is an oral small molecule inhibitor targeting glutamine acyl cyclase (“**QPCT**”). By inhibiting QPCT to prevent the formation of toxic N3pE starch protein. SIM0408 can play a role in the early stage of disease, which may prevent neuronal damage. In June 2021, the Group established a strategic regional licensing partnership with Vivoryon Therapeutics N.V. (“**Vivoryon**”) for the development and commercialization of SIM0408 and other drugs in Greater China. In December 2021, the FDA granted “Fast Track” accreditation to the candidate drug.

- On February 24, 2022, SIM0408 obtained the Clinical Trial Approval issued by the NMPA, which is intended for the treatment of MCI or mild dementia caused by AD and the support for the phase I and phase II clinical trials in China.

SIM0335 is an innovative small molecule drug developed in-house by the Group’s subsidiary BCY Pharm Co., Ltd. (“**BCY**”), and also a national Candidate Category 1 drug and the first of its kind in the world that controls fatty acid metabolism and works on IL-17A-related pathways. SIM0335 is a topical ointment with 3-Ocyclohexanecarbonyl-11-keto- β -boswellic acid (“**CKBA**”) being the active ingredient. Phase I clinical results showed that the systematic exposure was low and the systematic safety risk was expected to be small.

- On May 27, 2022, the FPI for the phase IIa clinical trial of SIM0335 for the treatment of plaque psoriasis was completed at Wuxi Second People’s Hospital. The trial is designed to evaluate the safety, efficacy and pharmacokinetics of SIM0335 for mild to moderate plaque psoriasis.

SIM0272 is a PRMT5 inhibitor self-administered by the Group with high PRMT5 inhibitory activity and high selectivity. PRMT5 is overexpressed in many cancers, including lung, breast, gastric, colorectal, ovarian, leukaemia and lymphoma, and is associated with progression and poor prognosis in most cancers. Preclinical pharmacokinetic studies revealed that SIM0272 tended to distribute within the tumor with an intratumoral drug concentration to plasma drug ratio of approximately 10 times that of other in study PRMT5 inhibitors and exhibits proliferation inhibitory activity against a variety of hematologic and solid tumor cells in vitro, with the potential to substantially reduce plasma exposure and target related hematologic toxic side effects while inhibiting tumors.

- On March 21, 2022, SIM0272 obtained the Clinical Trial Approval for drugs issued by the NMPA, which is designed for conducting clinical trials for advanced malignant tumors.
- In April 2022, SIM0272 preclinical key information was presented as an oral report at the American Association for Cancer Research (“**AACR**”).
- On June 27, 2022, the FPI for the multi-institutional phase I clinical trial which evaluated safety, tolerability, effectiveness and pharmacokinetics of SIM0272 in patients with advanced malignant tumors was completed at Shandong Provincial Oncology Hospital.

Selected Drug Candidates in the Pre-clinical Stage

SIM0237 is an anti-PD-L1 monoclonal antibody and IL-15/IL-15R α fusion protein. It can block the PD1/PD-L1 immunosuppressive pathway in combination with PD-L1, while activating the immune system through IL-15, thus playing a dual synergistic role of relieving immunosuppression and activating the immune system, and exhibiting anti-tumor efficacy. Preclinical studies have found that the efficacy is significantly superior to single-dosing PD-L1 and IL-15 in mouse tumor models and toxicity is lower than competitors in cynomolgus monkey toxicology studies.

Management Discussion and Analysis

SIM0323 is the first-in-class CD80/IL-2 bifunctional fusion protein developed by the Group and GI Innovation, Inc. The preclinical pharmacodynamic model shows significant single-drug efficacy and the potential for combined use with other anticancer drugs, such as in PD-1 inhibitors and chemotherapeutics.

- In 2021, the partner was approved for clinical trials by the Korean Ministry of Food and Drug Safety and the U.S. FDA to carry out phase I/II clinical trials of the drug.

SIM0278 is a Treg-preferred IL2 fusion protein with high activity. Preclinical studies have found that SIM0278 can selectively activate Treg cells but barely initiating Teff/NK cells, and with a larger Treg/Teff treatment window. SIM0278 has an excellent PK and can develop subcutaneous injection type and is expected to have good patient compliance. It is an important cornerstone candidate drug of Treg-Centric strategy.

SIM0419 is a dimer peptide candidate drug (AVLX-144) that the Group cooperates with Avilex, a Danish biotechnology company, and is intended to be used for the treatment of a variety of neurological diseases such as AIS and SAH. The action target is PSD-95. PSD-95 can induce the production of neuroexcitotoxic substances and damage neurons by forming a complex with N-methyl-D-aspartate (“**NMDA**”) receptor and neuronal nitric oxide synthase (“**nNOS**”), one of the subtypes of glutamate receptor. SIM0419, as a dimer inhibitor of PSD-95, can simultaneously bind to two PDZ domains in PSD-95 and block the interaction between PSD-95, NMDA and nNOS. Its molecular structure has been optimized to have higher affinity, higher stability and stronger neuroprotective activity.

SIM0348 is a self-developed TIGIT/PVRIG dual antibody that more potently activates T/NK cells. It can simultaneously target TIGIT and PVRIG, modulate immunosuppressive signals, enhance CD8+T cell costimulatory signals. Furthermore, it possesses optimized Fc function, and high effectively kill TIGIT+ Treg cells. Preclinical studies have shown that SIM0348 can effectively promote the killing of NK cells on human colorectal cancer cells and significantly enhance the release of IFN- γ factor of antigen-specific CD8+T cells, and its vitro activity and efficacy are significantly superior to efficacy of TIGIT monopoly anti-body in combination with PVRIG monopoly anti-body, achieving 1+1>2 efficacy with more superior PD-(L)1 synergy.

SIM0317 a RAD-51 inhibitor self-administered by the Group. RAD51 is an enzyme that repairs DNA double strand breaks by homologous recombination and is lowly or not expressed in normal tissues but highly expressed in some cancer cells. Downregulation of RAD51 reduces the DNA damage repair ability of tumor cells, thereby improving the efficacy of tumor treatment. SIM0317, as a new generation RAD51 inhibitor, exhibited significant and specific antiproliferative activity against human lymphoma Daudi cells in vitro, resulting in synergistic anticancer responses in lymphoma and solid tumor cell lines when combined with chemotherapeutic or DDR targeting agents.

- On April 2022, the research related to SIM0317 was published at AACR meeting in the form of abstract.

SIM0361 is a CD3 multispecific antibody targeting MSLN based on SMART, a CD3 multispecific antibody platform independently developed by the Group. Mesothelin (MSLN), a glycoprotein overexpressed on the cell surface of a variety of malignancies, is a potential therapeutic target for haematological neoplasms such as acute myeloid leukaemia (AML) and several solid tumours such as mesothelioma, cholangiocarcinoma, ovarian, pancreatic, lung, breast and gastric cancers. SIM0361 is able to target both the distal and proximal membrane ends of MSLN, and is more conducive to the formation of immunological synapse and tumor cell killing by T cells, in vitro cell killing experiments and in vivo drug efficacy experiments, and all significantly outperformed the positive control antibody targeting the distal membrane end alone. Meanwhile, SIM0361 employed the design of a low affinity CD3 terminus to reduce Treg priming and T cell depletion, enhancing their anti-tumor effects in the solid tumor microenvironment.

Management Discussion and Analysis

- On April 2022, the research related to SIM0361 was published at AACR meeting in the form of abstract.

SIM0271 is a self-developed MAT2A inhibitor by the Group, which improved target selectivity and demonstrated superior proliferation inhibition activity in a variety of solid tumor cells, as well as superior tumor inhibition in in-vivo models. SIM0271 was well tolerated in preclinical multispecies safety experiments, and elevated bilirubin levels in animals were not observed even at high dose conditions.

- On April 2022, the research related to SIM0271 was published at AACR meeting in the form of abstract.

SIM0368 is a highly active inhibitor against CDK2/4/6 developed autonomously by the Group, which exhibited high inhibitory activity not only against CDK4/6-resistant cell lines but also against multiple breast cancer tumor cell lines, including HR positive and triple negative breast cancer cell lines. In vivo drug effect studies showed superior or comparable tumor growth inhibition with other CDK2/4/6 inhibitors in OVCAR3 SIM0368 versus CDK4/6-sensitive MCF7 xenograft tumor mouse models at equivalent doses.

- On April 2022, the research related to SIM0368 was published at AACR meeting in the form of abstract.

Impact of COVID-19

Since 2022, COVID-19 cases (including COVID-19 Omicron variant cases) have continuously increased in many Chinese cities, but the COVID-19 epidemic has been brought under control through several regular policy interventions.

