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上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 1349)

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2022

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

Key Financial Indicators of the Company

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Five years financial data highlights

Results

| | | Unaudited Six months ended 30 June | | | |
|---|-----------------|---------------------------------------|-----------------|-----------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 |
| Revenue | 271,260 | 399,037 | 235,615 | 390,693 | 295,705 |
| Profit/(Loss) before income tax | (61,189) | 66,787 | 27,997 | 93,412 | 53,905 |
| Income tax expense | 25,169 | (1,717) | 1,368 | (8,340) | (8,031) |
| Profit/(Loss) for the period | (36,021) | 65,069 | 29,365 | 85,072 | 45,874 |
| Profit attributable to: | | | | | |
| Shareholders of the Company | (35,975) | 65,485 | 29,079 | 91,720 | 52,408 |
| Non-controlling interests | (46) | (416) | 286 | (6,648) | (6,534) |
| Total comprehensive income for the period | (36,727) | 69,017 | 29,416 | 85,078 | 45,915 |
| Total comprehensive income attributable to: | | | | | |
| Shareholders of the Company | (36,680) | 69,433 | 29,130 | 91,726 | 52,449 |
| Non-controlling interests | (46) | (416) | 286 | (6,648) | (6,534) |
| EBITDA/(Loss) | (28,081) | 96,615 | 58,240 | 127,809 | 83,862 |
| Basic and diluted earnings per share for profit attributable to the shareholders of the Company | RMB (0.0346) | RMB 0.0628 | RMB 0.0310 | RMB 0.0994 | RMB 0.0568 |

Assets and liabilities

| | Unaudited 30 June 2022 RMB'000 | 2021 RMB'000 | Audited 31 December 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 |
|--|---|-----------------|---|-----------------|-----------------|
| Total assets | 2,701,940 | 2,781,172 | 2,500,701 | 1,564,824 | 1,469,691 |
| Total liabilities | (579,303) | (591,582) | (492,211) | (631,676) | (515,259) |
| | 2,122,637 | 2,189,590 | 2,008,490 | 933,148 | 954,432 |
| Capital and reserves attributable to: | | | | | |
| Shareholders of the Company | 2,126,039 | 2,192,946 | 2,010,931 | 931,525 | 943,218 |
| Non-controlling interests | (3,402) | (3,356) | (2,441) | 1,623 | 11,214 |
| | 2,122,637 | 2,189,590 | 2,008,490 | 933,148 | 954,432 |

Key Financial Indicators of the Company

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

(I) Five years financial data highlights (continued)

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

(II) Key accounting data

Unit: RMB

| Key accounting data | Reporting Period (January to June 2022) | Corresponding period of last year | Change as compared with the corresponding period of last year (%) |
|--|---|--------------------------------------|---|
| Revenue | 271,259,675 | 399,037,102 | -32.02 |
| Net profit attributable to shareholders of the listed company | -35,974,546 | 65,485,448 | -154.94 |
| Net profit deducting non-recurring profit or loss attributable to shareholders of the listed company | -45,618,524 | 54,543,664 | -183.64 |
| Net cash flows from operating activities | 59,366,826 | 56,033,635 | 5.95 |
| | As at the end of the Reporting Period (30 June 2022) | As at the end of last year | Change as Compared with the end of last year (%) |
| Net assets attributable to shareholders of the listed company | 2,126,038,966 | 2,192,945,932 | -3.05 |
| Total assets | 2,701,939,784 | 2,781,172,268 | -2.85 |

Key Financial Indicators of the Company

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

(III) Key financial indicators

| Key financial indicators | Reporting Period (January to June 2022) | Corresponding period of last year | Change as compared with the corresponding period of last year (%) |
|---|--|--------------------------------------|---|
| Basic earnings per share (RMB per share) | -0.03 | 0.06 | -150.00 |
| Diluted earnings per share (RMB per share) | -0.03 | 0.06 | -150.00 |
| Basic earnings per share after deduction of non-recurring profit or loss (RMB/share) | -0.04 | 0.05 | -180.00 |
| Weighted average rate of return on net assets (%) | -1.62 | 3.20 | Decreased by 4.82 percentage point |
| Weighted average rate of return on net assets after deduction of non-recurring profit or loss (%) | -2.06 | 2.67 | Decreased by 4.73 percentage point |
| Proportion of R&D investment in operating revenue (%) | 39.39 | 26.94 | Increased by 12.45 percentage point |

Description of key accounting data and financial indicators

The financial statements in the 2022 interim report of the Company were prepared in accordance with the China Accounting Standards for Business Enterprises and related requirements issued by the Ministry of Finance of the PRC and it is unaudited. Unless otherwise specified, the currency referred to in this interim report for accounting purpose is RMB.

Since March 2022, the situation of the COVID-19 epidemic (the "Epidemic") in Shanghai has been severe, and in accordance with the Epidemic prevention and control policy, the whole region has gradually implemented static management, which causes certain difficulties to the normal development of the Company's production, operation and research and development projects. In addition, the control on the external logistics has a great impact on the Company's raw materials supply and external drug distribution. As a result, the production and delivery of products cannot be completed as planned. The Epidemic subsided and the whole-region-wide static management in Shanghai was gradually lifted in June, and the Company gradually resumed the business activities. Although the Group actively organized production and logistics with good Epidemic precautions to minimize the impact of the Epidemic, and strived to compensate during June, the Company still recorded a decrease in revenues as compared to that in 2021, resulting in a decrease in other relevant financial data.

The Company implemented the 2021 Restricted Shares Incentive Scheme to establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity. The share-based payments recognized during the Reporting Period were approximately RMB50.50 million. If excluding the impact of above-mentioned share-based payment expenses, the net profit attributable to shareholders of the Company during the Reporting Period was approximately RMB14.53 million, and the net profit attributable to shareholders of the Company after deducting the non-recurring profit or loss was approximately RMB4.88 million. There was no such expense in the same period of 2021.

Key Financial Indicators of the Company

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

Not applicable.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB

| Non-recurring profit or loss items | Amount | Explanations (if applicable) |
|--|------------|---|
| Gains or losses from disposal of non-current assets | 615,680 | |
| Government grants recognized through profit or loss for the period (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity according to a certain standard) | 1,543,602 | |
| In addition to the effective hedging business related to the Company's normal business operations, the profit and loss of fair value changes arising from the holding of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other creditor's rights investment | 9,604,268 | It's mainly the interest accrued from the structured deposits of the Company. |
| Other non-operating income and expenses other than the above items | -417,719 | |
| Effect on minority interests | -1,702,901 | |
| Effect on income tax | 1,048 | |
| Total | 9,643,978 | |

Explanation on extraordinary gain or loss items defined as recurring gain or loss items as illustrated in the *Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 –Extraordinary Gain or Loss*

Not applicable.

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

Not applicable.

Management Discussion and Analysis

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

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

(I) Basic information of the Group's industry

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

The pharmaceutical industry is an important part of China's national economy, and also a strategic emerging industry that is related to the national economy and people's livelihood, economic development and national security. The pharmaceutical industry has the characteristics of weak periodicity, high investment, high risk, high technical barriers, strict supervision and so on. With the continuous growth of China's economy, the continuous improvement of people's living standards, the increasingly prominent problem of population aging, the growing demand for medical care, and the deepening of the reform of the medical and health system, the pharmaceutical industry has achieved rapid development in recent years. At the same time, the entire pharmaceutical industry is also facing huge challenges as the development environment and competition situation of the domestic pharmaceutical industry are still complicated, policies such as pharmaceutical research and development and medical security are facing major adjustments, centralized procurement of drugs has become normalized and institutionalized, the homogenization competition in the biopharmaceutical industry is serious, the costs of research and development, manpower, production and other costs are rising rapidly.

2. Current situation of dermatology medicine industry in China

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

– The treatment of condyloma acuminata

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

Management Discussion and Analysis

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

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

2. Current situation of dermatology medicine industry in China (continued)

- The treatment of port wine stains ("PWS")

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

3. Current situation of China's antineoplastic drug industry

Malignant tumor is one of the most serious diseases threatening human health and social development.

- Current situation of anthracycline antineoplastic drug industry

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

Management Discussion and Analysis

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

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

– *Dermatology Products*

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

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

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

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

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

Management Discussion and Analysis

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

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

– *Anti Tumor Products*

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

LIBOd® for the treatment of tumors, was launched to market in August 2009. The drug is a new doxorubicin formula which adopts the advanced stealth liposomal encapsulation technology and has passive targeting characteristics. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and remarkably lowering the effects of cardiac toxicity, myelosuppression and hair-loss. According to the statistics from the www.menet.com.cn, the sales of doxorubicin hydrochloride liposome injection at the terminal of urban public medical institutions in China exceeded RMB2.6 billion in 2018, exceeded RMB3.3 billion in 2019, exceeded RMB3.9 billion in 2020, and exceeded RMB4.6 billion in 2021, and had increased by 39.39% in the past three years.

II. CORE TECHNOLOGY AND R&D PROGRESS

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

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

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

(1) *Genetic Engineering Technical Platform*

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

ADC is an important research and development direction of the Company's genetic engineering technical platform. Possessing the powerful lethality of small molecular drugs and targeting property of monoclonal antibodies, ADC has become a hot item in the research and development of targeted tumor therapy over the past decade. The clinical trial phase I of the Group's first ADC, the Anti-CD30 antibody-coupled DM1 Injection for the treatment of tumors, was undergoing during the Reporting Period. The clinical trial phase I of the Trop2-SN38 directed antibody drug conjugate (also known as "FDA018 antibody drug conjugate for injection") for the treatment of advanced malignant tumors was undergoing during the Reporting Period. The investigational new drug application for Phase I clinical trial of Her2-BB05 directed antibody drug conjugate (also known as "FDA022 antibody drug conjugate for injection") for the treatment of advanced solid tumors has been accepted which will carry out the phase I clinical trial as soon as possible.

Management Discussion and Analysis

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

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

(2) Photodynamic Technical Platform

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

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

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

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

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

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

Management Discussion and Analysis

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

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

(3) Nano Technical Platform

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

Under this technical platform, LIBOd® for the treatment of tumors was launched to market in 2009. According to the requirements of relevant PRC laws and regulations, the Company has received the Acceptance Notice (《受理通知書》) of the quality and efficacy consistency evaluation of generic drugs for chemical injection (the "Consistency Evaluation") during the Reporting Period issued by the National Medical Products Administration of the PRC (the "NMPA"). The Consistency Evaluation application for Doxorubicin Hydrochloride Liposome Injection (LIBOd®) (specifications: 10ml:20mg) has been accepted. Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒) for the treatment of tumors, has made a breakthrough in the large-scale production techniques. Taking into account the production capacity for future bidding and procurement, the production lines of this project will be rebuilt, and bioequivalence study will be launched as soon as possible after completion of the same and then apply for drug registration.

(4) Oral Solid Preparation Technical Platform

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

Under this technical platform, obeticholic acid (奧貝膽酸) for the treatment of hepatobiliary disease of the Group has obtained a relevant invention patent in mainland China and its bioequivalence study has been completed and the confirmatory clinical study is under way. It is a generic drug of a medicine developed in the US and listed worldwide for the treatment of primary biliary cirrhosis (PBC). Such drug has a large market in China which is a country with high incidence of hepatobiliary disease. At the same time, the Company's selective inhibitor project for JAK1, a small molecular targeting drug, for the treatment of rheumatoid arthritis ("RA") was undergoing clinical trial phase I during the Reporting Period. At the same time, the treatment of atopic dermatitis ("AD") and ulcerative colitis ("UC") were both undergoing clinical trial phase II. At present, biological preparations play a relatively important role in the treatment of above-mentioned diseases, but oral JAK preparations also show amazing effects in clinical studies, and have natural advantages in both onset time and use mode. Accordingly, the Group hopes to develop new drugs to help patients who have not been fully satisfied clinically.

Management Discussion and Analysis

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

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

(4) Oral Solid Preparation Technical Platform (continued)

National Science and Technology Awards

Not applicable

Awards on "Little Giants" 、"Champion In Manufacturing Industry"

Not applicable

According to the announcement of the Shanghai Municipal Commission of Economy and Informatization, the Company was successfully selected into the list of "Specialized, Refinement, Differential and Innovation" (專精特新) Enterprises in Shanghai in June 2022.

2. R&D achievements obtained during the Reporting Period

On June 2022, the investigational new drug application for phase I clinical trial of the Her2-BB05 directed antibody drug conjugate (also known as "FDA022 antibody drug conjugate for injection") has been accepted by NMPA. The Her2-BB05 directed antibody drug conjugate is the first new generation antitumor antibody-drug conjugate (ADC) drug on the BB05 Platform. It is composed of monoclonal antibodies against human epidermal growth factor receptor 2 (HER2) target coupled with BB05. The drug can bind to HER2-expressed tumor cells and endocytosis, releasing small molecule cytotoxic drugs (topoisomerase I inhibitors) in lysosomes by protease cleavage to kill the tumor cells. The drug is intended to be developed for the treatment of advanced solid tumors with HER2-positive expression, such as breast cancer, gastric cancer, lung cancer, colorectal cancer, etc. According to the public data, the HER2 target ADC products currently on the market are Kadcyla® (T-DM1), Enhertu® (T-DXd) and Disitamab Vedotin For Injection (RC48-vc-MMAE).

List of intellectual property rights acquired during the Reporting Period

| | Newly acquired during the Reporting Period | | Cumulative quantity | |
|----------------------|---|--------------|------------------------|--------------|
| | No. of applications | No. of grant | No. of applications | No. of grant |
| Invention Patents | 1 | — | 81 | 36 |
| Utility Model Patent | — | — | 37 | 37 |
| Design Patent | — | — | 5 | 5 |
| Software copyright | 5 | 6 | 24 | 24 |
| Others | — | — | — | — |
| Total | 6 | 6 | 147 | 102 |

Notes: No. of applications excluded the number of abandoned applications and expired applications.

Management Discussion and Analysis

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

3. R&D investment

Unit: RMB

| | Reporting Period (January to June 2022) | Corresponding period of last year | Change as compared with the corresponding period of last year (%) |
|---|--|---|---|
| Expended R&D investment for the period | 102,559,780 | 98,267,565 | 4.37 |
| Capitalized R&D investment for the period | 4,285,057 | 9,236,142 | -53.61 |
| Total R&D investment | 106,844,837 | 107,503,707 | -0.61 |
| Portion of R&D investment to the operating revenue (%) | 39.39 | 26.94 | Increased by 12.45 percentage points |
| Portion of Capitalized R&D investment (%) | 4.01 | 8.59 | Decreased by 4.58 percentage points |

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

Not applicable

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

Not applicable

4. Research Projects

Unit: RMB 0'000

| No. | Project Name | Estimated Total Investment Amount | Investment Amount in the Current Period | Accumulated Investment Amount | Progress or Phased Results | Target to Be Achieved | Technical Standards | Specific Application Prospect |
|-----|---------------------------------|--|--|-------------------------------------|--------------------------------|---|-----------------------------|-------------------------------------|
| 1 | Research related to Hemoporphin | 23,000 | 916.22 | 6,734.19 | Clinical trial phase II in USA | Clinical trial phase II; enter of Hemoporphin product into the US market by successful registration with the US Food and Drug Administration (the "FDA"), thereby achieving the target of internationalization of the Company's core products, increase new profit growth points for the Company and increase its overall business scale, constant profitability and overall competitiveness. | International leading level | PWS |

Management Discussion and Analysis

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

4. Research Projects (continued)

| No. | Project Name | Estimated Total Investment Amount | Investment Amount in the Current Period | Accumulated Investment Amount | Progress or Phased Results | Target to Be Achieved | Technical Standards | Specific Application Prospect |
|-----|---|-----------------------------------|---|-------------------------------|---|--|------------------------------|-------------------------------|
| 2 | Research related to antibody drug conjugate | 35,000 | 3,641.08 | 17,953.28 | <p>The investigational new drug application for Phase I clinical trial of FDA022 antibody drug conjugate for injection capsule (also known as "Her2-BB05 directed antibody drug conjugate") on advanced malignant tumor has been accepted by NMPA.</p> <p>The first patient for this project has been successfully enrolled in the Trop2-SN38 directed antibody drug conjugate (also known as "FDA018 antibody drug conjugate for injection"), and the clinical trial Phase I of this project is undergoing. For more details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "1. Analysis of Core Competitiveness".</p> | Complete some of the relevant pre-clinical study of antibody coupling related projects as soon as possible in a short time, submit the clinical application and start Phase I clinical research as soon as possible. | International advanced level | Antitumor |

Management Discussion and Analysis

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

4. Research Projects (continued)

| No. | Project Name | Estimated Total Investment Amount | Investment Amount in the Current Period | Accumulated Investment Amount | Progress or Phased Results | Target to Be Achieved | Technical Standards | Specific Application Prospect |
|---------|--|-----------------------------------|---|-------------------------------|--|--|---|--|
| 3 | Research related to aminolevulinic acid | 16,500 | 1,186.47 | 7,834.63 | For more details, please refer to "Management Discussion and Analysis" – "III. Analysis of Core Competitiveness for the Reporting Period" – "1. Analysis of Core Competitiveness". | The focus of the research is to invest in the Company's research and development platforms for its core technologies, so as to expand its research and development channels, increase its overall competitiveness, strengthen its sustainable development ability in the biomedical domain, with an ultimate aim of achieving the industrialization of ongoing projects. | For treatment of cervical diseases infected by HPV, and acne: International leading level; For treatment of brain gliomas: International advanced level | Cervical diseases infected by HPV, acne, brain gliomas |
| 4 | Research related to doxorubicin liposome | 4,000 | 428.51 | 3,747.41 | Same as above | Same as above | International advanced level | Antitumor |
| 5 | JAK1 inhibitor | 25,000 | 1,203.69 | 6,105.83 | Same as above | Same as above | International advanced level | Rheumatoid arthritis, atopic dermatitis |
| 6 | Other research | – | 3,308.52 | 21,671.72 | Same as above | Same as above | / | Antitumor, skin diseases, autoimmune diseases |
| Total / | | 103,500 | 10,684.48 | 64,047.05 | / | / | / | / |

Notes:

- 1、The Investment Amount in the Current Period includes the expensed amount and capitalized amount of R&D investment during the Reporting Period;
- 2、The Target to Be Achieved is the short-term target planned by the Group, which will be updated according to the progress of the research and development project and the corresponding budget amount will be adjusted at the same time.