Under such circumstances, the Group expects that the COVID-19 epidemic will not have a significant impact on business operations and financial position because the fluctuation to the Group's certain research projects and marketing caused by the sporadic outbreak of the epidemic is minor. Therefore, the Group's adequacy of capital liquidity and working capital can meet the Company's operational needs and capital commitments.

To reduce the risk of cross-infection caused by COVID-19 among the employees, the Group adopts a strict disease prevention plan. The Group will closely monitor the development of the COVID-19 outbreak (including subsequent outbreaks caused by novel variants of COVID-19, if any), further assess its impact, follow the applicable regulatory guidelines for clinical trials during the epidemic, strive to reduce delays and disruptions, and take relevant measures to minimize the impact of the epidemic.

Liquidity and Financial Resources

The Group maintained a sound financial position. As of June 30, 2022, the Group had cash and cash equivalents of approximately RMB1,865 million (as of December 31, 2021: approximately RMB973 million), time deposits of approximately RMB959 million (as of December 31, 2021: approximately RMB1,620 million). As of June 30, 2022, the Group had a balance of bank loans of approximately RMB1,293 million (as of December 31, 2021: approximately RMB1,530 million), of which approximately RMB1,293 million (as of December 31, 2021: approximately RMB1,530 million) would mature within one year. For details of the maturity profile of bank loan, please refer to note 16 of the Notes to the Unaudited Interim Financial Report. The Group's bank loans are denominated in HKD · EUR · USD and RMB. As of June 30, 2022, approximately RMB891 million of the Group's bank loan balance bore interest at fixed rates, and the effective interest rate range for these loans is 0.5% to 1.7% per annum. As of June 30, 2022, the gearing ratio of the Group (total liabilities divided by total assets) was approximately 38.1% (as of December 31, 2021: approximately 36.4%).

Management Discussion and Analysis

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized.

Most assets and liabilities of the Group were denominated in RMB, HKD and Euro. Currently, the Group does not employ any financial instruments or enter into any foreign exchange contracts to hedge against foreign exchange risk. However, by closely monitoring the net exposure of foreign exchange risk, the Group managed the foreign exchange risk, thus minimizing the impact of foreign exchange fluctuations.

Pledge of Group's Assets

As of June 30, 2022, the Group pledged bills receivable of approximately RMB93 million for issuance of bank acceptance bills and pledged bank deposits of approximately RMB2.33 million for issuance of letter of guarantee. Save as disclosed above, none of other assets of the Group were pledged as of June 30, 2022.

Contingent Liabilities

As of June 30, 2022, the Group had no contingent liabilities.

Significant Investments Held

As of June 30, 2022, the Group did not have any significant investments.

Future Plans for Material Investments and Capital Assets

Save as disclosed in "Use of Proceeds from the Listing" in this report, as of June 30, 2022, the Group did not have any other plans for material investments and capital assets.

Material Acquisitions and Disposals

During the six months ended June 30, 2022, the Group had no material acquisition or disposal of subsidiaries, associates and joint venture.

Employees and Remuneration Policy

As of June 30, 2022, the Group had a total of 6,542 full-time employees. The Group attached great importance to the recruitment, training and retention of outstanding employees, maintaining a high standard in selecting and recruiting talents worldwide, and offered competitive compensation packages. The remuneration of employees mainly included basic salary, performance-based bonus and long-term incentives. Remuneration of the Directors and senior management who worked full time for the Company shall be determined by the Remuneration and Appraisal Committee under the Board with reference to the principal duties of relevant managerial positions, the results of performance assessment as well as the remuneration level in the market. During the six months ended June 30, 2022, staff costs of the Group (including emoluments, social insurance and other benefits of the Directors) amounted to approximately RMB855 million. The Group established Simcere Institute, providing employees with training on a regular basis, including orientation programs and technical training for new employees, professional and management training for middle and senior management and health and safety training across all staff.

Management Discussion and Analysis

The Group adopted a restricted share unit scheme on May 20, 2021 (the “**2021 RSU Scheme**”). The purposes of the 2021 RSU Scheme are to (i) incentivize the existing and incoming directors, senior management and employees for their contribution to the Group; and (ii) attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing existing and incoming directors, senior management and employees with the opportunity to own equity interests in the Company. The 2021 RSU Scheme shall be valid and effective for a period of ten (10) years commencing from the date of adoption. For details of the 2021 RSU Scheme, please refer to the announcement of the Company dated May 20, 2021.

During the Reporting Period, the Board resolved on May 11, 2022 to grant a total of 6,810,000 RSUs, representing 6,810,000 underlying Shares, to an aggregate of 21 Selected Persons (being the employees of the Group) under the 2021 RSU Scheme at nil consideration. For details of such grant, please refer to the announcement of the Company dated May 11, 2022. As of June 30, 2022, the Company granted a total of 38,300,000 RSUs under the 2021 RSU Scheme, representing approximately 1.447% of the total issued Shares of the Company as of June 30, 2022, of which 2,298,000 RSUs had lapsed. Therefore, as of June 30, 2022, there were 36,002,000 outstanding RSUs, representing approximately 1.360% of the total issued Shares of the Company as of June 30, 2022.

PROSPECTS

The innovative drug business has become the major driving force for continuous growth of the Group. In the future, the Company will continue to make intensified efforts in innovation and R&D, focus on unmet clinical needs, and benefit more patients with differentiated and innovative pharmaceuticals:

- (1) The Product portfolio consisting of Sanbexin sublingual tablets, whose pivotal clinical trials are about to be completed and the marketed Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection) is expected to be achieved to raise the flexibility of stroke treatment in an unique dosage form and to increase patient compliance with stroke therapy, thus further strengthening the Group’s dominant position in the field of nervous system;
- (2) COSELA® (Trilaciclib Hydrochloride for Injection), a world-in-class comprehensive myeloprotection drug marketed in July 2022 will protect more cancer patients in China. We will also actively explore the possibility of the drug in new indications, quality of life and the combination with ADC drugs to meet unmet market needs;
- (3) In view of the continuing impact of COVID-19 on social economy and public health, we will rapidly advance the development of the anti-COVID-19 drug SIM0417.

In the future, the Company will also concentrate on differentiated innovation, pay attention to global pharmaceutical research and innovation trends, strengthen the deep integration of production, education and research through a variety of collaborative innovation measures, and work hand in hand with partners to create more effective drugs.

Corporate Governance and Other Information

Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures

As of June 30, 2022, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

1. Interest in the Company

Name of Director/ Chief executive	Nature of interest	Number of Shares/ underlying shares interested	Approximate percentage of shareholding interest ⁽¹⁾
Mr. REN Jinsheng ⁽²⁾	Interest in controlled corporations/ Interest of concert parties	2,039,800,965	77.06%
Mr. Wan Yushan ⁽³⁾	Beneficial owner	2,155,000	0.08%
Mr. Tang Renhong ⁽⁴⁾	Beneficial owner	3,000,000	0.11%
Mr. Zhao John Huan ⁽⁵⁾	Interest in controlled corporations	75,905,613	2.87%

Notes:

- (1) The calculation is based on the total number of 2,646,907,618 issued shares of the Company as of June 30, 2022.
- (2) Mr. Ren Jinsheng, together with SIG, P&H Holdings, Right Wealth, Mr. Ren Yong, Ms. Li Shimeng, Mr. Ren Weidong, Ms. Ren Zhen and Ms. Peng Suqin (together, "Ultimate Controlling Shareholders") collectively and indirectly hold 2,039,308,965 Shares, including (i) 606,810,031 Shares and 1,196,009,986 Shares directly held by Artking and SPHL, respectively, both of which are companies controlled by our Ultimate Controlling Shareholders; and (ii) 115,527,578 Shares and 120,961,370 Shares directly held by SIG and FFI, respectively, both of which are companies controlled by Mr. Ren Jinsheng. By virtue of the SFO, as our Ultimate Controlling Shareholders are deemed to be persons acting in concert under the Takeovers Code, each of them is deemed to be interested in the Shares held by each other. Mr. Ren Jinsheng is also deemed to be interested in 492,000 shares underlying the RSUs granted to his spouse, Ms. Wang Xi.
- (3) Mr. Wan Yushan (i) directly holds 130,000 Shares; and (ii) was interested in 2,025,000 RSUs granted to him under the 2021 RSU Scheme which entitled him to receive the aggregate of 2,025,000 Shares subject to vesting. On August 27, 2022, 675,000 shares underlying the RSUs granted to him were vested.
- (4) Mr. Tang Renhong was interested in 3,000,000 RSUs granted to him under the 2021 RSU Scheme which entitled him to receive the aggregate of 3,000,000 Shares subject to vesting. On August 27, 2022, 1,000,000 shares underlying the RSUs granted to him were vested.
- (5) Premier Praise Limited (尚嘉有限公司) (the "Premier Praise") directly holds 75,905,613 Shares. Premier Praise is held as to 82.22% by Hony Capital Fund V, L.P. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan and as to 51% by two other individuals who are Independent Third Parties, respectively. Therefore, Mr. Zhao John Huan is deemed to be interested in the Shares held by Premier Praise by virtue of the SFO. Mr. Zhao John Huan has tendered his resignation as a non-executive Director to the Board on August 31, 2022. For details, please refer to the announcement of the Company dated August 31, 2022.

Corporate Governance and Other Information

2. Interests in the associated corporations

As of June 30, 2022, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of June 30, 2022, the interests or short positions of persons (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Name of member of our Group	Number of shares or underlying shares	Approximate percentage of shareholding
Mr. Ren Yong ⁽²⁾⁽³⁾	Interest in controlled corporations/ Interest of concert parties/ Founder of a discretionary trust	2,039,308,965	77.04%
Ms. Li Shimeng ⁽²⁾⁽³⁾⁽⁴⁾	Interest in controlled corporations/ Interest of concert parties/ Interest of spouse	2,039,308,965	77.04%
P&H Holdings Group Ltd. ("P&H Holdings") ⁽²⁾⁽³⁾	Interest in controlled corporations/ Interest of concert parties	2,039,308,965	77.04%
Mr. Ren Weidong ⁽²⁾⁽⁴⁾	Interest in controlled corporations/ Interest of concert parties	2,039,308,965	77.04%
Right Wealth Holdings Limited ("Right Wealth") ⁽²⁾⁽⁴⁾	Interest in controlled corporations/ Interest of concert parties	2,039,308,965	77.04%
Ms. Ren Zhen ⁽²⁾⁽⁵⁾	Interest in controlled corporations/ Interest of concert parties	2,039,308,965	77.04%
Ms. Peng Suqin ⁽²⁾⁽⁶⁾	Interest in controlled corporations/ Interest of concert parties	2,039,308,965	77.04%
Artking Global Limited ("Artking") ⁽⁷⁾	Beneficial interest	606,810,031	22.93%
	Interest in controlled corporations	1,196,009,986	45.19%
	Interest of concert parties	236,488,948	8.93%
Simcere Holding Limited ("Simcere Holding") ⁽⁸⁾	Interest in controlled corporations	1,196,009,986	45.19%
	Interest of concert parties	843,298,979	31.86%
Excel Investments Group Limited ("Excel Investments") ⁽⁹⁾	Interest in controlled corporations	1,196,009,986	45.19%
	Interest of concert parties	843,298,979	31.86%
Simcere Pharmaceutical Holding Limited ("SPHL") ⁽¹⁰⁾	Beneficial interest	1,196,009,986	45.19%
	Interest of concert parties	843,298,979	31.86%

Corporate Governance and Other Information

Name of shareholder	Name of member of our Group	Number of shares or underlying shares	Approximate percentage of shareholding
Simcere Investments Group Limited (“SIG”) ⁽²⁾⁽¹¹⁾	Beneficial interest	115,527,578	4.36%
	Interest in controlled corporation	120,961,370	4.57%
	Interest of concert parties	1,802,820,017	68.11%
Fortune Fountain Investment Limited (“FFI”) ⁽¹²⁾	Beneficial interest	120,961,370	4.57%
	Interest of concert parties	1,918,347,595	72.48%

Notes:

- (1) The calculation is based on the total number of 2,646,907,618 issued shares of the Company as of June 30, 2022.
- (2) The Ultimate Controlling Shareholders collectively and indirectly hold 2,039,308,965 Shares, including (i) 606,810,031 Shares and 1,196,009,986 Shares directly held by Artking and SPHL, respectively, both of which are companies controlled by the Ultimate Controlling Shareholders; and (ii) 115,527,578 Shares and 120,961,370 Shares directly held by SIG and FFI, respectively, both of which are companies controlled by Mr. Ren Jinsheng. By virtue of the SFO, as the Company’s Ultimate Controlling Shareholders are deemed to be persons acting in concert under the Takeovers Code, each of them is deemed to be interested in the Shares held by each other. Mr. Ren Jinsheng is also deemed to be interested in 492,000 shares underlying the RSUs granted to his spouse, Ms. Wang Xi, among which 164,000 shares underlying the RSUs granted to her were vested on August 27, 2022.
- (3) Mr. Ren Yong, son of Mr. Ren Jinsheng and spouse of Ms. Li Shimeng, is the settlor of the P&H Family Trust, which holds the entire equity interest in P&H Holdings through P&H Family Trust. Mr. Ren Yong, Ms. Li Shimeng and P&H Holdings are the Company’s Ultimate Controlling Shareholders and are deemed to be interested in the Shares collectively held by the Company’s Ultimate Controlling Shareholders.
- (4) Mr. Ren Weidong is the brother of Mr. Ren Jinsheng and holds the entire equity interest in Right Wealth. Mr. Ren Weidong and Right Wealth are the Company’s Ultimate Controlling Shareholders and are deemed to be interested in the Shares collectively held by the Company’s Ultimate Controlling Shareholders.
- (5) Ms. Ren Zhen is the sister of Mr. Ren Jinsheng. She is one of the Company’s Ultimate Controlling Shareholders and is deemed to be interested in the Shares collectively held by the Company’s Ultimate Controlling Shareholders.
- (6) Ms. Peng Suqin is the mother of Mr. Ren Yong. She is one of the Company’s Ultimate Controlling Shareholders and is deemed to be interested in the Shares collectively held by the Company’s Ultimate Controlling Shareholders.
- (7) Artking directly holds 606,810,031 Shares and indirectly holds 1,432,498,934 Shares, including (i) 1,196,009,986 Shares directly held by SPHL, a controlled corporation of Artking, and (ii) an aggregate of 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. Ren Jinsheng and are deemed to be acting in concert with Artking under the Takeovers Code.
- (8) Simcere Holding indirectly holds 2,039,308,965 Shares, including (i) 1,196,009,986 Shares directly held by SPHL, a controlled corporation of Simcere Holding, and (ii) an aggregate of 843,298,979 Shares, which comprises of 606,810,031 Shares directly held by Artking, a company controlled by the Company’s Ultimate Controlling Shareholders, and 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. Ren Jinsheng. Artking, SIG and FFI are deemed to be acting in concert with Simcere Holding under the Takeovers Code.
- (9) Excel Investments indirectly holds 2,039,308,965 Shares, including (i) 1,196,009,986 Shares directly held by SPHL, a controlled corporation of Excel Investments, and (ii) an aggregate of 843,298,979 Shares, which comprises of 606,810,031 Shares directly held by Artking, a company controlled by the Company’s Ultimate Controlling Shareholders, and 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. Ren Jinsheng. Artking, SIG and FFI are deemed to be acting in concert with Excel Investments under the Takeovers Code.

Corporate Governance and Other Information

- (10) SPHL directly holds 1,196,009,986 Shares and indirectly holds an aggregate of 843,298,979 Shares, including 606,810,031 Shares directly held by Artking, a company controlled by the Company's Ultimate Controlling Shareholders, and an aggregate of 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. Ren Jinsheng. Artking, SIG and FFI are deemed to be acting in concert with SPHL under the Takeovers Code.
- (11) SIG directly holds 115,527,578 Shares and indirectly hold 1,923,781,387 Shares, including (i) 120,961,370 Shares directly held by FFI, a controlled corporation of SIG and ultimately controlled by Mr. Ren Jinsheng, and (ii) an aggregate of 1,802,820,017 Shares directly held by SPHL and Artking, both of which are deemed to be acting in concert with SIG under the Takeovers Code.
- (12) FFI directly holds 120,961,370 Shares and indirectly hold an aggregate of 1,918,347,595 Shares directly held by SPHL, Artking and SIG, all of which are deemed to be acting in concert with FFI under the Takeovers Code.

Restricted Share Unit Scheme

The Company has approved and adopted the 2021 RSU Scheme on May 20, 2021, the purposes of which are to (i) incentivize the existing and incoming directors, senior management and employees for their contribution to the Group; and (ii) attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The 2021 RSU Scheme shall be valid and effective for a period of ten years commencing from the date of adoption. The 2021 RSU Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purposes of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). It is a discretionary scheme of the Company. For further details of the 2021 RSU Scheme, please refer to the announcement of the Company dated May 20, 2021.

During the Reporting Period, the Board resolved on May 11, 2022 to grant a total of 6,810,000 RSUs, representing 6,810,000 underlying Shares, to an aggregate of 21 Selected Persons (being the employees of the Group) under the 2021 RSU Scheme at nil consideration. For details of such grant, please refer to the announcement of Company dated May 11, 2022. As of June 30, 2022, the Company granted a total of 38,300,000 RSUs under the 2021 RSU Scheme, representing approximately 1.447% of the total issued Shares of the Company as of June 30, 2022, of which 2,298,000 RSUs had lapsed. Therefore, as of June 30, 2022, there were 36,002,000 outstanding RSUs, representing approximately 1.360% of the total issued Shares of the Company as of June 30, 2022.