Management Discussion and Analysis

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

5. R&D personnel

| | Basic information | |
|---|--------------------------|---|
| | For the Reporting Period | For the corresponding period of last year |
| Number of R & D personnel (person) | 151 | 127 |
| The proportion of R&D personnel in the total number of employees of the Company (%) | 18.48 | 18.22 |
| Total amount of salary of R&D personnel (RMB) | 22,976,081 | 20,270,364 |
| Average amount of salary of R & D personnel (RMB) | 152,159 | 159,609 |

| Education structure | Education level | |
|-----------------------|-----------------|----------------|
| | Number (person) | Proportion (%) |
| Doctor | 8 | 5.30 |
| Master | 55 | 36.42 |
| Bachelor | 70 | 46.36 |
| Below Bachelor degree | 18 | 11.92 |
| Total | 151 | 100.00 |

| Age range | Age structure | |
|--------------|-----------------|----------------|
| | Number (person) | Proportion (%) |
| 50 and above | 9 | 5.96 |
| 40-49 | 19 | 12.58 |
| 30-39 | 65 | 43.05 |
| 20-29 | 58 | 38.41 |
| Total | 151 | 100.00 |

6. Other Explanations

Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

1. Analysis of core competitiveness

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

Management Discussion and Analysis

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

1. Analysis of core competitiveness (continued)

(1) Advantages of R&D Innovation

| Technical Platform | Technical field | Project Name | Registration type | Proposed Indications | Progress | Comparison with Industry Technical Level |
|----------------------------------|-------------------------|--|---|-----------------------------------|---|---|
| Genetic engineering Platform | Genetic engineering | CD30-DM1 directed ADC (F0002) | Class 1 innovative biological products | Tumors | Clinical trial phase I | International leading level: new compound |
| | | Trop2-SN38 directed ADC (F0024) | Class 1 therapeutic biological products | Tumors | Clinical trial phase I | International advanced level |
| | | Trop2-BB05 directed ADC (F0040) | Class 1 therapeutic biological products | Tumors | Pre-clinical study | International advanced level |
| | | Her2-BB05 directed ADC (F0034) | Class 1 therapeutic biological products | Tumors | Pre-clinical study | International advanced level |
| Photodynamic technology Platform | Photodynamic technology | Hemoporphin (海姆泊芬) (T0004/F0026) | Class 1 innovative chemical drug | PWS | Clinical trial phase IV | International leading level: new compound and new indication. |
| | | | 505(b)(1) | | Clinical trial phase II in the US | |
| | | Aminolevulinic acid – CIN (F0005) | Class 2.4 improved new drug | Cervical diseases infected by HPV | Clinical trial phase II | International leading level: new indication. |
| | | Aminolevulinic acid – Acne (F0014) | Class 2.4 improved new drug | Acne | Clinical trial phase II | International leading level: new indication. |
| | | Aminolevulinic acid – AK (F0037) | Class 2.2 improved new drug | Actinic keratosis | Clinical trial phase II | International advanced level |
| | | Aminolevulinic acid – brain gliomas (F0009) | Class 3 generic drug | Brain gliomas | Pre-clinical study | International advanced level |
| Nano technology Platform | Nano technology | Doxorubicin liposome (鹽酸多柔比星脂體) (F0033/F0012) | Class 6 generic drug | Tumors | In the process of domestic bioequivalence evaluation research and registration. | International advanced level |
| | | | 505(j) | Tumors | In the process of registration in US | |
| | | Nanoparticle Albumin- bound Paclitaxel (紫杉醇白蛋白納米粒) (F0008) | Class 4 generic drug | Tumors | Pre-clinical study | International advanced level |

Management Discussion and Analysis

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

1. Analysis of core competitiveness (continued)

(1) Advantages of R&D Innovation (continued)

| Technical Platform | Technical field | Project Name | Registration type | Proposed Indications | Progress | Comparison with Industry Technical Level |
|--|--|---|----------------------------------|--|-----------------------------|--|
| Oral solid preparation technology Platform | Small molecular targeting drugs | FZJ-003 oral preparation – RA (F0025) | Class 1 innovative chemical drug | Rheumatoid Arthritis | Clinical trial phase I | International advanced level |
| | | FZJ-003 oral preparation – AD (F0042) | Class 1 innovative chemical drug | Atopic Dermatitis | Clinical trial phase II | International advanced level |
| | | FZJ-003 oral preparation – UC (F0043) | Class 1 innovative chemical drug | Ulcerative colitis | Clinical trial phase II | International advanced level |
| | Drugs with patents or technical barriers | Obeticholic acid (F0019) | Class 3 generic drug | Hepatobiliary disease Autoimmune diseases | Confirmatory clinical study | International advanced level |
| | | Carzodopa controlled-release tablet (WD-1603) | Class 2.2 improved new drug | Early Parkinson's disease | Clinical trial phase II | International advanced level |
| Other | | Timolol maleate cream (F0038) | Class 2.2/2.4 improved new drug | Infantile hemangioma | Pre-clinical study | International advanced level |

(2) Advantages of Technology Platform

Please refer to “Management Discussion and Analysis” – “II. Core Technology and R&D Progress” – “1. Core technology, advance level and changes during the Reporting Period”.

(3) Advantages of Promotion

The Group continues to regard academic promotion as its primary marketing method. The Company has used the public communication platform to form a network service system such as academic exchanges among dermatology clinicians, sharing of clinical case and standardized practice videos, and a Q&A platform between doctors and patients, etc. In addition, the Company plans to take advantage of doctor resources on the platform to develop a new sales mode to solve some commonly seen problems in current marketing environment and some commonly seen difficulties for patients in hospital.

Management Discussion and Analysis

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

1. Analysis of core competitiveness (continued)

(4) Advantages of Product Quality Control

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

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

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

(5) Advantages of Management and Technical Team

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

2. Events that seriously affect the Company's core competitiveness during the Reporting Period, impact analysis and countermeasures

Not applicable.

IV. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

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

Affected by the Epidemic, the revenue of the Company during the Reporting Period was approximately RMB271,259,675 which decreased by 32.02% compared with the same period of last year. ALA(艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOd® which is indicated for the treatment of tumor and FuMeiDa which is indicated for PWS are three major products of the Group, together contributed 99.50% of the sales revenue of pharmaceutical and diagnostic products by the Group.

Management Discussion and Analysis

IV. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS (continued)

In respect of R&D, the Group adheres to the genetic technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Group has committed to developing new clinical indications for selected drugs and developing new medicines and innovative treatments to tackle selected diseases. During the Reporting Period, the Group's innovative research and development areas mainly focused on photodynamic drugs for skin diseases, tumors, CIN, antibody drug conjugate for tumors, and sustained and controlled-release drugs for the comprehensive treatment of Parkinson's disease. Me-too drugs include small molecular targeting drugs for autoimmune diseases and tumors, and imitation drugs mainly include nano drugs for tumors, as well as other drugs with patents or technological barriers.

For details of other operating conditions of the Company during the Reporting Period, please refer to "Management Discussion and Analysis" – "VI. OPERATION RESULT FOR THE REPORTING PERIOD".

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

Not applicable.

V. RISK FACTORS

(I) *Risks in core competitiveness*

1. *Risk in relation to new drug development*

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

2. *Risk in relation to core technical staff loss*

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

Management Discussion and Analysis

V. RISK FACTORS (continued)

(II) Risk in operation

1. Risk in relation to relatively limited product types

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

(III) Risk in financial

1. Foreign exchange risk

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

(IV) Risk in industry

1. Risk in drug price reduction

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

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

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD

REVIEW

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

In respect of R&D, the Group adheres to the genetic technical platform, photodynamic technical platform, nano technical platform and oral solid preparation technical platform. The Group has committed to developing new clinical indications for selected drugs and developing new medicines and innovative treatments to tackle selected diseases. During the Reporting Period, the Group's innovative R&D areas mainly focused on photodynamic drugs for skin diseases, tumors and precancerous lesions, antibody-drug conjugates for tumors and slow-release and controlled-release drugs for all-round treatment of Parkinson's disease, Me-too drugs such as small molecular targeting drugs for autoimmune diseases and tumors and generic drugs including nano drugs for tumors and other drugs with patents or technical barriers. During the Reporting Period, with an overall consideration of research resources, risks and R&D cycle, the Group has continually focused on drug development on tumors, dermatological and self-immunological diseases, expanding and strengthening the number and progress of commercialized drugs. Given that R&D on innovative drugs faces significant risks and challenges, the Group adopts more prudent and conservative capitalized policy on R&D expenses and will try to make the medium and long-term plans of R&D in view of actual financial position. For details of major projects of the Group during the Reporting Period, please refer to "III. Analysis of Core Competitiveness for the Reporting Period" in "Management Discussion and Analysis".

In respect of operation and commercialization, the major products of the Company are ALA and FuMeiDa on photodynamic technical platform and LIBOd® on nano technical platform. Affected by the Epidemic, the revenue during the Reporting Period was decreased by 32.02% compared with the same period of last year. ALA(艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease, LIBOd® which is indicated for the treatment of tumor and FuMeiDa which is indicated for PWS are three major products of the Group, and together contributed 99.50% of the sales revenue of pharmaceutical and diagnostic products by the Group. For details of major projects of the Group during the Reporting Period, please refer to "IV. Discussion and Analysis on Business Operations" in "Management Discussion and Analysis".

FUTURE PROSPECTS

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

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

During the Reporting Period, the Group's R&D areas mainly focused on antibody-drug conjugates for tumors, photodynamic drugs for skin diseases and CIN, small molecular targeting drugs for autoimmune diseases and tumors, and nano drugs for tumors, and other drugs with patents or technological barriers. In the future, we will continue to focus on and devote time and resources to the research and development of the above-mentioned fields and projects. Meanwhile, since 2021, we have also entered into the field of slow-release drugs for neurological diseases.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

FUTURE PROSPECTS (continued)

During the Reporting Period, The Company has approved the “Cooperative Development Agreement” with the associate of the Group, Shanghai Handu Pharmaceutical Technology Co., Limited (“Shanghai Handu”). The Company will commence the Phase III Clinical Trials on the basis of the completion of the Phase II Clinical Trials by Shanghai Handu and the achievement of the expected results. If the carzodopa controlled-release tablet project (“WD-1603”) is completed successfully, the Company will become the MAH (Marketing Authorization Holder) holder of WD-1603 in China and will be responsible for the production and sales of WD-1603. The existing R&D platform of oral solid preparation and established industrialization capability of the Company can assist the acceleration of the development process and early registration of the Licensed Product. It is also in line with the Company’s R&D strategy of starting from solid preparation drugs and the layout of full-cycle therapeutic drugs.

The Group has been expanding the drugs development based on photodynamic technical platform. Photodynamic drugs have become the most important product line of the Group. We will continue to build on its feature of “one drug, several indications” and turn it into a new scalpel for clinical treatment; according to the treatment principle of photodynamic drugs, the Company will design special therapy for some precancerous lesions which cannot be treated or intervened for the moment. The Group is commencing further research on molecular mechanism and their mode of action in order to discover new photodynamic compound to improve the efficacy and overcome the defects. Meanwhile, we have planned to apply for the international registrations for the launched drugs, which will lay a solid foundation for the commercialization development of the Group.

The subsidiary of the Company, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd* (泰州復旦張江藥業有限公司) (“Taizhou Fudan-Zhangjiang”) has constructed several production lines for the material and injection of Hemoporphin and advance Industrialization preparation for obeticholic acid under development. To fully exploit the capacity of these production lines before further new self-developed innovative drugs obtaining production approval, the Group will choose several generic drugs which can be produced with FuMeiDa on the same production line and planned to submit the application of registration. One of the first generic drugs, parecoxib sodium for injection (“Parecoxib Sodium for Injection”), was approved for sale. Meanwhile, Based on the strategic planning and business development needs, the construction of phase II pharmaceutical production base project (“the construction of phase II pharmaceutical production base project”) for Taizhou Fudan-Zhangjiang on the land adjacent to its existing plant, to facilitate the industrialization process of the subsequent R&D projects and the application progress of existing R&D projects of the Group. The construction of phase II pharmaceutical production base project plans to occupy approximately 44 acres, has an estimated total building area of approximately 42,000 square meters, and plans to construct several lines including antibody drug conjugate production line, solid preparation production line, injection preparation line, and other auxiliary facilities.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) ANALYSIS OF MAIN BUSINESSES

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

Unit: RMB

| Items | Amount For the current Period | Amount for the corresponding period of last year | Change (%) |
|---|----------------------------------|--|------------|
| Revenue | 271,259,675 | 399,037,102 | -32.02 |
| Cost of sales | 28,143,633 | 25,340,191 | 11.06 |
| Selling expenses | 133,572,711 | 184,117,626 | -27.45 |
| General and administrative expenses | 34,953,733 | 22,030,594 | 58.66 |
| Finance costs | -1,849,709 | -1,682,804 | 9.92 |
| Research and development expenses | 102,559,780 | 98,267,565 | 4.37 |
| Net cash flows generated from operating activities | 59,366,826 | 56,033,635 | 5.95 |
| Net cash flows generated from investing activities | -48,710,288 | -295,770,820 | -83.53 |
| Net cash flows generated from financing activities | -13,068,930 | -38,726,106 | -66.25 |

Reasons for changes in revenue: It is mainly due to the impact of the Epidemic in Shanghai, the production and sales of the Company's main products have been greatly affected, resulting in a decline in the Company's operating income, which in turn affects other relevant data.

Reasons for changes in costs of sales: It is mainly due to the inclusion of share-based payment expenses during the Reporting Period.

Reasons for changes in selling expenses: It is mainly due to the decline in Revenue.

Reasons for changes in general and administrative expenses: It is mainly due to the inclusion of share-based payment expenses during the Reporting Period.

Reasons for changes in finance costs: It is mainly due to the increase in interest income during the Reporting Period.

Reasons for changes in R&D expense: It is mainly due to the inclusion of share-based payment expenses during the Reporting Period.

Reasons for changes in net cash flows generated from operating activities: It is mainly due to the impact of the Epidemic in Shanghai, some payments were delayed.

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

Reasons for changes in net cash flows generated from financing activities: It is mainly due to the payment of approximately RMB35 million in 2020 A-share dividends in the corresponding period of last year, while the 2021 A-share dividends had not been paid during the Reporting Period.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(I) ANALYSIS OF MAIN BUSINESSES (continued)

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

Not applicable.

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

Not applicable.