Corporate Governance and Other Information

The number of RSUs available for grant under the 2021 RSU Scheme was 106,355,927 as of January 1, 2022 and was 101,294,927 as of June 30, 2022. The number of Shares underlying the RSUs that granted under the 2021 RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.26%. Details of the RSUs granted under the 2021 RSU Scheme and the movements during the Reporting Period are set out below:

Name or category of grantee	Date of grant	Number of Shares underlying the RSUs outstanding as of the date of grant ^(Note 1)	Number of Shares underlying the RSUs outstanding as of January 1, 2022	Number of RSUs granted during the Reporting Period	Closing price of the Shares immediately before the date on which awards were granted	Fair value of awards at the date of accounting policy adopted ^(Note 2)	Vested during the Reporting Period ^(Note 3)	Lapsed during the Reporting Period ^(Note 4)	Number of Shares underlying the RSUs outstanding as of June 30, 2022	Vesting dates (subject to vesting conditions) ^(Note 5)	Approximate percentage of total number of Shares in issue as of June 30, 2022
Directors											
Mr. Wan Yushan	November 1, 2021	2,025,000	2,025,000	—	HK\$8.12	HK\$7.92	—	—	2,025,000	Note 6	0.077%
Mr. Tang Renhong	November 1, 2021	3,000,000	3,000,000	—	HK\$8.12	HK\$7.92	—	—	3,000,000	Note 6	0.113%
Senior management and other connected persons											
Mr. Shi Ruiwen	November 1, 2021	411,000	411,000	—	HK\$8.12	HK\$7.92	—	—	411,000	Note 6	0.016%
Mr. Cheng Xianghua	November 1, 2021	615,000	615,000	—	HK\$8.12	HK\$7.92	—	—	615,000	Note 6	0.023%
Mr. Lu Jianxue	November 1, 2021	615,000	615,000	—	HK\$8.12	HK\$7.92	—	—	615,000	Note 6	0.023%
Ms. Wang Xi	November 1, 2021	492,000	492,000	—	HK\$8.12	HK\$7.92	—	—	492,000	Note 6	0.019%
Mr. Wang Feng	November 1, 2021	492,000	492,000	—	HK\$8.12	HK\$7.92	—	—	492,000	Note 6	0.019%
Ms. Ma Yan	November 1, 2021	306,000	306,000	—	HK\$8.12	HK\$7.92	—	306,000	0	—	—
Ms. Chen Yanqiong	November 1, 2021	165,000	165,000	—	HK\$8.12	HK\$7.92	—	—	165,000	Note 6	0.006%
Mr. Yu Qingzhu	November 1, 2021	129,000	129,000	—	HK\$8.12	HK\$7.92	—	—	129,000	Note 6	0.005%
Ms. Chen Qianjie	November 1, 2021	63,000	63,000	—	HK\$8.12	HK\$7.92	—	—	63,000	Note 6	0.002%
Ms. Cong Yuehua	November 1, 2021	96,000	96,000	—	HK\$8.12	HK\$7.92	—	—	96,000	Note 6	0.004%
Mr. Peng Shaoping	November 1, 2021	225,000	225,000	—	HK\$8.12	HK\$7.92	—	—	225,000	Note 6	0.009%
Mr. Zhang Rong	November 1, 2021	78,000	78,000	—	HK\$8.12	HK\$7.92	—	—	78,000	Note 6	0.003%
Grantees other than Directors, senior management and connected persons											
Other employees	July 16, 2021	10,937,000	10,422,000	—	HK\$12.22	HK\$12.50	—	729,000	9,693,000	Note 7	0.366%
Other employees	December 23, 2021	11,841,000	11,807,000	—	HK\$9.12	HK\$9.35	—	714,000	11,093,000	Note 8	0.419%
Other employees	May 11, 2022	—	—	6,810,000	HK\$7.85	HK\$8.27	—	—	6,810,000	Note 9	0.257%
Total	—	31,490,000	30,941,000	6,810,000	—	—	—	1,749,000	36,002,000	—	1.360% ^(Note 10)

Corporate Governance and Other Information

Notes:

1. The RSUs were granted to the grantees at nil consideration.
2. For details of the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of RSUs, please see Note 19(b) to the financial statements in this report.
3. As no RSU was vested during the Reporting Period, the weighted average closing price of the Shares immediately before the date on which the RSUs were vested is not applicable.
4. During the Reporting Period, no RSU was cancelled.
5. The vesting of the RSUs shall be subject to the satisfaction of the following performance targets as vesting conditions:
 - (i) the aggregate amount of profit for the year and research and development costs for the year has an increment to a certain extent and achieves positive growth; and
 - (ii) the results of individual performance assessments carried out by the Group's human resources committee comply with each department's function and target.
6. One third of the RSUs granted shall vest on August 27, 2022, August 27, 2023 and August 27, 2024, respectively.
7. One third of the RSUs granted shall vest on July 16, 2022, July 16, 2023 and July 16, 2024, respectively.
8. One third of the RSUs granted shall vest on December 23, 2022, December 23, 2023 and December 23, 2024, respectively.
9. In relation to 1,500,000 RSUs granted, one-third of the RSUs shall vest on January 17, 2023, 2024 and 2025, respectively. In relation to 5,310,000 RSUs granted, one-third of the RSUs shall vest on May 11, 2023, 2024 and 2025, respectively.
10. The aggregate percentage of number of Shares underlying the RSUs outstanding as of June 30, 2022 divided by total number of Shares in issue as of June 30, 2022 may not add up to the total percentage of 1.360% due to rounding.

Change in Directors' Information

Mr. TANG Renhong ("Mr. Tang"), an executive Director of the Company has been appointed as a Co-chief Executive Officer of the Company, with effect from May 25, 2022. Mr. Tang assists Mr. Ren Jinsheng, Chairman and the Chief Executive Officer of the Company, in the overall leading of the Group's research and development affairs and will remain as an executive Director. For details, please refer to the announcement of the Company dated May 25, 2022.

Mr. Zhao John Huan has tendered his resignation as a non-executive Director and a member of the strategy committee of the Board (the "**Strategy Committee**") to the Board with effect from August 31, 2022 in order to devote more time to focus on his other business commitments. Following Mr. Zhao John Huan's resignation, Mr. Tang has been appointed as a member of the Strategy Committee with effect from August 31, 2022. For details, please refer to the announcement of the Company dated August 31, 2022.

Save as disclosed above, there is no other change in the Director's information required to be disclosed pursuant to Rule 13.51B of the Rules governing the Listing Rules from the date of the 2021 annual report of the Company to the date of this report.

Corporate Governance and Other Information

Important Events after the Reporting Period

As of the date of this report, the Group has no important events that are required to be disclosed after the Reporting Period.

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strength accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Save as disclosed below, the Group has complied with the code provisions contained in the CG Code during the period from January 1, 2022 to June 30, 2022.

Under Code Provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. As of June 30, 2022, Mr. REN Jinsheng served as both Chairman and Chief Executive Officer of the Company. Mr. REN Jinsheng is the founder of the Group, the Chairman of the Board and the Chief Executive Officer of the Company. He has been primarily responsible for developing overall corporate business strategies and business operation of the Group and making significant business and operational decisions of the Group. Directors consider that vesting the roles of both the Chairman of the Board and the Chief Executive Officer of the Company in Mr. REN Jinsheng is beneficial to the business prospects of the Group by ensuring consistent leadership to the Group as well as prompt and effective decision making and implementation. In addition, Directors believe that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) any decision to be made by the Board requires approval by at least a majority of Directors; (ii) Mr. REN Jinsheng and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of three executive Directors (including Mr. REN Jinsheng) and three independent non-executive Directors, and has a fairly strong independence element; (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels; and (v) Mr. Tang was appointed as a Co-chief Executive Officer of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code during the Reporting Period.

Corporate Governance and Other Information

Audit Committee

The Group established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As of the date of this report, the Audit Committee consists of three members, namely Mr. WANG Xinhua, Mr. SONG Ruilin and Mr. WANG Jianguo, each an independent non-executive Director. The chairperson of the Audit Committee is Mr. WANG Xinhua, who possesses the appropriate professional qualifications and accounting and related financial management expertise. The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the financial reporting processes of the Group and the unaudited condensed consolidated financial statements and interim report of the Group for the six months ended June 30, 2022, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company’s listed securities for the six months ended June 30, 2022.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2022.

Use of Proceeds from the Listing

The net proceeds from the initial public offering of the shares of the Company in October 2020 and allotment and issuance of shares pursuant to the partial exercise of the over-allotment option in November 2020 (the “**Net Proceeds**”), amounted to approximately HK\$3,513 million. The proposed use of the Net Proceeds was disclosed in the Company’s prospectus dated October 13, 2020 (the “**Prospectus**”).

Set out below is the utilization of the Net Proceeds as of June 30, 2022 and the expected timeline for utilization:

Purpose	Percentage of the total amount	Amount of Net Proceeds received (HK\$ in million)	Amount of Net Proceeds utilized during the year ended December 31, 2021 (HK\$ in million)	Amount of Net Proceeds utilized during the six months ended June 30, 2022 (HK\$ in million)	Amount of Net Proceeds utilized as of June 30, 2022 (HK\$ in million)	Amount of Net Proceeds unutilized as of June 30, 2022 (HK\$ in million)	Expected timeline for utilization
Continued research and development of selected product candidates in the Group’s strategically focused therapeutic areas	60%	2,107.85	475.60	266.55	761.95	1,345.90	The actual Net Proceeds are expected to be fully utilized by 2027.

Corporate Governance and Other Information

Purpose	Percentage of the total amount	Amount of Net Proceeds received (HK\$ in million)	Amount of Net Proceeds utilized during the year ended December 31, 2021 (HK\$ in million)	Amount of Net Proceeds utilized during the six months ended June 30, 2022 (HK\$ in million)	Amount of Net Proceeds utilized as of June 30, 2022 (HK\$ in million)	Amount of Net Proceeds unutilized as of June 30, 2022 (HK\$ in million)	Expected timeline for utilization
Reinforcement of the Group's sales and marketing capabilities	10%	351.31	267.19	67.30	351.31	—	The actual Net Proceeds have been fully utilized.
Investment in companies in the pharmaceutical or biotechnology sector	10%	351.31	114.67	236.64	351.31	—	The actual Net Proceeds have been fully utilized.
Repayment of certain outstanding bank loans	10%	351.31	—	—	351.31	—	The actual Net Proceeds have been fully utilized.
Working capital and other general corporate purposes	10%	351.31	295.81	—	351.31	—	The actual Net Proceeds have been fully utilized.
Total	100%	3,513.09	1,153.27	570.49	2,167.19	1,345.90	

For more details, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” of the Prospectus. On April 15, 2021, the Board resolved to reallocate the Net Proceeds amounted to approximately HK\$325.62 million for the selected cell therapy product candidates, including CD19 CAR T-cell therapy (Indication 1), CD19 CAR T-cell therapy (Indication 2), BCMA CAR T-cell therapy and SIM0325, to the selected oncology product candidates that are currently under development, including Trilaciclib (for SCLC, mCRC, and TNBC), SIM0395 and Docetaxel Polymeric Micellar for Injection. On August 31, 2022, the Board resolved to reallocate part of the unutilized Net Proceeds of approximately HK\$530 million which originally intended to be used in selected innovative oncology product candidate during pre-clinical phase (including SIM-200, SIM-203-1, SIM-203-2, SIM-203-3 and SIM-236) to continuous R&D of Sanbexin sublingual tablets, Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection), SIM0417 and SIM0278. For details, please see the Company's announcement in relation to change in use of proceeds dated April 15, 2021 and the announcement in relation to further change in use of proceeds dated August 31, 2022 (the “**Announcements**”). As of June 30, 2022, the Net Proceeds utilized was approximately HK\$2,167.19 million and the Net Proceeds unutilized was approximately HK\$1,345.90 million. Saved as disclosed therein, the Company intends to apply the unutilized Net Proceeds as at June 30, 2022 in the manner and proportion set out in the Prospectus and the Announcements.

Independent Auditor's Review Report

Review report to the board of directors of Sincere Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 34 to 64 which comprises the consolidated statement of financial position of Sincere Pharmaceutical Group Limited (the "**Company**") as of June 30, 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2022 is not prepared, in all material respects, in accordance with HKAS 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

August 31, 2022

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022 — unaudited

(Expressed in Renminbi)

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
Revenue	4	2,699,650	2,120,002
Cost of sales		(557,371)	(456,977)
Gross profit		2,142,279	1,663,025
Other revenue	5(a)	87,131	62,670
Other net (loss)/gain	5(b)	(338,979)	490,504
Research and development costs		(651,537)	(626,803)
Selling and distribution expenses		(1,029,335)	(830,178)
Administrative and other operating expenses		(188,481)	(163,478)
Reversals/(recognition) of impairment loss on trade and other receivables		20,033	(39,634)
Profit from operations		41,111	556,106
Finance income	6(a)	30,260	28,014
Finance costs	6(a)	(18,514)	(47,396)
Net finance income/(costs)		11,746	(19,382)
Share of losses of associates		(387)	(14,750)
Share of profits/(losses) of a joint venture		53	(134)
Profit before taxation	6	52,523	521,840
Income tax	7	9,398	33,055
Profit for the period		61,921	554,895
Attributable to:			
Equity shareholders of the Company		63,784	557,814
Non-controlling interest		(1,863)	(2,919)
Profit for the period		61,921	554,895
Earnings per share	8		
Basic (RMB)		0.02	0.21
Diluted (RMB)		0.02	0.21

The notes on pages 43 to 64 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 19(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022 — unaudited
(Expressed in Renminbi)

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Profit for the period	61,921	554,895
Other comprehensive income for the period (after tax adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Financial assets at fair value through other comprehensive income (FVOCI) — net movement in fair value reserves (non-recycling), net of tax	(124,652)	179,150
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi (“RMB”)	71,589	(12,465)
Other comprehensive income for the period	(53,063)	166,685
Total comprehensive income for the period	8,858	721,580
Attributable to:		
Equity shareholders of the company	10,721	724,499
Non-controlling interest	(1,863)	(2,919)
Total comprehensive income for the period	8,858	721,580

The notes on pages 43 to 64 form part of this interim financial report.

Consolidated Statement of Financial Position

At June 30, 2022 — unaudited

(Expressed in Renminbi)

	Note	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment	9	2,036,170	1,931,212
Intangible assets	9	176,801	59,691
Goodwill		172,788	172,788
Interest in associates		4,476	4,863
Interest in a joint venture		4,455	4,402
Prepayments and deposits	14	53,902	76,564
Financial assets at fair value through other comprehensive income	10	175,082	291,727
Financial assets at fair value through profit or loss	11	1,527,535	1,940,375
Time deposits	15(c)	10,558	410,000
Deferred tax assets		334,045	289,972
		4,495,812	5,181,594
Current assets			
Financial assets at fair value through profit or loss	11	41,782	—
Inventories	12	337,420	235,157
Trade and bills receivables	13	2,106,889	2,398,767
Prepayments, deposits and other receivables	14	125,039	140,034
Taxation recoverable		6,820	16,789
Pledged deposits	15(b)	2,328	1,580
Restricted deposits	15(b)	10,417	4,005
Time deposits	15(c)	948,586	1,210,078
Cash and cash equivalents	15(a)	1,865,035	973,139
		5,444,316	4,979,549

The notes on pages 43 to 64 form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

At June 30, 2022 — unaudited

(Expressed in Renminbi)

	Note	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Current liabilities			
Bank loans	16	1,292,935	1,530,085
Lease liabilities		51,228	31,558
Trade and bills payables	17	378,790	323,951
Other payables and accruals	18	1,310,670	1,162,014
Taxation payable		23,447	16,155
		3,057,070	3,063,763
Net current assets			
		2,387,246	1,915,786
Total assets less current liabilities			
		6,883,058	7,097,380
Non-current liabilities			
Lease liabilities		170,253	74,239
Deferred income		403,925	417,613
Deferred tax liabilities		156,568	142,771
		730,746	634,623
NET ASSETS			
		6,152,312	6,462,757

The notes on pages 43 to 64 form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

At June 30, 2022 — unaudited

(Expressed in Renminbi)

	Note	June 30, 2022 RMB'000	December 31, 2021 RMB'000
CAPITAL AND RESERVES			
Share capital	19	3,002,871	3,002,871
Reserves	19	3,125,544	3,434,126
Total equity attributable to equity shareholders of the Company		6,128,415	6,436,997
Non-controlling interest		23,897	25,760
TOTAL EQUITY		6,152,312	6,462,757

Approved and authorised for issue by the board of directors on August 31, 2022.