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: RMB

| Accounts | Amount as at 30 June 2022 | Percentage of amount as at 30 June 2022 to total asset (%) | Amount as at 31 December 2021 | Percentage of amount as at 31 December 2021 to total asset (%) | Change ratio of the amount as at 30 June 2022 to that as at 31 December 2021 (%) | Description |
|--------------------------|---------------------------------|---|--|---|--|---|
| Notes receivables | 82,231,526 | 3.04 | 118,128,532 | 4.25 | -30.39 | The changes in notes receivables were mainly due to the receipt of bills during the Reporting Period. |
| Advances to suppliers | 10,032,217 | 0.37 | 5,946,869 | 0.21 | 68.70 | The changes in advances to suppliers were mainly due to the increase in advances for the purchase of materials and services during the Reporting Period. |
| Other current assets | 247,319 | 0.01 | 1,045,541 | 0.04 | -76.35 | The changes in other current assets were mainly due to the decrease in the undeducted input tax balance. |
| Other equity instruments | 1,174,688 | 0.04 | 2,047,212 | 0.07 | -42.62 | The changes in other equity instruments were mainly due to the changes in Kintara's fair value as measured by the share price at the end of the Reporting Period compared to December 31, 2021. |
| Construction in progress | 97,967,937 | 3.63 | 48,899,044 | 1.76 | 100.35 | The changes in construction in progress were mainly due to the construction of the Taizhou Fudan-Zhangjiang Phase II pharmaceutical production base was steadily advancing. |

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) ANALYSIS ON ASSETS AND LIABILITIES (continued)

1. Assets and liabilities (continued)

Unit: RMB

| Accounts | Amount as at 30 June 2022 | Percentage of amount as at 30 June 2022 to total asset (%) | Amount as at 31 December 2021 | Percentage of amount as at 31 December 2021 to total asset (%) | Change ratio of the amount as at 30 June 2022 to that as at 31 December 2021 (%) | Description |
|---------------------------|---------------------------------|---|--|---|--|--|
| Deferred tax assets | 104,462,361 | 3.87 | 79,224,372 | 2.85 | 31.86 | The changes in deferred tax assets were mainly due to the deferred tax asset corresponding to the newly recognized share payment fee during the Reporting Period. |
| Other non-current assets | 31,636,478 | 1.17 | 19,643,419 | 0.71 | 61.05 | The changes in other non-current assets were mainly due to the increase in advances for the procurement of production and R&D equipment. |
| Accounts payables | 13,342,815 | 0.49 | 8,166,235 | 0.29 | 63.39 | The changes in accounts payables were mainly due to the increase in payables for the procurement of raw materials required for operations. |
| Contract liabilities | 176,905 | 0.01 | 1,116,833 | 0.04 | -84.16 | The changes in contract liabilities were mainly due to the decrease in advance receipts for the sale of pharmaceuticals. |
| Employee benefits payable | 3,164,235 | 0.12 | 36,493,188 | 1.31 | -91.33 | The changes in employee benefits payable were mainly due to the payment of the 2021 year-end bonus during the Reporting Period. |
| Taxes payable | 9,409,116 | 0.35 | 29,719,335 | 1.07 | -68.34 | The changes in taxes payable were mainly due to the decrease in income profit during the Reporting Period, and the corresponding decrease in income tax payable. |
| Other current liabilities | 22,998 | 0.00 | 46,568 | 0.00 | -50.61 | The changes in other current liabilities were mainly due to the decrease in the estimated output tax corresponding to the advance receipts for drug sales during the Reporting Period. |

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) ANALYSIS ON ASSETS AND LIABILITIES (continued)

1. Assets and liabilities (continued)

Notes :

(i) Liquidity and financial resources

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

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB1,206,635,416.

Being consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and loans from government authorities) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. As at 30 June 2022 and 31 December 2021, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

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

(ii) Banking borrowings

For the six months ended 30 June 2022, the Group had no banking borrowings;

(iii) Charge on assets

For the six months ended 30 June 2022, the Group had no charge on assets.

(iv) Future plans for material investments or capital assets

Based on the industrialization process planning for the R&D projects of the Group, as approved and authorized by the Board on 11 August 2021, Taizhou Fudan-Zhangjiang will participate in the bidding process for the adjacent plot of the existing plant in Taizhou Park and go through the relevant procedures, so as to timely build a new production workshop to meet future production needs. The construction of phase II pharmaceutical production base project plans to occupy approximately 44 acres, has an estimated total building area of approximately 42,000 square meters, and plans to construct several lines including antibody drug conjugate production line, solid preparation production line, injection preparation line, and other auxiliary facilities. The total investment of the Project is RMB600 million (including the bidding payment for land use right at a price of RMB12.65 million). The Company will use its self-owned fund to invest in the Project. During the Reporting period, the structural capping of the Phase II production base project has been completed.

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

(v) Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: Nil).

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(III) ANALYSIS ON ASSETS AND LIABILITIES (continued)

2. Foreign assets

1) Size of Assets

Among them: foreign assets RMB5,856,422, accounting for 0.22% of the total assets.

2) Description of foreign assets

Not applicable.

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

Not applicable.

4. Other explanations

Not applicable.

(IV) Analysis of investment

1. Overall analysis on external equities investment

Not applicable.

(1) Significant equity investment

Not applicable.

(2) Significant non-equity investment

Not applicable.

(3) Financial assets measured at fair value

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

The Group holds 629,000 ordinary shares of Adgero as at the end of Reporting Period.

Management Discussion and Analysis

VI. OPERATION RESULT FOR THE REPORTING PERIOD (continued)

(V) DISPOSAL OF MAJOR ASSETS AND EQUITIES

Not applicable.

(VI) ANALYSIS ON COMPANIES CONTROLLED OR INVESTED BY THE COMPANY

| No. | Company Name | Main Business | Registered Capital | Equity Ratio | Total Assets (RMB) | Net Assets (RMB) | Revenue (RMB) | Net Profit (RMB) |
|-----|---|---|--------------------|--------------|--------------------|------------------|---------------|------------------|
| 1 | Taizhou Fudan-Zhangjiang | Production for the material and injection of Hemoporfin | 100,000,000 | 100.00% | 477,211,707 | 373,715,165 | 46,858,800 | 17,672,089 |
| 2 | Fernovelty Holding | Drug development and overseas medical projects investment | HKD10,000 (Equity) | 100.00% | 4,510,724 | 4,510,724 | – | -553 |
| 3 | Tracing Bio-technology Co.,Ltd | R&D, production and sales of medical diagnostic products | 24,800,000 | 84.68% | 5,045,772 | -22,203,815 | 4,972,887 | -2,379,974 |
| 4 | Shanghai Handu | development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment. | USD 10,478,666 | 39.5663% | 586,466,247 | 581,810,764 | – | -13,385,408 |
| 5 | Shanghai Lead Discovery Limited Company | Screening of new drugs in China and development of “me-too” drug | 20,400,000 | 35.29% | 25,197,596 | -3,829,751 | – | -956 |
| 6 | Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) <i>Note 2</i> | Investment in early drug research and development | 201,000,000 | 29.85% | 218,842,775 | 215,249,835 | – | 5,157,688 |
| 7 | Derma Clinic | Skin health management, medical cosmetology | 55,000,000 | 20.00% | 1,823,121 | -35,597,917 | – | -24,877,531 |

Notes: The above financial data are unaudited.

(VII) The structural entity controlled by the Company

Not applicable.

Management Discussion and Analysis

VII. OTHER DISCLOSURES

Subscription of wealth management product and structured deposit products

On 5 January 2022, the Company entered into the Ping An Bank Structured Deposit Product Agreement I and the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB100 million by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into the Ping An Bank Structured Deposit Product Agreement III and the Ping An Bank Structured Deposit Product Agreement IV with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB240 million by using its temporary idle proceeds from the public issuance of A shares. Principal amount of the subscription and expected annualized return rate for each of the agreements entered into with Ping An Bank are set out below:

| Agreement | Principal | Range of expected annualized return rate |
|--|------------------|---|
| Ping An Structured Deposit Product Agreement I | RMB50 million | 1.6500%-3.0618% |
| Ping An Structured Deposit Product Agreement II | RMB50 million | 1.6500%-3.0250% |
| Ping An Structured Deposit Product Agreement III | RMB120 million | 1.6500%-3.0618% |
| Ping An Structured Deposit Product Agreement IV | RMB120 million | 1.6500%-3.0250% |

On 6 January 2022, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB190 million by using its temporary idle proceeds from the public issuance of A shares which the range of expected annualized return rates are 1.5400%-3.2765% and 1.5100%-3.2865% respectively. On 6 April 2022, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB190 million by using its temporary idle proceeds from the public issuance of A shares which the range of expected annualized return rates are 1.5400%-3.1753% and 1.5300%-3.1653% respectively. On 4 July 2022, the Company entered into two structured deposit products agreements with Bank of China and agreed to subscribe for structured deposit products with a total amount of RMB180 million by using its temporary idle proceeds from the public issuance of A shares which the range of expected annualized return rates are 1.5000%-3.1706% and 1.4900%-3.1606%.

On 8 April 2022, the Company entered into the Ping An Bank Structured Deposit Product Agreement I and the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB 100 million by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into the Ping An Bank Structured Deposit Product Agreement III and the Ping An Bank Structured Deposit Product Agreement IV with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB240 million by using its temporary idle proceeds from the public issuance of A shares. Principal amount of the subscription and expected annualized return rate for each of the agreements entered into with Ping An Bank are set out below:

| Agreement | Principal | Range of expected annualized return rate |
|--|------------------|---|
| Ping An Structured Deposit Product Agreement I | RMB50 million | 1.6500%-3.0598% |
| Ping An Structured Deposit Product Agreement II | RMB50 million | 1.6500%-3.0900% |
| Ping An Structured Deposit Product Agreement III | RMB120 million | 1.6500%-3.0598% |
| Ping An Structured Deposit Product Agreement IV | RMB120 million | 1.6500%-3.0900% |

Management Discussion and Analysis

VII. OTHER DISCLOSURES (continued)

Subscription of wealth management product and structured deposit products (continued)

On 7 July 2022, The Company entered into the Ping An Bank Structured Deposit Product Agreement I with Ping An Bank and agreed to subscribe for a structured deposit product with a total amount of RMB200 million by using its self-owned idle funds generated from daily operation. Meanwhile the Company entered into the Ping An Bank Structured Deposit Product Agreement II with Ping An Bank and agreed to subscribe for structured deposit products with a total amount of RMB150 million by using its temporary idle proceeds from the public issuance of A shares. Principal amount of the subscription and expected annualized return rate for each of the two agreements entered into with Ping An Bank are set out below:

| Agreement | Principal | Range of expected annualized return rate |
|---|----------------|--|
| Ping An Structured Deposit Product Agreement I | RMB200 million | 0.3000%-3.0000% |
| Ping An Structured Deposit Product Agreement II | RMB150 million | 0.3000%-3.0000% |

The Company's subscription of the wealth management product and structured deposit products by reasonable and effective use of certain portion of its temporary idle funds (including proceeds from the public issuance of A shares) is beneficial for enhancing the overall capital gain of the Group, which is consistent with the core objectives of the Company to safeguard its capital and ensure liquidity. It is expected that the impact of risk factors in connection with the expected return of the above-mentioned wealth management product and structured deposit products is low, while the Group can enjoy a higher return compared with fixed term deposits in commercial banks in the PRC. The Directors (including the independent non-executive Directors) are of the view that the above-mentioned subscription of wealth management product and structured deposit products agreements with Ping An Bank and Bank of China are made on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole. For more details, please refer to the announcements of the Company dated on 5 January 2022, 6 January 2022, 6 April 2022, 8 April 2022, 4 July 2022 and 7 July 2022.

Company's Governance

I. GENERAL MEETING

| Meeting session | Date of convening | Query index on designated website for publishing resolution | Disclosure date of publication of the resolutions | Resolutions |
|--|-------------------|---|---|---|
| 2021 Annual General Meeting, 2022 First Class Meeting of Holders of H Shares, 2022 First Class Meeting of Holders of A Shares (collectively referred to as "Meetings") | 29 June 2022 | www.hkex.com.hk www.sse.com.cn | 29 June 2022 30 June 2022 | Except the special resolution "To consider and approve the proposal in amendments to the Articles of Association" was not duly passed at the 2022 First Class Meeting of Holders of H Shares, none of the other resolutions was vetoed or amended and no new resolution has been submitted for voting and approval at the Meetings. |

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

Not applicable.

Resolutions considered and approved on 2021 Annual General Meeting:

- 1) To consider and approve the (work) report of the Board for 2021;
- 2) To consider and approve the (work) report of the Supervisory Committee for 2021;
- 3) To consider and approve the annual report for 2021;
- 4) To consider and approve financial analysis report for 2021;
- 5) To consider and approve the proposed profits distribution plan and the final dividend distribution plan for 2021, and to authorise the Board to distribute such final dividend to the Shareholders;
- 6) To consider and approve the appointment of auditors (domestic and overseas) and domestic internal control auditor, and authorise the Board to fix their remunerations for 2022;
- 7) To consider and approve the remuneration of the Directors and Supervisors for 2021 and the relevant proposal for 2022;
- 8) To consider and approve the proposal in amendments to the Administrative Measures for Use of Proceeds;

Company's Governance

I. GENERAL MEETING (continued)

Resolutions considered and approved on 2021 Annual General Meeting: (continued)

- 9) To consider and approve the utilisation of part of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital;
- 10) To consider and approve the cooperative development agreement with Shanghai Handu Pharmaceutical Technology Co., Limited;
- 11) To consider and approve the proposal in amendments to the Articles of Association;
- 12) To consider and approve the proposal in amendments to the rules of procedure for the general meeting;
- 13) To consider and approve the proposal in amendments to the rules of procedure for the board of directors;
- 14) To consider and approve the proposal in amendments to the rules of procedure for the supervisory committee;
- 15) To consider and approve the granting to the Board a general mandate to issue A Shares.

Resolutions considered and approved on 2022 First Class Meeting of Holders of A Shares:

- 1) To consider and approve the proposal in amendments to the Articles of Association;
- 2) To consider and approve the proposal in amendments to the rules of procedure for the general meeting;
- 3) To consider and approve the proposal in amendments to the rules of procedure for the board of directors;
- 4) To consider and approve the proposal in amendments to the rules of procedure for the supervisory committee;
- 5) To consider and approve the granting to the Board a general mandate to issue A Shares.

Resolutions considered and approved on 2022 First Class Meeting of Holders of H Shares:

- 1) To consider and approve the proposal in amendments to the rules of procedure for the general meeting;
- 2) To consider and approve the proposal in amendments to the rules of procedure for the board of directors;
- 3) To consider and approve the proposal in amendments to the rules of procedure for the supervisory committee;
- 4) To consider and approve the granting to the Board a general mandate to issue A Shares.

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

Company's Governance

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

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

Not applicable.

Description of identification of core technicians of the Company

When identifying core technicians, the Company comprehensively considers the professional background, scientific research ability and other factors of the relevant personnel, as follows:

- 1) The degree of relevance of academic background to the Company's main business;
- 2) Professional qualifications, work experience and the relevance of job positions and R&D projects;
- 3) Main scientific research achievements;
- 4) Contribution to the Company's research and development;
- 5) In principle, it is limited to the main person in charge in key positions related to R&D.

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

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

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

Company's Governance

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

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

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity, the Board on 6 April 2021 approved the resolutions in relation to the proposed adoption of the 2021 restricted incentive scheme of the Company (the "Incentive Scheme") and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the specific mandate. "Restricted Share(s)" mean A Share(s) to be granted to the participants (the "Participants") by the Company on such conditions and at the grant price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfying with the attribution conditions. The Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the specific mandate were approved by the Shareholders at the AGM, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders held on 27 May 2021. On 22 July 2021, the Board of Directors and the Board of Supervisors considered and approved resolutions including the "Resolution on the Adjustments to the List of Participants, the Number of Restricted Shares Granted and the Grant Price under the First Grant of Restricted Shares of the 2021 Restricted Incentive Scheme" and the "Resolution on the Grant of Restricted Shares to Participants under the First Grant" at the 10th (temporary) meeting of the seventh session of the Board of Directors and the 10th (temporary) meeting of the seventh session of the Board of Supervisors, respectively. On 26 May 2022, the Board of Directors and the Board of Supervisors considered and approved resolution of "Resolution on the Grant of Restricted Shares to Participants under the Reserved Grant" at the 15th (temporary) meeting of the seventh session of the Board of Directors and the 15th (temporary) meeting of the seventh session of the Board of Supervisors, respectively.

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

For more details, please refer to the Company's announcements dated 6 April 2021 and 22 July 2021, the supplementary circular dated 7 May 2021 and the overseas regulatory announcement dated 26 May 2022.

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

Description of Incentives

Not applicable.

Other Information

Not applicable.

Employee Stock Ownership Plan

Not applicable.

Other Incentives

Not applicable.

Company's Governance

V. OTHERS

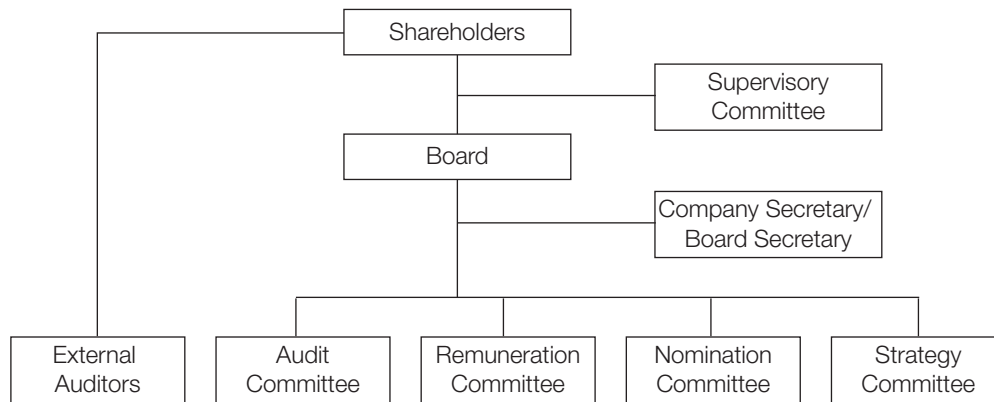
i) **Audit committee**

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

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's unaudited interim results for the six months ended 30 June 2022 before proposing to the Board for approval.

ii) **Corporate governance practice**

The Company's corporate governance structure is as follows:



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

- Articles of Association;
- Rules of Procedure for the general meeting;
- Rules of Procedure for the Board of Directors;
- Rules of Procedure for the Audit Committee;
- Rules of Procedure for the Remuneration Committee;
- Rules of Procedure for the Nomination Committee;
- Rules of Procedure for the Strategy Committee;
- Rules of Procedure for the Supervisory Committee;
- Regulations for Directors, Supervisors and Senior Managers in relation to Holding and Transacting the Shares of the Company
- Regulations for Information Disclosure;

Company's Governance

V. OTHERS (continued)

ii) Corporate governance practice (continued)

- k) Regulations for Inside Information;
- l) Regulations for Internal Control Management;
- m) Rules and Regulations for Related/Connected Transaction;
- n) Other daily management documents of the Company.

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

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

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

iii) Employees and salaries

As at 30 June 2022, the Group had a total of 817 employees, as compared to 694 employees as at 30 June 2021. Staff costs including Directors' remuneration for the six months ended 30 June 2022 were approximately RMB83,322,505, compared with approximately RMB79,736,880 for the same period in 2021. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group.

Company's Governance

V. OTHERS (continued)

iv) Purchase, sale or redemption of listed securities

The Shareholders of the Company approved the proposal to grant a general mandate to the Board to repurchase H shares of the Company on 2020 annual general meeting of the Company, the 2021 first class meeting of the holders of H shares of the Company and the 2021 first class meeting of the holders of A shares of the Company. Between 2 July 2021 and 19 May 2022, upon the above authorization and in accordance with relevant domestic and foreign laws, regulations, the articles of association of the Company, the requirements of the securities regulatory authorities in the places where the Company's shares are listed, and the actual situation of the Company, the Company repurchased a total of 14,000,000 H shares on the Hong Kong Stock Exchange, accounting for 4.12% of the Company's issued H shares and 1.34% of the total number of issued shares of the Company. The aggregate repurchase price is HKD59,358,639.93. The repurchased 14,000,000 H shares had been cancelled on 7 June 2022 with Computershare Hong Kong Investor Services Limited. Upon completion of the cancellation, the total share capital of the Company has been changed from 1,043,000,000 shares to 1,029,000,000 shares.

Except as disclosed in this report, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT

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

Not applicable.

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

1. Administrative punishment for environmental problems

Not applicable.

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

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

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

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

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT (continued)

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

2. *Other environmental information referring to that disclosed by key pollutant discharging units (continued)*

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

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

Not applicable.

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

Not applicable.

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

In accordance with the Energy Conservation Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Water Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations, the Group always pays much attention to environmental protection. A leadership team for environmental protection management has been set up to work with department heads and form a sound management network. The list of the team members is updated every year.

Adopting the vision for environmental and social sustainable development, the Group strives to prevent pollution, actively promote energy conservation and emission reduction and protect ecological diversity, thus to build an environment-friendly society. To continuously improve the Group's environmental management, we set five-year environmental targets regarding emissions, waste, energy and water resources with 2020 as the base year.

Environmental and Social Responsibility

I. INFORMATION ON ENVIRONMENT (continued)

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

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

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

Not applicable.

Significant Events

I. THE PERFORMANCE OF UNDERTAKINGS

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

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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| | | | | | | | | |
| | Others | Yu Dai Qing | <p>Yu Dai Qing has made following commitment in respect of shareholding reduction:</p> <p>“During my tenure as a supervisor in Fudan-Zhangjiang, the annual transfer of shares shall not exceed 25% of the total shares of Fudan-Zhangjiang directly and indirectly held by myself. When I reduce the shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation.”</p> | Long-term | Yes | Yes | Not applicable | Not applicable |
| | Others | Gan Yi Min | <p>Gan Yi Min has made the following commitment in respect of shareholding reduction:</p> <p>“After the expiration of share restriction period and lock-up period of shares, during my tenure as a member of senior management in Fudan-Zhangjiang, I will promptly declare the shares of Fudan-Zhangjiang held by myself and the changes thereto, and the annual transfer of shares of Fudan-Zhangjiang shall not exceed 25% of the total shares of Fudan-Zhangjiang directly or indirectly held by myself. At the same time, within four years following the expiration of the above-mentioned lock-up period, I, as a core technician of Fudan-Zhangjiang, shall not transfer annually the shares of Fudan-Zhangjiang before the initial listing exceeding 25% of the total number of shares before the initial listing of Fudan-Zhangjiang directly and indirectly held by myself (The proportion of share reduction shall be used cumulatively). When I reduce the shareholding of Fudan-Zhangjiang directly or indirectly held by myself, I will strictly abide by relevant laws and regulations as well as rules of the Shanghai Stock Exchange, and perform information disclosure obligations in a timely and accurate manner. I will not transfer the shares of Fudan-Zhangjiang directly or indirectly held by myself within half year after my resignation.”</p> | Long-term | Yes | Yes | Not applicable | Not applicable |

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

| Background of undertakings | Category of undertakings | Party providing undertakings | Content of undertakings | Date and term of undertakings | Is there a term for performance | Is it fulfilled in a timely manner | If the undertaking fails to be fulfilled timely, please explain the specific reasons for the failure | If the undertaking fails to be fulfilled timely, please state the plan in the next step |
|---|--------------------------|------------------------------|--|-------------------------------|---------------------------------|------------------------------------|--|---|
| | | | Restraint measures for failure of directors and senior management to perform undertakings for stabilising share price: "If I fail to perform or fail to perform in time undertakings for stabilizing share price, I shall be required to publicly provide specific reasons at the general meeting and through the media for disclosure designated by the securities regulatory authority, and make an apology to shareholders of the issuer and general public investors. Where the loss is not attributable to events of force majeure, the remuneration or allowances of the directors and senior management, if any, shall be reduced or suspended, and where loss is caused to investors, and the investors shall be compensated in accordance with the law. Where the loss is attributable to events of force majeure, proposals for handling the situation to minimize the loss of the interest of investors shall be studied as soon as possible in order to protect the interest of investors to the fullest extent possible." | | | | | |
| II. FUNDS MISAPPROPRIATED BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD FOR NON OPERATING CAUSES | | | | | | | | |
| Not applicable. | | | | | | | | |
| III. ILLEGAL GUARANTEE | | | | | | | | |
| Not applicable. | | | | | | | | |
| IV. AUDIT OF INTERIM REPORT | | | | | | | | |
| Not applicable. | | | | | | | | |
| V. CHANGES AND TREATMENT OF MATTERS RELATED TO NON-STANDARD AUDIT OPINIONS IN THE FINANCIAL REPORT OF THE PREVIOUS YEAR | | | | | | | | |
| Not applicable. | | | | | | | | |
| VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING | | | | | | | | |
| Not applicable. | | | | | | | | |
| VII. MATERIAL LITIGATION AND ARBITRATION | | | | | | | | |
| During the Reporting Period, the Group has no material litigations and arbitrations. | | | | | | | | |

Significant Events

VIII. PUNISHMENTS AND RECTIFICATIONS OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER BEING SUSPECTED OF VIOLATING THE LAW AND REGULATION

Not applicable.

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

Not applicable.

X. SIGNIFICANT RELATED PARTY/CONNECTED TRANSACTIONS

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

- 1、Events disclosed in the temporary announcements without subsequent development or changes during implementation

Overview of events

Query index

Continuing Connected Transactions- Sales and Distribution Agreement with Shanghai Pharmaceuticals

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

The Related Party Transaction – The Cooperative Development Agreement with Shanghai Handu

For more details, please refer to the overseas regulatory announcements of the Company dated 26 May 2022 and the supplemental circular of the Company dated 15 June 2022.

- 2、Events disclosed in the temporary announcements with subsequent development or changes during implementation

Not applicable.

- 3、Events not disclosed in the temporary announcements

Not applicable.

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

- 1、Events disclosed in the temporary announcements without subsequent development or changes during implementation

Not applicable.

- 2、Events disclosed in the temporary announcements with subsequent development or changes during implementation

Not applicable.

- 3、Events not disclosed in temporary announcements

Not applicable.

- 4、Performance with agreed target shall be disclosed during the Reporting Period

Not applicable.

Significant Events

(III) Significant related transactions relating to joint external investment

- 1、Events disclosed in the temporary announcements without subsequent development or changes during implementation

Not applicable.

- 2、Events disclosed in the temporary announcements with subsequent development or changes during implementation

Not applicable.

- 3、Events not disclosed in temporary announcements

Not applicable.

(IV) Claims and liabilities with related parties

- 1、Events disclosed in the temporary announcements without subsequent development or changes during implementation

Not applicable.

- 2、Events disclosed in the temporary announcements with subsequent development or changes during implementation

Not applicable.

- 3、Events not disclosed in temporary announcements

Not applicable.

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

Not applicable.

(VI) Other material related transactions

Not applicable.

(VII) Others

Not applicable.

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1、Trusteeship, contracting and leasing

Not applicable.

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

Not applicable.

Significant Events

3 · Other Material Contracts

Not applicable.

XII. USE OF PROCEEDS

The A Shares of the Company have been listed and commenced trading on the STAR Market of the Shanghai Stock Exchange since 19 June 2020. The total proceeds of the issue of A share are RMB1,074,000,000 and the net proceeds are RMB974,323,900 after deducting the issue fees of RMB99,676,100 of this offering. The net proceeds raised from the issue of A Shares shall be used in accordance with the plan items described in the circular of the Company dated 4 April 2019 and the announcement of the Company dated 26 April 2019.

Particulars of the proceeds raised were used as follows:

| | Budget RMB0'000 | Unaudited Amount that has been utilized for the six months ended 30 June 2022 RMB0'000 | Unaudited Remaining balance as at 30 June 2022 RMB0'000 | Notes |
|--|--------------------|---|---|--------|
| Investment Projects | | | | |
| – The Registration Project of Hemoporfin in the United States | 23,000.00 | 3,277.33 | 19,722.67 | |
| – The Innovational Research and Sustainable Development Project in Relation to Biological Medicine | 24,000.00 | 15,270.73 | 8,729.27 | |
| – The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan-Zhangjiang | 18,000.00 | 17,839.30 | 160.70 | |
| Over subscription proceeds for permanent replenishment of working capital | – | 19,200.00 | 13,232.39 | Note 4 |
| Interest on raised funds | – | – | 3,536.12 | |
| Total | <u>65,000.00</u> | <u>55,587.36</u> | <u>45,381.15</u> | |

Notes:

- (1) The actual amount of proceeds raised from the issue of A Shares exceeding the needs of the investment projects listed above will be used to supplement the working capital related to the principal business of the Company in accordance with relevant requirements of CSRC and The Shanghai Stock Exchange ("SSE") and subject to the approval of the Board and the Shareholders' meeting.
- (2) The unaudited amount that has been utilized for the six months ended 30 June 2022 included the amount which is used after the listing for replacing the self-owned fund of the Company previously invested in such projects during the Reporting Period.
- (3) The Company confirms that the use of proceeds from the issue of A share conforms to the disclosure of the circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the issue of A share in strict accordance with the relevant regulations. The remaining amount of proceeds to be invested is expected to be utilised by 31 December 2023. The expected timeline for the remaining amount of proceeds to be invested is subject to future adjustments if required, and the Company will comply with relevant internal approval procedures and disclosure obligations in due course.

Significant Events

- (4) During the Reporting Period, the Board considered and approved the utilization of RMB96,000,000 of the over subscription proceeds from its A share offering for permanent replenishment of working capital. For more details please refer to "4. Permanently replenish working capital or return bank loans with over subscription proceeds." in "Other information on use of proceeds during the Reporting Period".

Other information on use of proceeds during the Reporting Period

- 1、 *The preliminary investment and replacement of the raised funds for investment projects.*

Not applicable.

- 2、 *Temporarily supplement the working capital with idle raised funds.*

Not applicable.

- 3、 *Cash management of idle proceeds and investment in related products.*

In order to improve the use efficiency of idle proceeds, the Board of Directors and the Board of Supervisors considered and approved the "Proposal on Using Idle Proceeds for Cash Management" at the 15th (temporary) meeting of the seventh session of the Board of Directors and the 15th (temporary) meeting of the seventh session of the Board of Supervisors, agreeing that the Company may use temporarily idle proceeds of up to RMB550 million (the "Amount") to purchase investment products with high security, good liquidity and guaranteed principal (including but not limited to structured deposits and agreement deposits, call deposits, time deposits, large-denomination certificates of deposit, income certificates, etc.) (the "Use") under the premise that the Use will not affect the normal progress of the Company's proceeds use plan. The valid period of the Use is for 12 months from 21 June 2022 (the "Period"). Within the Amount and the Period, the proceeds can be used on a rolling basis. For details, please refer to the overseas regulatory announcement of the Company dated 26 May 2022.

For details of cash management with idle raised funds during the Reporting Period, please refer to "VII. Other Disclosures" in "Management Discussion and Analysis".

- 4、 *Permanently replenish working capital or return bank loans with over subscription proceeds.*

Further to satisfy the Company's working capital requirements, to utilize the proceeds more effectively, to reduce financial cost, to further enhance the Company's profitability and to safeguard the interest of the Company and its shareholders, the Company was approved to utilize RMB96,000,000 of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital by the Board meeting on 28 March 2022. The proposal was also approved by the Shareholders at the 2021 annual general meeting on 29 June 2022. For more details, please refer to the announcement of the Company dated 28 March 2022 and the circular of the Company dated 19 April 2022.

XIII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

I. THE CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

Unit: Share

| | Before the changes | | Changes for the period (+, -) | | | After the changes | |
|--|----------------------|----------------|-------------------------------|--------------------|--------------------|----------------------|----------------|
| | Number of shares | Percentage (%) | New shares | Others | Subtotal | Number of shares | Percentage (%) |
| I Shares subject to trading restriction | 439,157,902 | 42.11 | | -4,800,000 | -4,800,000 | 434,357,902 | 42.21 |
| 1. State-owned shares | | | | | | | |
| 2. State-owned legal person shares | | | | | | | |
| 3. Other domestic shares | 439,157,902 | 42.11 | | -4,800,000 | -4,800,000 | 434,357,902 | 42.21 |
| Of which held by: domestic non-state-owned legal person | 301,271,472 | 28.89 | | -4,800,000 | -4,800,000 | 296,471,472 | 28.81 |
| Domestic natural persons | 137,886,430 | 13.22 | | | | 137,886,430 | 13.40 |
| 4. Foreign ownership | | | | | | | |
| Of which held by: overseas non-state-owned legal person | | | | | | | |
| Overseas natural persons | | | | | | | |
| II Circulating shares not subject to trading restriction | 603,842,098 | 57.89 | | -9,200,000 | -9,200,000 | 594,642,098 | 57.79 |
| 1. RMB ordinary shares | 263,842,098 | 25.30 | | +4,800,000 | +4,800,000 | 268,642,098 | 26.11 |
| 2. Domestic listed foreign shares | | | | | | | |
| 3. Overseas listed foreign shares | 340,000,000 | 32.60 | | -14,000,000 | -14,000,000 | 326,000,000 | 31.68 |
| 4. Others | | | | | | | |
| III Total number of ordinary shares | <u>1,043,000,000</u> | <u>100.00</u> | | <u>-14,000,000</u> | <u>-14,000,000</u> | <u>1,029,000,000</u> | <u>100.00</u> |

Changes in Ordinary Shares and Particulars of Shareholders

2. Description of changes in ordinary shares

The Shareholders of the Company approved the proposal to grant a general mandate to the Board to repurchase H shares of the Company on 2020 annual general meeting of the Company, the 2021 first class meeting of the holders of H shares of the Company and the 2021 first class meeting of the holders of A shares of the Company. Between 2 July 2021 and 19 May 2022, upon the above authorization and In accordance with relevant domestic and foreign laws, regulations, the articles of association of the Company, the requirements of the securities regulatory authorities in the places where the Company's shares are listed, and the actual situation of the Company, the Company repurchased a total of 14,000,000 H shares on the Hong Kong Stock Exchange, accounting for 4.12% of the Company's issued H shares and 1.34% of the total number of issued shares of the Company. The aggregate repurchase price is HKD59,358,639.93. The repurchased 14,000,000 H shares had been cancelled on 7 June 2022 with Computershare Hong Kong Investor Services Limited. Upon completion of the cancellation, the total share capital of the Company has be changed from 1,043,000,000 shares to 1,029,000,000 shares.