)	
Ren Jinsheng)	
)	
)	
)	Directors
)	
Wan Yushan)	
)	
)	

The notes on pages 43 to 64 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Other reserve RMB'000	PRC		Fair value reserve	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
				statutory reserve RMB'000	Exchange reserve RMB'000	(non-recycling) RMB'000				
Balance at December 31, 2020 and January 1, 2021		3,002,871	61,261	536,899	(61,785)	152,005	1,610,538	5,301,789	33,935	5,335,724
Changes in equity for the six months ended June 30, 2021:										
Profit for the period		—	—	—	—	—	557,814	557,814	(2,919)	554,895
Other comprehensive income		—	—	—	(12,465)	179,150	—	166,685	—	166,685
Total comprehensive income		—	—	—	(12,465)	179,150	557,814	724,499	(2,919)	721,580
Disposal of financial assets at fair value through other comprehensive income		—	—	—	—	(30,927)	30,927	—	—	—
Equity settled share-based transactions	19(b)	—	6,328	—	—	—	—	6,328	—	6,328
Appropriation of dividends	19(a)	—	—	—	—	—	(391,296)	(391,296)	—	(391,296)
Balance at June 30, 2021 and July 1, 2021		3,002,871	67,589	536,899	(74,250)	300,228	1,807,983	5,641,320	31,016	5,672,336

The notes on pages 43 to 64 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended June 30, 2022 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Other reserve RMB'000	PRC		Fair value reserve	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
				statutory reserve RMB'000	Exchange reserve RMB'000	(non-recycling) RMB'000				
Balance at June 30, 2021 and July 1, 2021		3,002,871	67,589	536,899	(74,250)	300,228	1,807,983	5,641,320	31,016	5,672,336
Changes in equity for the six months ended December 31, 2021:										
Profit for the period		—	—	—	—	—	949,282	949,282	(5,256)	944,026
Other comprehensive income		—	—	—	(46,891)	(162,778)	—	(209,669)	—	(209,669)
Total comprehensive income		—	—	—	(46,891)	(162,778)	949,282	739,613	(5,256)	734,357
Appropriation of reserve		—	—	155,296	—	—	(155,296)	—	—	—
Equity settled share-based transactions	19(b)	—	56,064	—	—	—	—	56,064	—	56,064
Balance at December 31, 2021		3,002,871	123,653	692,195	(121,141)	137,450	2,601,969	6,436,997	25,760	6,462,757

The notes on pages 43 to 64 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended June 30, 2022 — unaudited

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company								
		Share capital	Other reserve	PRC		Fair value reserve		Total	Non-controlling interest	Total equity
				statutory reserve	Exchange reserve	(non-recycling)	Retained profits			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2022		3,002,871	123,653	692,195	(121,141)	137,450	2,601,969	6,436,997	25,760	6,462,757
Changes in equity for the six months ended June 30, 2022:										
Profit for the period		—	—	—	—	—	63,784	63,784	(1,863)	61,921
Other comprehensive income		—	—	—	71,589	(124,652)	—	(53,063)	—	(53,063)
Total comprehensive income		—	—	—	71,589	(124,652)	63,784	10,721	(1,863)	8,858
Equity settled share-based transactions	19(b)	—	71,993	—	—	—	—	71,993	—	71,993
Appropriation of dividends	19(a)	—	—	—	—	—	(391,296)	(391,296)	—	(391,296)
Balance at June 30, 2022		3,002,871	195,646	692,195	(49,552)	12,798	2,274,457	6,128,415	23,897	6,152,312

The notes on pages 43 to 64 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2022 — unaudited

(Expressed in Renminbi)

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated/(used) in operations		668,573	(518,229)
Tax refund/(paid)		16,426	(4,602)
Net cash generated from/(used in) operating activities		684,999	(522,831)
Investing activities			
Payment for acquisition of financial assets measured at fair value through profit or loss		(122,446)	(75,489)
Proceeds from disposal of financial assets measured at fair value through profit or loss		122,037	315
Decrease/(increase) in time deposits		700,000	(1,018,000)
Loans repaid by a related party		—	445,830
Other cash flows arising from investing activities		(201,031)	25,905
Net cash generated from/(used in) investing activities		498,560	(621,439)
Financing activities			
Proceeds from new bank loans		550,000	537,405
Repayment of bank loans		(777,381)	(1,615,295)
Decrease in pledged deposits for banking facilities		—	315,600
Other cash flows arising from financing activities		(66,065)	(70,714)
Net cash used in financing activities		(293,446)	(833,004)
Net increase/(decrease) in cash and cash equivalents		890,113	(1,977,274)
Cash and cash equivalents at the beginning of the period	15(a)	973,139	3,270,241
Effect of foreign exchange rate changes		1,783	(8,371)
Cash and cash equivalents at the end of the period	15(a)	1,865,035	1,284,596

The notes on pages 43 to 64 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

1 General Information

Simcere Pharmaceutical Group Limited (the “**Company**”) was incorporated in Hong Kong on November 30, 2015 as a limited liability company with its registered office at 43/F, AIA Tower, 183 Electric Road, North Point, Hong Kong. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on October 27, 2020. The Company is an investment holding company. The Company and its subsidiaries (together, “**the Group**”) are principally engaged in the research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

2 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorized for issue on August 31, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 33.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

3 Changes in Accounting Policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of pharmaceutical products	2,436,754	1,945,601
Promotion service income	262,896	174,401
	2,699,650	2,120,002

The Group's revenue from contracts with customers was recognized at point in time for the six months ended June 30, 2022.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

4 Revenue and Segment Reporting (Continued)

(b) Segment reporting (Continued)

HKFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its revenue was generated in the PRC and primarily all of its non-current operating assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 Other Revenue and Other Net (Loss)/Gain

(a) Other revenue

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Government grants	67,394	38,165
Rental income	8,835	8,341
Property management income	2,685	2,855
Consulting and technology service income	4,253	3,759
Others	3,964	9,550
	87,131	62,670

(b) Other net (loss)/gain

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Net foreign exchange(loss)/gain	(8,318)	30,402
Net (loss)/gain on disposal of property, plant and equipment	(2)	208
Net realized and unrealized loss on trading securities	—	(119)
Net realized and unrealized loss on financial assets at fair value through profit or loss	(330,659)	(42,658)
Net gain arising from fair value remeasurement of interest in associates	—	103,341
Net gain on disposal of interest in subsidiaries	—	399,330
	(338,979)	490,504

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

6 Profit Before Taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance (income)/costs

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	(30,260)	(28,014)
Finance income	(30,260)	(28,014)
Interest expenses on bank loans	15,846	43,121
Interest expenses on lease liabilities	2,668	4,275
Finance costs	18,514	47,396
Net finance (income)/costs	(11,746)	19,382

(b) Other items

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Depreciation charge		
— owned property, plant and equipment	104,480	97,834
— right-of-use assets	21,308	24,230
Amortization of intangible assets	8,362	8,958
Provision for write-down of inventories	13,349	8,893

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

7 Income Tax in the Consolidated Statements of Profit or Loss

Taxation in the consolidated statements of profit or loss represents:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Current tax		
<i>PRC Corporate Income Tax</i>		
Provision for the period	12,686	22,039
(Over)/under-provision in respect of prior years	(13,493)	4,791
	(807)	26,830
Deferred tax		
Origination and reversal of temporary differences	(8,591)	(59,885)
Total income tax	(9,398)	(33,055)

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

8 Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB63,784,000 (six months ended June 30, 2021: RMB557,814,000) and the weighted average of 2,608,641,618 ordinary shares (six months ended June 30, 2021: 2,608,641,618 ordinary shares) in issue during the interim period.

Weighted average number of ordinary shares

	Six months ended June 30,	
	2022	2021
Issued ordinary shares at January 1	2,628,290,618	2,608,641,618
Effect of shares issued to the Trustees	12,604,150	—
Effect of unvested shares under 2021 RSU Scheme (Note 19(b))	(32,253,150)	—
Weighted average number of ordinary shares at June 30	2,608,641,618	2,608,641,618

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB63,784,000 (six months ended June 30, 2021: RMB557,814,000) and the weighted average of 2,618,372,285 ordinary shares (six months ended June 30, 2021: 2,608,641,618 shares).

Weighted average number of ordinary shares (diluted)

	Six months ended June 30,	
	2022	2021
Weighted average number of ordinary shares at June 30	2,608,641,618	2,608,641,618
Effect of deemed issuance of shares under 2021 RSU scheme for nil consideration (Note 19(b))	9,730,667	—
Weighted average number of ordinary shares (diluted) at June 30	2,618,372,285	2,608,641,618

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

9 Property, Plant and Equipment and Intangible Assets

(a) Right-of-use assets

During the six months ended June 30, 2022, the Group entered new lease agreements for use of buildings, and therefore recognized the additions to right-of-use assets of RMB136,096,000.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2022, the Group acquired items of property, plant and equipment at a cost of RMB94,840,000 (six months ended June 30, 2021: RMB102,726,000). Items of property, plant and equipment with a net book value of RMB190,000 were disposed of during the six months ended June 30, 2022 (six months ended June 30, 2021: RMB2,530,000), resulting in a loss on disposal of RMB2,000 (six months ended June 30, 2021: a gain of RMB208,000).