On 20 June 2022, some of restricted shares of the Company from the issue of A shares began their circulation and trading. The restricted shares circulated are all restricted shares issued by the Company from the issue of A shares with a restricted period of 24 months from the date of initial public offering shares of the Company on the STAR Market. The total number of above circulated shares was 4,800,000 and the shareholder is Haitong Innovation Securities Investment Co., Ltd. For more details, please refer to the overseas regulatory announcement of the Company dated 10 June 2022.

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

Not applicable.

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

Not applicable.

(II) Changes in trade-restricted shares

| Name of shareholder | Number of shares subject to trading restriction at the beginning of the Reporting Period | Number of shares released from trading restriction for the Reporting Period | Reason for the trading restriction | Date of release from trading restriction |
|---|--|---|--|--|
| Haitong Innovation Securities Investment Co., Ltd | 4,800,000 | 4,800,000 | Initial public offering of restricted for shares strategic allotment | 20 June 2022 |
| Total | <u>4,800,000</u> | <u>4,800,000</u> | / | / |

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

| | |
|---|----------------|
| Total number of ordinary shareholders as at the end of the Reporting Period (account) | 23,008 |
| Total number of preference shareholders with restored voting rights as at the end of the Reporting Period (account) | Not applicable |
| Total number of preference shareholders with special voting rights as at the end of the Reporting Period (account) | Not applicable |

As at the end of the Reporting Period, the Company had 23,008 Shareholders, including 22,862 A Share Shareholders and 146 registered H Share Shareholders.

Number of depositary receipt holders

Not applicable.

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

Unit: Share

| Name of shareholder (full name) | Change of shareholding during the Reporting Period | Number of shares held as at the end of the Reporting Period | Percentage (%) | Shareholdings of the top 10 Shareholders | | Shares pledged or frozen Status of shares | Number of shares | Nature of shareholder |
|--|--|--|-------------------|--|--|---|---------------------|---|
| | | | | Number of shares held subject to trading restriction | Number of restricted shares including shares lent by refinancing | | | |
| HKSCC NOMINEES LIMITED ^{Note 1} | -14,000,000 | 224,234,900 | 21.79 | - | - | Unknown | - | Overseas legal person |
| Shanghai Pharmaceuticals Holding Co., Ltd | - | 210,142,560 | 20.42 | 139,578,560 | - | Nil | - | Domestic non-state- owned legal person |
| China New Enterprise Investment Fund II | - | 156,892,912 | 15.25 | 156,892,912 | - | Nil | - | Other |
| Yang Zong Meng | - | 80,000,000 | 7.77 | 80,000,000 | - | Nil | - | Domestic natural person |
| Wang Hai Bo | - | 57,886,430 | 5.63 | 57,886,430 | - | Nil | - | Domestic natural person |
| Invesco Hong Kong Limited ^{Note 1} | - | 30,563,000 | 2.97 | - | - | Unknown | - | Overseas legal person |
| Su Yong | -1,070,801 | 18,317,860 | 1.78 | - | - | Nil | - | Domestic natural person |
| Zhao Da Jun | -1,385,362 | 15,260,710 | 1.48 | - | - | Nil | - | Domestic natural person |
| Shanghai Fudan Asset Management Co., Ltd. | -12,415,963 | 9,479,630 | 0.92 | - | - | Nil | - | State-owned legal person |
| Li Jun | 3,270,200 | 8,688,200 | 0.84 | - | - | Nil | - | Domestic natural person |

Changes in Ordinary Shares and Particulars of Shareholders

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

| Name of shareholder | Number of circulating shares held not subject to trading restriction | Type and number of shares | |
|---|---|--------------------------------|-------------|
| | | Type | Number |
| HKSCC NOMINEES LIMITED ^{Note 1} | 224,234,900 | Overseas listed foreign shares | 224,234,900 |
| Shanghai Pharmaceuticals | 70,564,000 | Overseas listed foreign shares | 70,564,000 |
| Invesco Hong Kong Limited ^{Note 1} | 30,563,000 | Overseas listed foreign shares | 30,563,000 |
| Su Yong | 18,317,860 | RMB ordinary shares | 18,317,860 |
| Zhao Da Jun | 15,260,710 | RMB ordinary shares | 15,260,710 |
| Shanghai Fudan Asset Management Co., Ltd. | 9,479,630 | RMB ordinary shares | 9,479,630 |
| Li Jun | 8,688,200 | RMB ordinary shares | 8,688,200 |
| Shanghai Pudong Science and Technology Investment Co., Ltd. | 6,562,382 | RMB ordinary shares | 6,562,382 |
| Shanghai Haitong Innovation Securities Investment Co., Ltd | 2,428,373 | RMB ordinary shares | 2,428,373 |
| Hong Kong Securities Clearing Company Ltd. ^{Note 2} | 2,288,508 | RMB ordinary shares | 2,288,508 |
| Description of special account for repurchase among the top ten Shareholders | Not applicable. | | |
| Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders | Not applicable. | | |
| Note on the connected relations or acting in concert arrangements of the above shareholders | The Company is not aware whether the other Shareholders have related party relationship or acting-in-concert arrangement. | | |
| Note on the preference shareholders with voting rights restored and number of shares held | Not applicable. | | |

Note 1: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 70,564,000 H Shares held by Shanghai Pharmaceuticals and 30,563,000 H Shares held by Invesco Hong Kong Limited. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;

Note 2: Hong Kong Securities Clearing Company Limited is the nominee holder of Shanghai-Hong Kong Stock Connect RMB ordinary shares, and the shares held by Hong Kong Securities Clearing Company Limited are held on behalf of its clients.

Changes in Ordinary Shares and Particulars of Shareholders

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

Unit: share

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

Changes in Ordinary Shares and Particulars of Shareholders

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

So far as the Directors are aware, as at 30 June 2022, the persons other than a Director, Supervisor or chief executive of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive):

| Name of substantial shareholders | Class of shares | Number of shares held | Capacity | Type of interest | Percentage in the respective class of shares | Percentage in total number of issued shares |
|---|-----------------|-----------------------|------------------------------------|------------------|--|---|
| Shanghai Industrial Investment (Holdings) Co., Ltd. | A Shares | 139,578,560 (L) | Interest of controlled corporation | Corporate | 19.85% | 20.42% |
| | H Shares | 70,564,000 (L) | | | 21.65% | |
| Shanghai Pharmaceuticals | A Shares | 139,578,560 (L) | Beneficial owner | Corporate | 19.85% | 20.42% |
| | H Shares | 70,564,000 (L) | | | 21.65% | |
| China New Enterprise Investment Fund II | A Shares | 156,892,912 (L) | Beneficial owner | Corporate | 22.32% | 15.25% |
| Yang Zong Meng | A Shares | 80,000,000 (L) | Beneficial owner | Personal | 11.38% | 7.77% |
| Invesco Hong Kong Limited | H Shares | 30,563,000(L) | Investment manager | Corporate | 9.38% | 2.97% |

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

Changes in Ordinary Shares and Particulars of Shareholders

III. DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND TECHNICAL STAFF

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

Unit: Share

| Name | Position | Number of shares held at the beginning of the Reporting Period | Number of shares held at the end of the Reporting Period | Changes in the shares held during the Reporting Period | Reasons for the changes |
|-----------------|------------------------------------|--|--|--|--|
| Su Yong | Executive Director | 19,388,661 | 18,317,860 | -1,070,801 | Reduction in the secondary market |
| Zhao Da Jun | Executive Director | 16,646,072 | 15,260,710 | -1,385,362 | Reduction in the secondary market |
| Wang Luo Chun | Employee Representative Supervisor | – | 1,170,000 | +1,170,000 | Non-transaction transfer |
| Li Jun | Senior Management | 5,418,000 | 8,688,200 | +3,270,200 | Non-transaction transfer |
| Yang Xiao Lin | Senior Management | – | 1,494,000 | +1,494,000 | Non-transaction transfer/ Reduction in Block trades |
| Xue Yan | Senior Management | 665,000 | 1,700,000 | +1,035,000 | Non-transaction transfer/ Increase in the secondary market |
| Zhang Wen Bo | Core Technicians | – | 826,599 | +826,599 | Non-transaction transfer/ Reduction in the secondary market |
| Jiang Jian Ping | Core Technicians | – | 830,000 | +830,000 | Non-transaction transfer |
| Shen Yi Jun | Core Technicians | – | 480,000 | +480,000 | Non-transaction transfer/ Reduction in the secondary market |
| Tao Ji Ning | Core Technicians | – | 800,000 | +800,000 | Non-transaction transfer/ Reduction in the secondary market |

Notes:

- 1、 Ms. Xue Yan, Secretary of the Board of Directors/Company Secretary and Chief Financial Officer of the Company, held a total of 1,700,000 shares of the Company at the end of the Reporting Period, of which 1,650,000 shares were transferred to A shares through non-transaction transfers, and 50,000 shares of H shares were increased through the secondary market;
- 2、 The above number of shares is the number of individual direct shares.

Changes in Ordinary Shares and Particulars of Shareholders

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

1. *Stock option*

Not applicable.

2. *Class I restricted stock*

Not applicable.

3. *Class II restricted stock*

Not applicable.

(III) *Directors', supervisors' and chief executive's interests in shares of the Company*

As at 30 June 2022, the interests (if any) of the Directors, Supervisors and chief executive of the Company and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the "Model Code") were as follows:

| Name | Position | Class of shares | Number of shares held (0'000) | Capacity | Type of interest | Percentage in Domestic Shares | Percentage in total number of issued shares |
|---------------|------------|-----------------|----------------------------------|------------------|------------------|-------------------------------|---|
| Wang Hai Bo | Director | A Shares | 5,788.64 (L) | Beneficial owner | Personal | 8.23% | 5.63% |
| Su Yong | Director | A Shares | 1,831.78 (L) | Beneficial owner | Personal | 2.61% | 1.78% |
| Zhao Da Jun | Director | A Shares | 1,526.07 (L) | Beneficial owner | Personal | 2.17% | 1.48% |
| Wang Luo Chun | Supervisor | A Shares | 117.00 (L) | Beneficial owner | Personal | 0.17% | 0.11% |
| Yu Dai Qing | Supervisor | A Shares | 66.40 (L) | Beneficial owner | Personal | 0.09% | 0.06% |

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

Changes in Ordinary Shares and Particulars of Shareholders

(IV) Directors' and Supervisor's securities transactions

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

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

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

For the six months ended 30 June 2022, all Directors, Supervisors and relevant employees have complied with the relevant requirements. No Directors, Supervisors or relevant employees has been found violating the above regulations in the previous year.

IV. CHANGES IN THE CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Not applicable.

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

Not applicable.

VI. SHARES WITH SPECIAL VOTING RIGHTS

Not applicable.

Particulars of Preference Shares

Not applicable.

Particulars of Corporate Bonds

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

Not applicable.

II. CONVERTIBLE CORPORATE BONDS

Not applicable.

Consolidated Balance Sheet

As at 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | <i>Note</i> | 30 June 2022 Consolidated | 31 December 2021 Consolidated |
|---------------------------------|-------------|--|--|
| Current assets | | | |
| Cash at bank and on hand | 5(1) | 1,206,635,416 | 1,208,880,911 |
| Notes receivables | 5(2) | 82,231,526 | 118,128,532 |
| Accounts receivables | 5(3) | 438,460,921 | 554,358,745 |
| Advances to suppliers | 5(4) | 10,032,217 | 5,946,869 |
| Other receivables | 5(5) | 4,481,789 | 3,959,958 |
| Inventories | 5(6) | 42,052,833 | 35,625,222 |
| Other current assets | 5(7) | 247,319 | 1,045,541 |
| Total current assets | | <u>1,784,142,021</u> | <u>1,927,945,778</u> |
| Non-current assets | | | |
| Other equity instruments | 5(8) | 1,174,688 | 2,047,212 |
| Long-term equity investments | 5(9) | 322,092,231 | 325,816,669 |
| Fixed assets | 5(10) | 209,052,507 | 222,888,650 |
| Construction in progress | 5(11) | 97,967,937 | 48,899,044 |
| Right-of-use assets | 5(12) | 26,959,656 | 30,135,883 |
| Intangible assets | 5(13) | 84,058,476 | 88,455,575 |
| Development costs | 5(13) | 32,302,565 | 28,017,508 |
| Goodwill | 5(14) | — | — |
| Long-term prepaid expenses | 5(15) | 8,090,864 | 8,098,158 |
| Deferred tax assets | 5(16) | 104,462,361 | 79,224,372 |
| Other non-current assets | 5(17) | 31,636,478 | 19,643,419 |
| Total non-current assets | | <u>917,797,763</u> | <u>853,226,490</u> |
| TOTAL ASSETS | | <u>2,701,939,784</u> | <u>2,781,172,268</u> |

Consolidated Balance Sheet

As at 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND OWNERS' EQUITY | Note | 30 June 2022 Consolidated | 31 December 2021 Consolidated |
|--|-------|---------------------------------|-------------------------------------|
| Current liabilities | | | |
| Accounts payables | 5(19) | 13,342,815 | 8,166,235 |
| Contract liabilities | 5(20) | 176,905 | 1,116,833 |
| Employee benefits payable | 5(21) | 3,164,235 | 36,493,188 |
| Taxes payable | 5(22) | 9,409,116 | 29,719,335 |
| Other payables | 5(23) | 486,904,458 | 443,978,184 |
| Current portion of non-current liabilities | 5(25) | 8,697,896 | 8,675,506 |
| Other current liabilities | 5(24) | 22,998 | 46,568 |
| Total current liabilities | | 521,718,423 | 528,195,849 |
| Non-current liabilities | | | |
| Lease liabilities | 5(25) | 19,924,228 | 22,588,468 |
| Deferred income | 5(26) | 37,660,465 | 40,797,981 |
| Total Non-current liabilities | | 57,584,693 | 63,386,449 |
| Total liabilities | | 579,303,116 | 591,582,298 |
| Owners' equity | | | |
| Share capital | 5(27) | 102,900,000 | 104,300,000 |
| Capital surplus | 5(28) | 1,267,472,756 | 1,265,093,686 |
| Less: Treasury stock | 5(29) | — | (40,824,137) |
| Other comprehensive income | 5(30) | (4,756,447) | (4,050,820) |
| Surplus reserve | 5(31) | 52,150,000 | 52,150,000 |
| Undistributed profits | 5(32) | 708,272,657 | 816,277,203 |
| Total equity attributable to equity owners of the Company | | 2,126,038,966 | 2,192,945,932 |
| Minority interests | | (3,402,298) | (3,355,962) |
| Total owners' equity | | 2,122,636,668 | 2,189,589,970 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 2,701,939,784 | 2,781,172,268 |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Balance Sheet

As at 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | <i>Note</i> | 30 June 2022 Company | 31 December 2021 Company |
|---------------------------------|-------------|-------------------------------------|--------------------------------|
| Current assets | | | |
| Cash at bank and on hand | | 1,084,972,748 | 1,083,259,371 |
| Notes receivables | 15(1) | 82,231,526 | 107,227,432 |
| Accounts receivables | 15(2) | 389,011,303 | 510,797,437 |
| Advances to suppliers | | 9,453,157 | 6,543,504 |
| Other receivables | 15(3) | 45,512,499 | 28,629,372 |
| Inventories | | 19,300,646 | 19,589,201 |
| Total current assets | | 1,630,481,879 | 1,756,046,317 |
| Non-current assets | | | |
| Long-term equity investments | 15(4) | 778,868,740 | 775,912,364 |
| Fixed assets | | 116,823,539 | 122,782,902 |
| Right-of-use assets | 15(5) | 26,626,598 | 29,602,989 |
| Intangible assets | | 12,936,933 | 13,976,227 |
| Development costs | | 32,302,565 | 28,017,508 |
| Long-term prepaid expenses | | 7,479,307 | 7,411,601 |
| Deferred tax assets | | 111,501,510 | 89,681,142 |
| Other non-current assets | | 9,093,359 | 8,235,989 |
| Total non-current assets | | 1,095,632,551 | 1,075,620,722 |
| TOTAL ASSETS | | 2,726,114,430 | 2,831,667,039 |

Company Balance Sheet

As at 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND OWNERS' EQUITY | <i>Note</i> | 30 June 2022 Company | 31 December 2021 Company |
|---|-------------|-------------------------------------|--------------------------------|
| Current liabilities | | | |
| Accounts payables | | 11,952,364 | 7,144,200 |
| Contract liabilities | | 43,327 | 969,591 |
| Employee benefits payable | | 1,980,507 | 30,027,448 |
| Taxes payable | | 5,647,283 | 26,571,412 |
| Other payables | | 434,984,794 | 409,219,237 |
| Current portion of non-current liabilities | 15(6) | 8,410,760 | 8,287,185 |
| Other current liabilities | | 5,633 | 27,427 |
| Total current liabilities | | 463,024,668 | 482,246,500 |
| Non-current liabilities | | | |
| Lease liabilities | 15(6) | 19,864,674 | 22,427,198 |
| Deferred income | | 32,447,215 | 34,426,231 |
| Total Non-current liabilities | | 52,311,889 | 56,853,429 |
| Total liabilities | | 515,336,557 | 539,099,929 |
| Owners' equity | | | |
| Share capital | | 102,900,000 | 104,300,000 |
| Capital surplus | | 1,345,663,112 | 1,343,284,042 |
| Less: Treasury stock | | — | (40,824,137) |
| Surplus reserve | | 52,150,000 | 52,150,000 |
| Undistributed profits | | 710,064,761 | 833,657,205 |
| Total owners' equity | | 2,210,777,873 | 2,292,567,110 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 2,726,114,430 | 2,831,667,039 |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Income Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | | For the six months ended 30 June 2022 Consolidated | For the six months ended 30 June 2021 Consolidated |
|---|--------------|---|---|
| | Note | | |
| Revenue | 5(33) | 271,259,675 | 399,037,102 |
| Less: Cost of sales | 5(33), 5(39) | (28,143,633) | (25,340,191) |
| Taxes and surcharges | 5(34) | (2,611,113) | (2,194,945) |
| Selling expenses | 5(35), 5(39) | (133,572,711) | (184,117,626) |
| General and administrative expenses | 5(36), 5(39) | (34,953,733) | (22,030,594) |
| Research and development expenses | 5(37), 5(39) | (102,559,780) | (98,267,565) |
| Financial expenses net | 5(38) | 1,849,709 | 1,682,804 |
| Including: Interest expenses | | (742,393) | (399,798) |
| Interest income | | 2,461,695 | 2,162,362 |
| Add: Other income | 5(40) | 1,543,602 | 1,886,729 |
| Investment income | 5(41) | 5,879,830 | 9,062,179 |
| Including: Share of losses of associates and joint ventures | | (3,724,438) | (2,832,602) |
| Credit impairment losses | 5(42) | (40,086,291) | (11,806,447) |
| Asset impairment losses | 5(43) | 6,999 | – |
| Gains on disposals of assets | 5(44) | 615,680 | 607,345 |
| Operating (loss)/profit | | (60,771,766) | 68,518,791 |
| Add: Non-operating income | 5(45) | 399,685 | 418,833 |
| Less: Non-operating expenses | 5(46) | (817,404) | (2,150,756) |
| Total (loss)/profit | | (61,189,485) | 66,786,868 |
| Less: Income tax expenses | 5(47) | 25,168,603 | (1,717,389) |
| Net (loss)/profit | | (36,020,882) | 65,069,479 |
| Classified by continuity of operations | | | |
| Net (loss)/profit from continuing operations | | (36,020,882) | 65,069,479 |
| Net profit from discontinued operations | | – | – |
| Classified by ownership of the equity | | | |
| Attributable to equity owners of the Company | | (35,974,546) | 65,485,448 |
| Minority interests | | (46,336) | (415,969) |

Consolidated Income Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | Note | For the six months ended 30 June 2022 Consolidated | For the six months ended 30 June 2021 Consolidated |
|---|-------|---|---|
| Other comprehensive (expense)/income, net of tax | | | |
| Other comprehensive income that will not be reclassified to profit or loss | | | |
| Changes in the fair value of other equity investments | | (872,524) | 3,979,596 |
| Translation differences on translation of foreign currency financial statements | | 166,897 | (32,219) |
| | | <u>(705,627)</u> | <u>3,947,377</u> |
| Total comprehensive (expense)/income for half-year | | <u>(36,726,509)</u> | <u>69,016,856</u> |
| Attributable to equity owners of the Company | | (36,680,173) | 69,432,825 |
| Attributable to minority interests | | <u>(46,336)</u> | <u>(415,969)</u> |
| | | <u>(36,726,509)</u> | <u>69,016,856</u> |
| (Losses)/earnings per share | | | |
| Basic (losses)/earnings per share | 5(48) | (0.03) | 0.06 |
| Diluted (losses)/earnings per share | 5(48) | <u>(0.03)</u> | <u>0.06</u> |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Income Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | Note | For the six months ended 30 June 2022 Company | For the six months ended 30 June 2021 Company |
|---|-------|--|--|
| Revenue | 15(7) | 230,066,478 | 359,514,304 |
| Less: Cost of sales | 15(7) | (25,171,194) | (20,079,078) |
| Taxes and surcharges | | (1,609,490) | (920,532) |
| Selling expenses | | (118,424,061) | (170,159,578) |
| General and administrative expenses | | (22,156,855) | (13,826,628) |
| Research and development expenses | | (103,688,717) | (96,314,350) |
| Financial income – net | | 1,331,317 | 1,828,681 |
| Including: Interest expenses | | (734,916) | (384,798) |
| Interest income | | 1,881,637 | 2,282,652 |
| Add: Other income | | 292,420 | 627,383 |
| Investment income | 15(8) | 6,063,479 | 13,490,041 |
| Including: Share of losses of associates and joint ventures | | (3,724,438) | (1,809,786) |
| Credit impairment losses | | (40,086,291) | (11,810,647) |
| Asset impairment losses | | 28,391 | (2,200,000) |
| Gains on disposals of assets | | 449,308 | 571,947 |
| Operating (loss)/profit | | (72,905,215) | 60,721,543 |
| Add: Non-operating income | | 398,585 | 413,585 |
| Less: Non-operating expenses | | (806,796) | (2,146,572) |
| Total (loss)/profit | | (73,313,426) | 58,988,556 |
| Less: Income tax expenses | | 21,750,982 | (1,387,389) |
| Net (loss)/profit | | (51,562,444) | 57,601,167 |
| Classified by continuity of operations | | | |
| Net (loss)/profit from continuing operations | | (51,562,444) | 57,601,167 |
| Net profit from discontinued operations | | – | – |
| Other comprehensive (loss)/income, net of tax | | – | – |
| Total comprehensive (loss)/income for half-year | | (51,562,444) | 57,601,167 |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Cash Flow Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | <i>Note</i> | For the six months ended 30 June 2022 Consolidated | For the six months ended 30 June 2021 Consolidated |
|---|-------------|---|---|
| Cash flows from operating activities | | | |
| Cash received from sales of goods or rendering of services | | 404,520,383 | 449,799,877 |
| Cash received from tax refund | | – | 7,933,500 |
| Cash received relating to other operating activities | 5(49)(a) | 12,572,210 | 2,652,871 |
| Sub-total of cash inflows | | 417,092,593 | 460,386,248 |
| Cash paid for goods and services | | (184,675,671) | (254,848,797) |
| Cash paid to and on behalf of employees | | (122,837,653) | (91,962,439) |
| Cash paid for taxes and surcharges | | (26,397,759) | (29,591,973) |
| Cash paid relating to other operating activities | 5(49)(b) | (23,814,684) | (27,949,404) |
| Sub-total of cash outflows | | (357,725,767) | (404,352,613) |
| Net cash flows from operating activities | 5(49)(f) | 59,366,826 | 56,033,635 |
| Cash flows used in investing activities | | | |
| Net cash received from disposal of fixed assets | | 482,926 | 724,528 |
| Net cash received from disposal of subsidiaries | | – | 6,339,800 |
| Cash received relating to other investing activities | 5(49)(c) | 2,014,604,268 | 1,883,694,781 |
| Sub-total of cash inflows | | 2,015,087,194 | 1,890,759,109 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (58,797,482) | (48,770,446) |
| Cash paid to acquire associates and joint ventures | | – | (265,959,483) |
| Cash paid relating to other investing activities | 5(49)(d) | (2,005,000,000) | (1,871,800,000) |
| Sub-total of cash outflows | | (2,063,797,482) | (2,186,529,929) |
| Net cash flows used in investing activities | | (48,710,288) | (295,770,820) |

Consolidated Cash Flow Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | <i>Note</i> | For the six months ended 30 June 2022 Consolidated | For the six months ended 30 June 2021 Consolidated |
|---|-------------|---|---|
| Cash flows used in financing activities | | | |
| Cash payments for distribution of dividends, profits or interest expenses | | – | (35,148,518) |
| Cash payments relating to other financing activities | 5(49)(e) | (13,068,930) | (3,577,588) |
| Sub-total of cash outflows | | (13,068,930) | (38,726,106) |
| Net cash flows used in financing activities | | (13,068,930) | (38,726,106) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 166,897 | (32,219) |
| Net decrease in cash and cash equivalents | 5(49)(g) | (2,245,495) | (278,495,510) |
| Add: Cash and cash equivalents at beginning of the half-year | 5(49)(g) | 1,208,880,911 | 1,396,890,192 |
| Cash and cash equivalents at end of the half-year | 5(49)(g) | 1,206,635,416 | 1,118,394,682 |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Cash Flow Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | Note | For the six months ended 30 June 2022 Company | For the six months ended 30 June 2021 Company |
|---|------|--|--|
| Cash flows from operating activities | | | |
| Cash received from sales of goods or rendering of services | | 335,382,719 | 410,870,873 |
| Cash received from tax refund | | – | 7,933,500 |
| Cash received relating to other operating activities | | 62,368,733 | 25,690,521 |
| Sub-total of cash inflows | | 397,751,452 | 444,494,894 |
| Cash paid for goods and services | | (177,309,912) | (244,805,920) |
| Cash paid to and on behalf of employees | | (104,496,443) | (75,255,815) |
| Cash paid for taxes and surcharges | | (24,300,695) | (23,704,443) |
| Cash paid relating to other operating activities | | (74,201,910) | (51,629,860) |
| Sub-total of cash outflows | | (380,308,960) | (395,396,038) |
| Net cash flows from operating activities | | 17,442,492 | 49,098,856 |
| Cash flows used in investing activities | | | |
| Net cash received from disposal of fixed assets | | 316,556 | 611,380 |
| Net cash received from disposal of subsidiaries | | – | 6,339,800 |
| Cash received relating to other investing activities | | 1,674,787,917 | 1,887,099,827 |
| Sub-total of cash inflows | | 1,675,104,473 | 1,894,051,007 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (12,975,036) | (30,636,870) |
| Cash paid to acquire associates and joint ventures | | – | (265,959,483) |
| Cash paid relating to other investing activities | | (1,665,000,000) | (1,871,800,000) |
| Sub-total of cash outflows | | (1,677,975,036) | (2,168,396,353) |
| Net cash flows used in investing activities | | (2,870,563) | (274,345,346) |

Company Cash Flow Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| | Note | For the six months ended 30 June 2022 Company | For the six months ended 30 June 2021 Company |
|---|------|--|--|
| Cash flows used in financing activities | | | |
| Cash payments for distribution of dividends, profits or interest expenses | | — | (35,148,518) |
| Cash payments relating to other financing activities | | (12,858,552) | (3,262,021) |
| Sub-total of cash outflows | | (12,858,552) | (38,410,539) |
| Net cash flows used in financing activities | | (12,858,552) | (38,410,539) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | — | — |
| Net increase/(decrease) in cash and cash equivalents | | 1,713,377 | (263,657,029) |
| Add: Cash and cash equivalents at beginning of the half-year | | 1,083,259,371 | 1,332,082,127 |
| Cash and cash equivalents at end of the half-year | | 1,084,972,748 | 1,068,425,098 |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| Item | Attributable to equity owners of the Company | | | | | Minority interests | Total owners' equity |
|--|--|----------------------|----------------------------|-------------------|-----------------------|--------------------|----------------------|
| | Paid-in capital | Capital surplus | Other comprehensive income | Surplus reserves | Undistributed profits | | |
| Balance at 1 January 2021 | 104,300,000 | 1,200,120,029 | (770,722) | 52,150,000 | 655,131,445 | (2,440,909) | 2,008,489,843 |
| Movements for the six months ended 30 June 2021 | | | | | | | |
| Total comprehensive income | | | | | | | |
| Net profit | - | - | - | - | 65,485,448 | (415,969) | 65,069,479 |
| Other comprehensive income | - | - | 3,947,377 | - | - | - | 3,947,377 |
| Profit distribution | | | | | | | |
| Profit distribution to equity owners | - | - | - | - | (52,150,000) | - | (52,150,000) |
| Balance at 30 June 2021 | <u>104,300,000</u> | <u>1,200,120,029</u> | <u>3,176,655</u> | <u>52,150,000</u> | <u>668,466,893</u> | <u>(2,856,878)</u> | <u>2,025,356,699</u> |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| Item | Attributable to equity owners of the Company | | | | | | Minority interests | Total owners' equity |
|---|--|----------------------|----------------------|----------------------------|-------------------|-----------------------|--------------------|----------------------|
| | Paid-in capital | Capital surplus | Less: Treasury stock | Other comprehensive income | Surplus reserves | Undistributed profits | | |
| Balance at 1 January 2022 | 104,300,000 | 1,265,093,686 | (40,824,137) | (4,050,820) | 52,150,000 | 816,277,203 | (3,355,962) | 2,189,589,970 |
| Movements for the six months ended 30 June 2022 | | | | | | | | |
| Total comprehensive income | | | | | | | | |
| Net loss | - | - | - | - | - | (35,974,546) | (46,336) | (36,020,882) |
| Other comprehensive loss | - | - | - | (705,627) | - | - | - | (705,627) |
| Capital contribution and withdrawal by owners | | | | | | | | |
| Amount of share-based payment included in owners' equity (Note 6) | - | 50,502,749 | - | - | - | - | - | 50,502,749 |
| Shares repurchase (Note 5(29)) | - | - | (8,699,542) | - | - | - | - | (8,699,542) |
| Others (Note 5(29)) | (1,400,000) | (48,123,679) | 49,523,679 | - | - | - | - | - |
| Profit distribution | | | | | | | | |
| Profit distribution to equity owners | - | - | - | - | - | (72,030,000) | - | (72,030,000) |
| Balance at 30 June 2022 | <u>102,900,000</u> | <u>1,267,472,756</u> | <u>-</u> | <u>(4,756,447)</u> | <u>52,150,000</u> | <u>708,272,657</u> | <u>(3,402,298)</u> | <u>2,122,636,668</u> |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Company Statement of Changes in Owners' Equity

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

| Item | Paid-in capital | Capital surplus | Less: Treasury stock | Surplus Reserves | Undistributed Profits | Total owners' equity |
|---|--------------------|----------------------|----------------------|-------------------|-----------------------|----------------------|
| Balance at 1 January 2021 | 104,300,000 | 1,278,310,385 | – | 52,150,000 | 712,585,576 | 2,147,345,961 |
| Movements for the six months ended 30 June 2021 | | | | | | |
| Total comprehensive income | | | | | | |
| Net profit | – | – | – | – | 57,601,167 | 57,601,167 |
| Profit distribution | | | | | | |
| Profit distribution to equity owners | – | – | – | – | (52,150,000) | (52,150,000) |
| Balance at 30 June 2021 | <u>104,300,000</u> | <u>1,278,310,385</u> | <u>–</u> | <u>52,150,000</u> | <u>718,036,743</u> | <u>2,152,797,128</u> |
| Balance at 1 January 2022 | 104,300,000 | 1,343,284,042 | (40,824,137) | 52,150,000 | 833,657,205 | 2,292,567,110 |
| Movements for the six months ended 30 June 2022 | | | | | | |
| Total comprehensive income | | | | | | |
| Net loss | – | – | – | – | (51,562,444) | (51,562,444) |
| Capital contribution by owners | | | | | | |
| Amount of share-based payment included in owners' equity (Note 6) | – | 50,502,749 | – | – | – | 50,502,749 |
| Shares repurchase | – | – | (8,699,542) | – | – | (8,699,542) |
| Others | (1,400,000) | (48,123,679) | 49,523,679 | – | – | – |
| Profit distribution | | | | | | |
| Profit distribution to equity owners | – | – | – | – | (72,030,000) | (72,030,000) |
| Balance at 30 June 2022 | <u>102,900,000</u> | <u>1,345,663,112</u> | <u>–</u> | <u>52,150,000</u> | <u>710,064,761</u> | <u>2,210,777,873</u> |

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

Legal representative: Wang Haibo

Principal in charge of accounting: Xue Yan

Head of accounting department: Zhang Wen

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) was established in the People’s Republic of China (“PRC”) on 11 November 1996 as a limited liability company with an initial registered capital of RMB5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000 and 12 September 2000 from the existing or the then shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB5,295,000 to RMB53,000,000.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability. The share capital of the company was RMB53,000,000, divided into 53,000,000 ordinary shares, with a par value of RMB1.00 each.