During the six months ended June 30, 2022, the Group acquired item of intangible asset at a cost of RMB125,472,000 (six months ended June 30, 2021: RMB nil), which is an exclusive commercialisation right in relation to a drug under development. On March 18, 2022, the Group entered into agreement with a third party to obtain an exclusive commercialisation right in China at the consideration of RMB125,472,000. The third party is responsible for clinical development of the drug and the Group will have an exclusive commercialization right to the drug after regulatory approval. The exclusive commercialisation right is not yet available for use and is not amortised, but tested individually for impairment annually until regulatory approval of the product in the PRC has been obtained.

10 Financial Assets at Fair Value Through Other Comprehensive Income

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Equity securities designated at FVOCI (non-recycling)		
— Listed equity securities	60,722	240,527
— Unlisted equity security	114,360	51,200
	175,082	291,727

The listed equity securities at FVOCI (non-recycling), represent investment in listed equity securities issued by listed companies incorporated in the United States and the Cayman Islands. The unlisted equity security at FVOCI (non-recycling), represents investment in unlisted equity interest in private entity incorporated in the PRC. These investments are engaged in research and development of innovative pharmaceutical products.

The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividends were received on these investments during the six months ended June 30, 2022 and 2021.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 22.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

11 Financial Assets at Fair Value Through Profit or Loss

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Financial assets at FVPL – non-current		
— Listed equity security	8,562	16,307
— Unlisted investments	763,644	750,959
— Unlisted units in investment funds	755,329	1,173,109
	1,527,535	1,940,375
Financial assets at FVPL – current		
— Wealth management products	41,782	—
	1,569,317	1,940,375

The Group's non-current balances of financial assets at FVPL represent listed equity security issued by listed company incorporated in Australia, the unlisted investments in private entities incorporated in the PRC, the United States and the Cayman Islands and unlisted units in investment funds incorporated in the PRC, the United States, the Cayman Islands and the Netherlands. These investments are primarily engaged or further invested in the healthcare and pharmaceutical sectors.

The Group's current balances of financial assets at FVPL mainly represent wealth management products issued by various financial institutions in the PRC with a floating return which will be paid together with the principal on the maturity date.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 22.

12 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Raw materials	134,789	89,998
Semi-finished goods	38,446	26,205
Finished goods	164,185	118,954
	337,420	235,157

During the six months ended June 30, 2022, the Group recognized a write-down of RMB13,349,000 (six months ended June 30, 2021: RMB8,893,000) against those inventories with net realizable value lower than carrying value. The write-down is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

13 Trade and Bills Receivables

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Trade receivables	1,813,598	2,017,320
Bills receivable	311,929	419,635
	2,125,527	2,436,955
Less: loss allowance	(18,638)	(38,188)
	2,106,889	2,398,767

All of the trade and bills receivables are expected to be recovered within one year.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Within 3 months	1,760,723	1,561,742
Over 3 months but within 12 months	342,589	831,220
Over 12 months	3,577	5,805
	2,106,889	2,398,767

Trade and bills receivables are due within 30–90 days from the date of billing.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

14 Prepayments, Deposits and Other Receivables

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Current		
Prepayments for raw materials and expenses	39,658	55,807
Value added tax recoverable	4,900	21,524
Dividends receivable	72,101	—
Other deposits and receivables	8,666	63,651
	125,325	140,982
Less: loss allowance	(286)	(948)
	125,039	140,034
Non-current		
Prepayments for property, plant and equipment	21,556	30,432
Prepayment for investment	16,000	—
Other deposits and receivables	16,346	46,132
	53,902	76,564

All of prepayments, deposits and other receivables current balances are expected to be recovered or recognized as expense within one year.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

15 Cash and Cash Equivalents, Time Deposits, Pledged Deposits and Restricted Deposits

(a) Cash and cash equivalents comprise:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Cash at bank	1,865,035	973,139

As of the end of the reporting period, cash and cash equivalents situated in Mainland China amounted to RMB1,643,946,000(2021:RMB571,340,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

(b) Pledged deposits and restricted deposits comprise:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Pledged deposits for		
— issuance of letter of guarantee	2,328	1,580
	2,328	1,580

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Restricted deposits for		
— research and development projects	10,417	4,005
	10,417	4,005

(c) Time deposits:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Current portion	948,586	1,210,078
Non-current portion	10,558	410,000
	959,144	1,620,078

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

16 Bank Loans

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Short-term bank loans	1,283,908	991,571
Current portion of long-term bank loans	9,027	538,514
	1,292,935	1,530,085

The bank loans were secured as follows:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Bank loans		
— Secured	881,657	1,134,596
— Unsecured	411,278	395,489
	1,292,935	1,530,085

17 Trade and Bills Payables

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Trade payables	275,612	256,131
Bills payable	103,178	67,820
	378,790	323,951

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

17 Trade and Bills Payables (Continued)

As of the end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Within 3 months	291,460	252,556
Over 3 months but within 12 months	73,255	70,567
Over 12 months	14,075	828
	378,790	323,951

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

18 Other Payables and Accruals

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Accrued expenses (Note i)	394,315	546,992
Contract liabilities (Note ii)	19,235	26,140
Payable for employee reimbursements	36,408	105,691
Payables for staff related costs	273,503	279,064
Payables for purchase of property, plant and equipment	30,526	35,334
Dividends payable	391,296	—
Other tax payables	69,271	76,667
Others	96,116	92,126
	1,310,670	1,162,014

Notes:

- (i) Accrued expenses primarily comprise marketing and promotion expenses, research and development costs and other expenses.
- (ii) Contract liabilities represent customers' advances received for goods that have not yet been transferred to the customers.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

19 Capital, Reserves and Dividends

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the period:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Dividends in respect of previous financial years declared and approved during the interim period, RMB0.15 per share (six months ended June 30, 2021: RMB0.15 per share)	391,296	391,296

The directors did not recommend payment of interim dividends for the interim period (no interim dividend for the six months ended June 30, 2021).

(b) Equity settled share-based transactions

The 2021 RSU Scheme

On May 20, 2021, the board of the Company approved the adoption of the 2021 Restricted Stock Unit ("RSU") Scheme and would grant up to 137,296,927 RSUs, representing 137,296,927 underlying shares to the directors and employees of the Company and its subsidiaries ("the Participants") under the 2021 RSU Scheme in aggregate.

The terms and conditions of the grants are as follows:

	Number of RSUs	Vesting condition	Consideration per RSU RMB
2021 RSU Scheme			
— on July 16, 2021	10,838,000	Graded vest of one third per year over three years from the date of grant and subject to performance conditions	Nil
— on November 1, 2021	8,712,000	Graded vest of one third on August 27, 2022, 2023 and 2024, respectively, and subject to performance conditions	Nil
— on December 23, 2021	11,841,000	Graded vest of one third per year over three years from the date of grant and subject to performance conditions	Nil
— on May 11, 2022	6,810,000	Graded vest of one third of 1,500,000 RSUs on January 17, 2023, 2024 and 2025, respectively, one third of 5,310,000 RSUs per year over three years from the date of grant and both subject to performance conditions	Nil

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

19 Capital, Reserves and Dividends (Continued)

(b) Equity settled share-based transactions (Continued)

The 2021 RSU Scheme (Continued)

As at June 30, 2022, the Company allotted and issued together 38,266,000 shares (December 31, 2021:19,649,000 shares), to Futu Trustee Limited or Tricor Trust (Hong Kong) Limited (“the Trustees”), which will be issued to Participants upon the vest of the RSUs granted under 2021 RSU Scheme. Neither the Participants nor the Trustees may exercise any of the voting rights in respect of any shares held by the Trustees for the purpose of the 2021 RSU Scheme.

A summary of RSUs outstanding for the six months ended June 30, 2022:

	June 30, 2022	
	Weighted average grant-date fair value	Number of RSUs
	RMB	'000
Balance at the beginning of the period	8.20	30,941
Grant during the period	7.09	6,810
Vested during the period	—	—
Forfeited during the period	8.56	(1,749)
Balance at the end of the period	7.97	36,002

The grant-date fair value of the RSUs granted is measured based on the closing price of the Company’s shares at the respective grant dates.

During the six months ended June 30, 2022, RMB71,993,000 (six months ended June 30, 2021: RMB6,328,000) was charged to the profit or loss in respect of the equity settled share-based transactions.