On 20 January 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 ordinary shares (“Domestic Shares”) with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares (“H Shares”) of RMB0.10 each of the Company commenced on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the share capital of the Company was increased to RMB71,000,000.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares with a par value of RMB0.10 each at a price of HKD1.70, and the share capital of the Company was increased to RMB85,200,000.

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 Domestic Shares as restricted shares to directors, senior management, mid-level management and key research staff of the Group on 24 June 2013 and 21 October 2013 at a price of RMB0.51 with a par value of RMB0.10 each. Upon completion of the grants, the share capital of the Company was increased to RMB92,300,000.

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

On 12 June 2020, the Company completed a placing of 120,000,000 A Shares with a par value of RMB0.10 each and was listed on the Shanghai Stock Exchange on 19 June 2020. After the completion of the issuance, the Company’s registered capital and share capital increased to RMB104,300,000, divided into 1,043,000,000 shares, each with a par value of 0.10 yuan.

On 7 June 2022, the Company repurchased a total of 14,000,000 H Shares pursuant to the Repurchase Mandate (the “Repurchased H Shares”). Upon completion of the cancellation, the total share capital of the Company will be changed from 1,043,000,000 shares to 1,029,000,000 shares, and the registered capital of the Company will be changed from RMB104,300,000 to RMB102,900,000, each with a par value of 0.10 yuan.

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

Subsidiaries comprised in the consolidated financial statements as of 30 June 2022 are set out in Note 7.

These financial statements are authorised for issue by the Board of Directors of the Company on 25 August 2022.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

Significant judgements to determine the critical accounting policies and significant assumptions to determine the critical accounting estimates are disclosed in Note 2(25).

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for six months ended 30 June 2022 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position of the Company as at 30 June 2022 and of their financial performance, cash flows and other information for the six months then ended.

(3) Accounting year

The Company’s accounting year starts on 1 January and ends on 31 December. This interim condensed consolidated financial information for the six months ended 30 June 2022.

(4) Recording currency

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

(5) Preparation of consolidated financial statements

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Cash and cash equivalents

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

(7) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(8) Financial instruments

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

(a) Financial asset

(i) Classification and measurement

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

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

Debt instruments

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

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(i) Classification and measurement (continued)

Debt instruments (continued)

Amortised cost

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

Fair value through OCI

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

Fair value through profit or loss

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

Equity instruments

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

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

(ii) Impairment

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(ii) Impairment (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Financial instruments (continued)

(a) Financial asset (continued)

(iii) De-recognition

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

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

(b) Financial liability

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

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

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

(c) Determination of fair value of financial instruments

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

(9) Inventories

(a) Classification

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

(b) Costing of inventories

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

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Inventories (continued)

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

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

(d) *The Group adopts the perpetual inventory system.*

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

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

(10) Long-term equity investments

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

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

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

(a) *Determination of investment cost*

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Long-term equity investments (continued)

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation method of fixed assets

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

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

| | Estimated useful lives | Estimated net residual values | Annual depreciation rates |
|------------------------------------|------------------------|-------------------------------|---------------------------|
| Buildings | 10 to 20 years | 0%-10% | 4.50% to 10.00% |
| Machinery and equipment | 3 to 10 years | 0%-10% | 9.00% to 33.33% |
| Computers and electronic equipment | 5 to 8 years | 0%-10% | 11.25% to 20.00% |
| Motor vehicles | 5 years | 0%-10% | 18.00% to 20.00% |

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

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

(d) Disposal of fixed assets

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

(12) Construction in progress

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets

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

(a) Land use rights

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

(b) Proprietary technology

Proprietary technology is accounted for at the price actually paid, and is amortised on average over the estimated useful life of 5-10 years. Proprietary technologies that are still used in research and development projects will be amortized on average over the estimated useful life after the research projects are industrialized.

(c) Research and development technology

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

(d) Software

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

(e) Periodical review of useful life and amortisation method

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Intangible assets (continued)

(f) *Research and development*

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

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

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

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

(g) *Impairment of intangible assets*

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

(14) Long-term prepaid expenses

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

(15) Impairment of long-term assets

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

(16) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

Basic pensions

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

(17) Profit distribution

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

(18) Revenue

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Revenue (continued)

(a) Sales of goods

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

(b) Technology transfer

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

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

(c) Cooperative development, technical services and labour services

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

(19) Government grants

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

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

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

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

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

(20) Deferred income

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(21) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(22) Lease

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

The Group as the lessee

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Lease (continued)

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

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

(23) Segment information

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

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

(24) Share-based payments

Share-based payments are divided into equity-settled and cash-settled payments. The restricted share plan executed by the Group is accounted for as equity-settled share-based payments.

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the vesting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and subsequent information at each balance sheet date within the vesting period.

Where the equity-settled share-based payments cannot be exercised in the end, the Group's cost or expenses shall not be recognised unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When modifying the terms of share-based payment plan, if the modification increases the fair value of equity instruments granted, the Group recognises incremental services received based on the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the Group modifies the exercisable conditions in a way that is beneficial to the employees, the Group shall conduct accounting according to the revised exercisable conditions; if the Group modifies the exercisable conditions in a way that is not beneficial to the employees, it will not be taken into account in the accounting, unless cancelling part or all of the interest instruments granted. If the Group cancels equity instruments granted, they shall be accounted for as accelerated exercise at the date of cancellation, and the Group shall include immediately the amount that otherwise would have been recognised over the remainder of the vesting period into profit and loss for the current period. Meanwhile the capital surplus shall be recognised.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements

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

(a) Critical accounting judgements

(i) Capitalisation

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

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

(ii) Government grants

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

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

(b) Critical accounting estimates and key assumptions

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

(i) Useful life of fixed assets

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

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

(ii) Impairment of receivables

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Critical accounting estimates and judgements (continued)

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

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

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

(iv) *Income tax and deferred income tax assets*

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

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

| Category | Taxation basis | Tax rate |
|---------------------------------------|---|----------------|
| Enterprise income tax (a) | Taxable income | 15% and 16.5% |
| Value-added tax ("VAT") | Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) | 13%, 6% and 3% |
| City maintenance and construction tax | The payment amount of VAT and business tax paid | 5% and 7% |

- (a) In 2020, the Company obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR202031006264), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company for the six months ended 30 June 2022 was 15% (for the six months ended 30 June 2021: 15%).

In 2019, Shanghai Tracing Bio-technology Co., Ltd. ("Tracing Bio-technology"), a subsidiary of the Company, obtained the Certificate of the High and New Technological Enterprise (Certificate No. GR201931000691), with a term of validity of three years, jointly issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, State Administration of Tax Shanghai Municipal Office and Shanghai Municipal Bureau of Local Taxation. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income tax rate applicable to Tracing Biotechnology for the six months ended 30 June 2022 was 15% (for the six months ended 30 June 2021: 15%). Shanghai Tracing Bio-technology had no taxable income for the six months ended 30 June 2021 and the six months ended 30 June 2022, thus no income tax expense was accrued.

In 2021, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") was granted the Certificate of the High and New Technological Enterprise (Certificate No. GR202132007432), with a term of validity of three years, jointly issued by Science and Technology Department of Jiangsu Province, Finance Department of Jiangsu Province and State Tax Bureau of Jiangsu Province. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China. Therefore, the Company still accounts for its income tax expenses for the six months ended 30 June 2022 at the rate of 15% (for the six months ended 30 June 2021: 15%). For the six months ended 30 June 2021 and the six months ended 30 June 2022, Taizhou Pharmaceutical had no taxable income, thus no income tax expense was accrued.

Fernovelty (Hong Kong) Holding Co., Limited (Fernovelty Holding), a subsidiary of the Company, is a limited liability company incorporated in Hong Kong. From 1 January 2018, Hong Kong adopted the two-tiered profits tax rate, where applicable tax rate for taxable profits within HKD2,000,000 is 8.25% while that for taxable profits in excess of HKD2,000,000 is 16.5%. For the six months ended 30 June 2021 and the six months ended 30 June 2022, Fernovelty Holding had no taxable income, thus no income tax expense was accrued.

4 SUBSIDIARIES

See Note 7 for details.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS

(1) Cash at bank and on hand

| | 30 June 2022 | 31 December 2021 |
|--|----------------------|----------------------|
| Cash on hand | 62,027 | 25,366 |
| Cash at bank | 1,206,573,389 | 1,208,855,545 |
| Including: cash at bank and on hand overseas | 4,681,734 | 12,991,227 |
| | <u>1,206,635,416</u> | <u>1,208,880,911</u> |

As at 30 June 2022 and 31 December 2021, no cash at bank was restricted.

(2) Notes receivables

| | 30 June 2022 | 31 December 2021 |
|-------------------------------|-------------------|---------------------|
| Bank acceptance notes | 82,231,526 | 118,128,532 |
| Less: Provision for bad debts | — | — |
| | <u>82,231,526</u> | <u>118,128,532</u> |

(a) As at 30 June 2022 and 31 December 2021, the above-mentioned notes of the Group were not subject to collateral or pledge.

(b) As at 30 June 2022, the Group's notes receivables endorsed or discounted but not yet due are as follows:

| | De-recognised | Not de-recognised |
|--------------------------|---------------|----------------------|
| Bank acceptance notes i) | 1,782,159 | — |

i) For the six months ended 30 June 2022, since endorsements or discount transactions that meet the conditions for derecognition occur by accident and the amount is not significant, the Group measures at amortised cost.

(c) The Group's notes receivables are generated from daily business activities such as the sale of goods and the provision of labor services. Regardless of whether there is a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime. As at 30 June 2022 and 31 December 2021, the Group considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables

| | 30 June 2022 | 31 December 2021 |
|-------------------------------|--------------------|---------------------|
| Accounts receivables | 493,324,554 | 569,136,087 |
| Less: Provision for bad debts | (54,863,633) | (14,777,342) |
| | 438,460,921 | 554,358,745 |

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

As at 30 June 2022 and 31 December 2021, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's accounts receivables.

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

| | 30 June 2022 | 31 December 2021 |
|---------------|--------------------|---------------------|
| Within 1 year | 486,940,771 | 567,865,662 |
| 1-2 years | 6,112,183 | 998,825 |
| 2-3 years | 65,000 | 195,000 |
| Above 3 years | 206,600 | 76,600 |
| | 493,324,554 | 569,136,087 |

(b) As at 30 June 2022, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

| | Account Balance | Amount of bad debt provision | % of total balance |
|-------------------------------------|-----------------|------------------------------------|-----------------------|
| Total top five accounts receivables | 290,132,917 | (26,524,855) | 58.81% |

(c) Provision for bad debts

| | 31 December 2021 | Change amount in the period | | | 30 June 2022 |
|---|---------------------|-----------------------------|----------|-----------|---------------------|
| | | Accrual | Reversal | Write-off | |
| Provision for bad debts of accounts receivables | (14,777,342) | (40,086,291) | – | – | (54,863,633) |

For the accounts receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2022 and 31 December 2021, the Group did not make provision for bad debts for individual accounts receivables.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(3) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2022, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio – sales receivable:

| | 30 June 2022 | | |
|----------------------------|--------------------|-------------------------------------|---------------------|
| | Accounts Balance | Provision for bad debts | |
| | Amount | Life expectancy Credit loss rate | Amount |
| Not overdue | 133,074,958 | – | – |
| Overdue within 120 days | 126,042,169 | 1.94% | (2,439,715) |
| Overdue 121 days to 1 year | 227,823,644 | 20.22% | (46,055,175) |
| Overdue 1 year to 2 years | 6,112,183 | 99.75% | (6,097,143) |
| Overdue 2-3 years | 65,000 | 100.00% | (65,000) |
| Overdue more than 3 years | 206,600 | 100.00% | (206,600) |
| | 493,324,554 | | (54,863,633) |

(iii) As at 31 December 2021, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio – sales receivable:

| | 31 December 2021 | | |
|----------------------------|--------------------|-------------------------------------|---------------------|
| | Accounts Balance | Provision for bad debts | |
| | Amount | Life expectancy Credit loss rate | Amount |
| Not overdue | 377,746,557 | – | – |
| Overdue within 120 days | 141,410,122 | 1.77% | (2,502,813) |
| Overdue 121 days to 1 year | 48,708,983 | 22.59% | (11,004,104) |
| Overdue 1 year to 2 years | 998,825 | 100.00% | (998,825) |
| Overdue 2-3 years | 195,000 | 100.00% | (195,000) |
| Overdue more than 3 years | 76,600 | 100.00% | (76,600) |
| | 569,136,087 | | (14,777,342) |

(d) As at 30 June 2022, there were no accounts receivables written off.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(4) Advances to suppliers

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

| | 30 June 2022 | | 31 December 2021 | |
|---------------|-------------------|--------------------|------------------|--------------------|
| | Amount | % of total balance | Amount | % of total balance |
| Within 1 year | 8,676,922 | 86.49% | 5,393,255 | 90.69% |
| 1-2 years | 1,355,295 | 13.51% | 553,614 | 9.31% |
| Total | 10,032,217 | 100.00% | 5,946,869 | 100.00% |

As at 30 June 2022 and 31 December 2021, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's advances to suppliers.

(b) As at 30 June 2022, the top five advances to suppliers based on the balance of the debtors are summarised and analysed as follows:

| | Amount | % of total balance |
|--------------------------------------|------------------|--------------------|
| Total top five advances to suppliers | 4,896,049 | 48.80% |

(5) Other receivables

| | 30 June 2022 | 31 December 2021 |
|-------------------------------|------------------|------------------|
| Deposit receivables | 2,910,160 | 2,772,182 |
| Receivables from employees | 452,137 | 445,516 |
| Guarantee Receivables | 221,513 | 10,380 |
| Others | 898,904 | 732,805 |
| | 4,482,714 | 3,960,883 |
| Less: Provision for bad debts | (925) | (925) |
| | 4,481,789 | 3,959,958 |

As at 30 June 2022 and 31 December 2021, there were no significant receivables from shareholders who held more than 5% (including 5%) of the voting shares of the company in the Group's Other receivables.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

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

| | 30 June 2022 | 31 December 2021 |
|---------------|------------------|---------------------|
| Within 1 year | 1,569,228 | 1,713,783 |
| 1-2 years | 888,035 | 804,224 |
| 2-3 years | 502,575 | 45,500 |
| Above 3 years | 1,522,876 | 1,397,376 |
| | 4,482,714 | 3,960,883 |

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

(i) As at 30 June 2022, the analysis of bad debt provisions of other receivables in the first phase is as follows:

| | Book balance | 12-month expected credit loss rate | Provision for bad debts |
|----------------------------|------------------|--|----------------------------|
| Combined accrual: | | | |
| Deposit and guarantee | 3,131,673 | — | — |
| Receivables from employees | 452,137 | — | — |
| Others | 898,904 | 0.10% | (925) |
| | 4,482,714 | | (925) |

As at 30 June 2022, the Group had no other receivables in the second phase.

As at 30 June 2022, the Group had no other receivables in the third phase.

(ii) As at 31 December 2021, the analysis of bad debt provisions of other receivables in the first phase is as follows:

| | Book balance | 12-month expected credit loss rate | Provision for bad debts |
|----------------------------|------------------|--|----------------------------|
| Combined accrual: | | | |
| Deposit and guarantee | 2,782,562 | — | — |
| Receivables from employees | 445,516 | — | — |
| Others | 732,805 | 0.13% | (925) |
| | 3,960,883 | | (925) |

As at 31 December 2021, the Group had no other receivables in the second phase.