20 Capital Commitments

Capital commitments outstanding at June 30, 2022 not provided for in the interim financial report:

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
Contracted for	189,446	112,677
Represented by:		
Construction of plant and buildings	157,103	71,919
Acquisition of machinery and equipment	32,343	40,758
	189,446	112,677

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

21 Material Related Party Transactions

(a) Names and relationships of the related parties that had other material transactions with the Group

Name of related party	Relationship
Simcere Pharmaceutical Holding Limited	Immediate parent of the Group
Simcere Investments Group Limited	Controlling shareholder of the Group
Beijing Sanroad Biological Products Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
BioSciKin Precision Medical Holding Group Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing BioSciKin Asset Management Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd. (Note (a))	Controlled by the ultimate controlling shareholder of the Group
Nanjing Jiayuantang Biological Technology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Medway Culture Media Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Jiangsu Medical Industry Research Institute Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Jiangsu Simcere Medical Diagnostics Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Jiangsu Yoai Technology Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Shanghai Youxu Medical Equipment Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Simcare Jiangsu Pharmaceutical Co., Ltd. (Note (a))	Controlled by the ultimate controlling shareholder of the Group
Jiangsu Simcare Pharmaceutical Co., Ltd. (Note (a))	Controlled by the ultimate controlling shareholder of the Group
Nanjing Xiansheng Medical Inspection Laboratory Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Shanghai Xianbo Biological Technology Co., Ltd. (Note (b))	Controlled by the ultimate controlling shareholder of the Group

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

21 Material Related Party Transactions (Continued)

(a) Names and relationships of the related parties that had other material transactions with the Group (Continued)

Name of related party	Relationship
Nanjing Xuanwu Youai Clinic Co. Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
3D Biological Medicines (Shanghai) Co., Ltd. (Note (c))	Associate of the Group

Notes:

- (a) These entities were disposed by the ultimate controlling shareholder of the Group on April 9, 2021 and no longer recognized as the Group's related parties since then.
- (b) This entity was disposed by the Group to the controlling shareholder of the Group on May 7, 2021 and recognized as the Group's related parties since then.
- (c) On December 1, 2021, the Group ceased to have significant influence over this entity, and no longer recognized it as the Group's related parties since then.

(b) Significant related party transactions

The Group had following transactions with related parties:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Purchase of goods		
Nanjing Jiayuantang Biological Technology Co., Ltd.	265	327
Jiangsu Yoai Technology Co., Ltd.	128	266
Simcare Jiangsu Pharmaceutical Co., Ltd.	—	13
Jiangsu Simcare Pharmaceutical Co., Ltd.	—	1
	393	607

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

21 Material Related Party Transactions (Continued)

(b) Significant related party transactions (Continued)

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Purchase of services		
Nanjing Xiansheng Medical Inspection Laboratory Co., Ltd.	1,002	—
Nanjing Xuanwu Youai Clinic Co. Ltd.	66	—
BioSciKin Precision Medical Holding Group Co., Ltd.	—	6,076
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	—	191
Nanjing Medway Culture Media Co., Ltd.	428	24
Jiangsu Simcere Medical Diagnostics Co., Ltd.	—	30
	1,496	6,321
Sales of goods		
Jiangsu Simcare Pharmaceutical Co., Ltd.	—	2,206
Simcare Jiangsu Pharmaceutical Co., Ltd.	—	602
	—	2,808
Rendering of services		
Beijing Sanroad Biological Products Co., Ltd.	—	24,324
Shanghai Xianbo Biological Technology Co., Ltd.	—	1,109
Jiangsu Simcere Medical Diagnostics Co., Ltd.	71	164
3D Biological Medicines (Shanghai) Co., Ltd.	—	146
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd.	—	99
	71	25,842
Disposal of interest in subsidiaries		
Simcere Investments Group Limited	—	104,170
Receiving rental, property management and other related services		
BioSciKin Precision Medical Holding Group Co., Ltd.	20,283	16,483
Nanjing BioSciKin Asset Management Co., Ltd.	1,151	1,147
	21,434	17,630

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

21 Material Related Party Transactions (Continued)

(b) Significant related party transactions (Continued)

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Providing rental, property management and other related services		
3D Biological Medicines (Shanghai) Co., Ltd.	—	2,121
Shanghai Xianbo Biological Technology Co., Ltd.	2,836	640
Shanghai Youxu Medical Equipment Co., Ltd.	—	16
	2,836	2,777
Payments made on behalf of related parties		
Jiangsu Medical Industry Research Institute Co., Ltd.	—	163
Shanghai Xianbo Biological Technology Co., Ltd.	—	112
	—	275
Refund of deposit received		
Beijing Sanroad Biological Products Co., Ltd.	5,000	—
	5,000	—

22 Fair Value Measurement of Financial Instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

22 Fair Value Measurement of Financial Instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities, unlisted investments and unlisted units in investment funds which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at June 30, 2022	Fair value measurement at June 30, 2022 categorized into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Financial assets at FVOCI				
— Listed equity securities	60,722	60,722	—	—
— Unlisted equity security	114,360	—	114,360	—
Financial assets at FVPL				
— Listed equity security	8,562	8,562	—	—
— Unlisted investments	763,644	—	247,775	515,869
— Unlisted units in investment funds	755,329	—	—	755,329
— Wealth management products	41,782	—	—	41,782
	Fair value at December 31, 2021	Fair value measurement at December 31, 2021 categorized into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Financial assets at FVOCI				
— Listed equity securities	240,527	240,527	—	—
— Unlisted equity security	51,200	—	51,200	—
Financial assets at FVPL				
— Listed equity securities	16,307	16,307	—	—
— Unlisted investments	750,959	—	254,288	496,671
— Unlisted units in investment funds	1,173,109	—	—	1,173,109

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

22 Fair Value Measurement of Financial Instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended June 30, 2022, there were no transfers between Level 1 and Level 2, or transfers into Level 3. During the six months ended June 30, 2022, there were transfers of amount of RMB6,797,000 (2021: RMB48,035,000) from Level 3 to Level 2 due to the available recently comparable transaction with significant observable inputs in 2022. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted equity securities and certain unlisted investments in Level 2 is determined by recent comparable transaction price on the market. These investments were either acquired, re-invested by the Group recently or newly financed on the market.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted investments	Valuation multiples (Note i) Discounted cash flow method and equity allocation model (Note ii)	Changing trend of medium market multiples of comparable companies Discounts for lack of marketability ("DLOM")
Unlisted units in investment funds	Net asset value (Note iii)	Net asset value of underlying investments
Wealth management products	Discounted cash flow (Note iv)	Expected return rate

Notes:

- (i) The fair value of certain unlisted investments are determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at June 30, 2022, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's profit for the period by RMB2,657,000 (2021: RMB2,857,000).
- (ii) The fair value of an unlisted investment is determined using discounted cash flow method to determine the equity value of the invested company and then use equity allocation model to determine the fair value of the investment. The fair value measurement is negatively correlated to DLOM. As at June 30, 2022, it is estimated that with all other variables held constant, an increase in DLOM by 5% would have decreased the Group's profit for the period by RMB23,202,000 (2021: RMB22,433,000), and a decrease in DLOM by 5% would have increased the Group's profit for the period by RMB24,749,000 (2021: RMB22,775,000).
- (iii) The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at June 30, 2022, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the period by RMB34,260,000 (2021: RMB48,333,000).
- (iv) The fair value of wealth management products is calculated by discounting the expected future cash flows. The fair value measurement is negatively correlated to expected return rate. As at June 30, 2022, it is estimated that with all other variables held constant, an increase/decrease in fair value of wealth management products by 5% would have increased/decreased the Group's profit for the period by RMB1,643,000 (2021: RMB nil).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi)

22 Fair Value Measurement of Financial Instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVOCI RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
As at January 1, 2022	—	1,669,780	1,669,780
Net unrealized losses on financial assets at fair value through profit or loss	—	(498,317)	(498,317)
Purchases	—	90,568	90,568
Exchange difference	—	57,746	57,746
Transfer into Level 2	—	(6,797)	(6,797)
As at June 30, 2022	—	1,312,980	1,312,980
As at January 1, 2021	30,423	1,231,701	1,262,124
Net unrealized losses on financial assets at fair value through profit or loss	—	(221,019)	(221,019)
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	20,777	—	20,777
Purchases	—	49,621	49,621
Exchange difference	—	(5,383)	(5,383)
Transfer into Level 3	—	105,936	105,936
As at June 30, 2021	51,200	1,160,856	1,212,056

During the six months ended June 30, 2022, the realized and unrealized losses included in profit or loss for the financial assets whose recurring fair value measurements are categorised into Level 3 of the fair value hierarchy held at the end of the reporting period is RMB422,853,000 (six months ended June 30, 2021: RMB36,126,000).

Any gains or losses arising from the remeasurement of the group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and June 30, 2022.