As at 31 December 2021, the Group had no other receivables in the third phase.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(5) Other receivables (continued)

(c) Provision for bad debt

| | 31 December 2021 | Accrual | Write-off | 30 June 2022 |
|--|---------------------|---------|-----------|-----------------|
| Provision for bad debts of other receivables | (925) | – | – | (925) |

(d) As at 30 June 2022, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

| | Nature | Balance | Aging | % of total amount | Provision for bad debts |
|----------|---------|------------------|---------------|----------------------|----------------------------|
| Company1 | Deposit | 1,267,464 | 3 years above | 28.27% | – |
| Company2 | Deposit | 572,004 | within 1 year | 12.76% | – |
| Company3 | Deposit | 562,103 | within 1 year | 12.54% | – |
| Company4 | Deposit | 168,768 | within 1 year | 3.76% | – |
| Company5 | Deposit | 108,978 | within 1 year | 2.43% | – |
| | | <u>2,679,317</u> | | <u>59.76%</u> | <u>–</u> |

(6) Inventories

(a) The inventory is classified as follows:

| | 30 June 2022 Provision for decline in the value of inventories | | | 31 December 2021 Provision for decline in the value of inventories | | |
|--------------------|--|--------------------|-------------------|--|--------------------|-------------------|
| | Book balance | Carrying amount | | Book balance | Carrying amount | |
| Raw materials | 13,772,360 | (1,828,515) | 11,943,845 | 12,881,764 | (1,894,438) | 10,987,326 |
| Work in progress | 9,337,962 | (401,177) | 8,936,785 | 10,763,377 | (401,177) | 10,362,200 |
| Finished goods | 22,891,826 | (2,476,007) | 20,415,819 | 15,888,760 | (2,476,007) | 13,412,753 |
| Turnover materials | 756,384 | – | 756,384 | 862,943 | – | 862,943 |
| | <u>46,758,532</u> | <u>(4,705,699)</u> | <u>42,052,833</u> | <u>40,396,844</u> | <u>(4,771,622)</u> | <u>35,625,222</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(6) Inventories (continued)

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

| | 31 December 2021 | Reversal | Write – off | 30 June 2022 |
|------------------|---------------------|--------------|---------------|---------------------------|
| Raw materials | (1,894,438) | 6,999 | 58,924 | (1,828,515) |
| Work in progress | (401,177) | – | – | (401,177) |
| Finished goods | (2,476,007) | – | – | (2,476,007) |
| | <u>(4,771,622)</u> | <u>6,999</u> | <u>58,924</u> | <u>(4,705,699)</u> |

(7) Other current assets

| | 30 June 2022 | 31 December 2021 |
|-----------------------|-----------------------|---------------------|
| VAT-in to be deducted | <u>247,319</u> | <u>1,045,541</u> |

(8) Other equity instruments

| | 30 June 2022 | 31 December 2021 |
|--|---------------------------|-----------------------------|
| Equity instruments | | |
| Listed equity investment | <u>1,174,688</u> | <u>2,047,212</u> |
| | 30 June 2022 | 31 December 2021 |
| Kintara Therapeutics, Inc. (“Kintara”) | | |
| – Cost | 5,623,983 | 5,623,983 |
| – Cumulative fair value change | <u>(4,449,295)</u> | <u>(3,576,771)</u> |
| | <u>1,174,688</u> | <u>2,047,212</u> |

The company holds 629,000 shares of Kintara Therapeutics, Inc. (“Kintara”) common stock, based on the date of completion of the acquisition with the closing price on the day, the fair value of the equity instruments of Kintara held by the company is RMB5,623,983.

As at 30 June 2022, based on the closing price on the day, the fair value of the equity instruments of Kintara held by the company was RMB1,174,688.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(9) Long-term equity investments

| | 30 June 2022 | 31 December 2021 |
|--|--------------------|---------------------|
| Joint ventures (Note 7(2)) | 67,749,642 | 66,177,975 |
| Associates (Note 7(2)) | 254,675,345 | 259,971,450 |
| | 322,424,987 | 326,149,425 |
| Less: Provision for impairment of long-term equity investments | (332,756) | (332,756) |
| | 322,092,231 | 325,816,669 |

(a) Joint ventures

| | 31 December 2021 | Investment Addition | Reduce investment | Equity pick up | Changes in the period OCI Adjust- ment | Other equity changes | Declare cash dividends or profits | Provision for impairment | Other | 30 June 2022 | Impairment balance |
|---|---------------------|------------------------|----------------------|-------------------|--|-------------------------|---|--------------------------------|-------|-----------------|-----------------------|
| Changzhou BVCF Investment Management Partnership (Limited Liability Partnership) ("Changzhou BVCF") | 66,177,975 | - | - | 1,571,667 | - | - | - | - | - | 67,749,642 | - |

As at June 30 2022, the company had paid the full capital contribution of RMB60,000,000 to Changzhou BVCF, with a subscription ratio of 29.85%.

(b) Associates

| | 31 December 2021 | Investment Addition | Reduce investment | Equity pick up | Changes in the period OCI Adjust- ment | Other equity changes | Declare cash dividends or profits | Provision for impairment | Other | 30 June 2022 | Impairment balance |
|---|---------------------|------------------------|----------------------|-------------------|--|-------------------------|---|--------------------------------|-------|-----------------|-----------------------|
| Shanghai WD Pharmaceutical Co., Ltd. | 259,638,694 | - | - | (5,296,105) | - | - | - | - | - | 254,342,589 | - |
| Shanghai Lead Discovery Limited Company ("Lead Discovery") | 332,756 | - | - | - | - | - | - | - | - | 332,756 | (332,756) |
| Derma Clinic Investment Co., Ltd. ("Derma") | - | - | - | - | - | - | - | - | - | - | - |
| | 259,971,450 | - | - | (5,296,105) | - | - | - | - | - | 254,675,345 | (332,756) |

In 2021, the Group invested USD26,623,663 (equivalent to RMB265,959,483) to purchase 39.5663% of the equity which gave the right to have a director and supervisor of WD Pharmaceutical.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(10) Fixed assets

| | Buildings | Machinery and equipments | Computer and electronic equipments | Motor vehicles | Total |
|---------------------------------------|--------------|--------------------------|------------------------------------|----------------|---------------|
| Cost | | | | | |
| 31 December 2021 | 198,519,184 | 311,522,879 | 9,335,969 | 4,035,049 | 523,413,081 |
| Other increases in the current period | – | 9,576,066 | 42,124 | – | 9,618,190 |
| Decrease in the current period | – | (3,329,567) | (94,039) | – | (3,423,606) |
| 30 June 2022 | 198,519,184 | 317,769,378 | 9,284,054 | 4,035,049 | 529,607,665 |
| Accumulated depreciation | | | | | |
| 31 December 2021 | (87,106,866) | (203,856,884) | (6,312,167) | (1,214,434) | (298,490,351) |
| Increase in the current period | (4,373,713) | (18,340,024) | (431,377) | (208,969) | (23,354,083) |
| Decrease in the current period | – | 1,968,187 | 85,739 | – | 2,053,926 |
| 30 June 2022 | (91,480,579) | (220,228,721) | (6,657,805) | (1,423,403) | (319,790,508) |
| Accumulated impairment | | | | | |
| 31 December 2020 | – | (1,922,585) | (111,495) | – | (2,034,080) |
| Increase in the current year | – | – | – | – | – |
| Decrease in the current year | – | 1,267,967 | 1,463 | – | 1,269,430 |
| 31 December 2021 and 30 June 2022 | – | (654,618) | (110,032) | – | (764,650) |
| Carrying amount | | | | | |
| 30 June 2022 | 107,038,605 | 96,886,039 | 2,516,217 | 2,611,646 | 209,052,507 |
| 31 December 2021 | 111,412,318 | 105,743,410 | 2,912,307 | 2,820,615 | 222,888,650 |

For the six months ended 30 June 2022, the amount of depreciation expense RMB23,354,083 (for the six months ended 30 June 2021: RMB22,230,632) charged to cost of sales, development costs, selling expenses, general and administrative expenses and research and development expenses were RMB8,487,936, RMB40,651, RMB7,225,636, RMB1,111,966 and RMB6,487,894 respectively (for the six months ended 30 June 2021: RMB RMB8,169,423, RMB373,585, RMB7,108,327, RMB1,149,812 and RMB5,429,485).

The Group had no assets transferred from construction in progress (for the six months ended 30 June 2021: Nil).

As at 30 June 2022 and 31 December 2021, the Group had no fixed assets that are temporarily idle and fixed assets that have not completed the property right certificate.

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(11) Construction in progress

| | 30 June 2022 | | | 31 December 2021 | | |
|--|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
| | Book Balance | Provision for impairment | Carrying amount | Book Balance | Provision for impairment | Carrying amount |
| Taizhou pharmaceutical production plant construction project | <u>97,967,937</u> | <u>–</u> | <u>97,967,937</u> | <u>48,899,044</u> | <u>–</u> | <u>48,899,044</u> |

(i) Changes in major construction projects

| Project name | Budget | 31 December 2021 | Increase in the current period | Transfer to fixed assets (Note 5(10)) | Transfer to Long-term prepaid expenses (Note 5(15)) | 30 June 2022 | % of Budget | Project progress | Sources of funds |
|--|-------------|-------------------|--------------------------------|---------------------------------------|---|-------------------|-------------|------------------|------------------|
| Taizhou pharmaceutical production plant construction project | 587,350,000 | <u>48,899,044</u> | <u>49,068,893</u> | <u>–</u> | <u>–</u> | <u>97,967,937</u> | 16.68% | 16.68% | Equity fund |

As at 30 June 2022 and 31 December 2021, the Group had no impaired construction in progress.

(12) Right-of-use assets

| | Buildings |
|---------------------------------|---------------------|
| Cost | |
| 31 December 2021 | <u>36,296,509</u> |
| Increases in the current period | |
| New lease contract | 958,736 |
| Decreases in the current period | |
| Lease early termination | <u>(116,568)</u> |
| 30 June 2022 | <u>37,138,677</u> |
| Accumulated depreciation | |
| 31 December 2021 | <u>(6,160,626)</u> |
| Increase in the current period | |
| Accrual | (4,052,394) |
| Decrease in the current period | |
| Lease early termination | <u>33,999</u> |
| 30 June 2022 | <u>(10,179,021)</u> |
| Carrying amount | |
| 30 June 2022 | <u>26,959,656</u> |
| 31 December 2021 | <u>30,135,883</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO CONSOLIDATED FINANCIAL STATEMENT ITEMS (continued)

(13) Intangible assets

| | Land use rights | Proprietary technology | R&D technology | Software | Total |
|-----------------------------------|-----------------|------------------------|----------------|-------------|--------------|
| Cost | | | | | |
| 31 December 2021 | 50,403,679 | 13,843,164 | 65,824,380 | 12,296,690 | 142,367,913 |
| Increase in the current period | | | | | |
| Purchase | 12,493 | – | – | – | 12,493 |
| 30 June 2022 | 50,416,172 | 13,843,164 | 65,824,380 | 12,296,690 | 142,380,406 |
| Accumulated amortisation | | | | | |
| 31 December 2021 | (10,580,514) | (6,627,298) | (29,793,252) | (5,807,804) | (52,808,868) |
| Increase in the current period | (448,215) | (283,019) | (3,152,803) | (525,555) | (4,409,592) |
| 30 June 2022 | (11,028,729) | (6,910,317) | (32,946,055) | (6,333,359) | (57,218,460) |
| Provision for impairment loss | | | | | |
| 30 June 2022 and 31 December 2021 | – | (450,000) | (653,470) | – | (1,103,470) |
| Carrying amount | | | | | |
| 30 June 2022 | 39,387,443 | 6,482,847 | 32,224,855 | 5,963,331 | 84,058,476 |
| 31 December 2021 | 39,823,165 | 6,765,866 | 35,377,658 | 6,488,886 | 88,455,575 |

The amortisation amount of intangible assets for the six months ended 30 June 2022 was RMB4,409,592 (for the six months ended 30 June 2021: RMB3,909,747).

The Group's development costs is listed below:

| | | | Decrease in the current period | | |
|------------------------|------------------|--------------------------------|--------------------------------|---------------------------------|--------------|
| | 31 December 2021 | Increase in the current period | Credited to profit or loss | Recognised as intangible assets | 30 June 2022 |
| Consistency Evaluation | 28,017,508 | 4,285,057 | – | – | 32,302,565 |

For the six months ended 30 June 2022, the Group's research and development expenditure totaled RMB106,844,837 (for the six months ended 30 June 2021: RMB107,503,707), of which RMB102,559,780 (for the six months ended 30 June 2021: RMB98,267,565) was included in profit or loss in the current period, and RMB4,285,057 (for the six months ended 30 June 2021: RMB9,236,142) was included in the year-end balance of development costs. For the six months ended 30 June 2022, the proportion of intangible assets formed by internal research and development to the book value of intangible assets was 40% (31 December 2021: 40%).

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(14) Goodwill

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 |
|--------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Goodwill | 8,937,000 | – | – | 8,937,000 |
| Less: Provision for impairment | (8,937,000) | – | – | (8,937,000) |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

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

(15) Long-term prepaid expenses

| | 31 December 2021 | Increase in the current period | Transfers from construction in progress (Note 5(11)) | Decrease in the current period | 30 June 2022 |
|--------------------------------|---------------------|-----------------------------------|---|-----------------------------------|-------------------------|
| Right-of-use asset improvement | 7,401,913 | 327,106 | – | (431,497) | 7,297,522 |
| Others | 696,245 | 256,637 | – | (159,540) | 793,342 |
| | <u>8,098,158</u> | <u>583,743</u> | <u>–</u> | <u>(591,037)</u> | <u>8,090,864</u> |

(16) Deferred tax assets

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

(a) Deferred tax assets

| | 30 June 2022 | | 31 December 2021 | |
|--|--|---------------------------|--|------------------------|
| | Deductible temporary differences and losses | Deferred tax assets | Deductible temporary differences and losses | Deferred tax assets |
| Accrual expenses | 294,860,749 | 44,229,111 | 379,039,301 | 56,855,895 |
| Deductible losses | 155,559,998 | 23,334,000 | – | – |
| Share-based payment expenses | 110,800,444 | 16,620,067 | 56,704,162 | 8,505,624 |
| Credit impairment provision | 78,341,958 | 11,751,294 | 38,254,742 | 5,738,211 |
| Deferred income | 37,180,463 | 8,527,889 | 34,426,229 | 8,114,754 |
| Provision for impairment of assets | – | – | 65,923 | 9,888 |
| | <u>676,743,612</u> | <u>104,462,361</u> | <u>508,490,357</u> | <u>79,224,372</u> |
| Including: | | | | |
| Expected to be recovered within one year (inclusive) | | 80,399,660 | | 67,519,839 |
| Expected to be recovered after one year | | <u>24,062,701</u> | | <u>11,704,533</u> |
| | | <u>104,462,361</u> | | <u>79,224,372</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(16) Deferred tax assets (continued)

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

| | 30 June 2022 | 31 December 2021 |
|----------------------------------|--------------------|---------------------|
| Deductible temporary differences | 76,796,243 | 85,743,019 |
| Deductible losses | 43,441,820 | 67,083,444 |
| | 120,238,063 | 152,826,463 |

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

| | 30 June 2022 | 31 December 2021 |
|------|-------------------|---------------------|
| 2023 | 18,515 | 18,515 |
| 2024 | 979,189 | 1,254,614 |
| 2025 | – | – |
| 2026 | 402,028 | 402,028 |
| 2027 | 10,802,118 | 14,131,488 |
| 2028 | 12,084,885 | 25,318,033 |
| 2029 | 8,052,658 | 13,708,759 |
| 2030 | 2,607,820 | 2,929,709 |
| 2031 | 8,494,054 | 9,320,298 |
| 2032 | 553 | – |
| | 43,441,820 | 67,083,444 |

(17) Other non-current assets

| | 30 June 2022 | 31 December 2021 |
|-------------------|-----------------|---------------------|
| Prepaid equipment | 31,636,478 | 19,643,419 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(18) Asset impairment and loss provisions

(a) Asset impairment

| | 31 December 2021 | Increase in the current period | Decrease in the current period | | 30 June 2022 |
|--|---------------------|--------------------------------------|--------------------------------|--------------------|--------------------------|
| | | | Reverse | Write-off | |
| Goodwill impairment provision | 8,937,000 | – | – | – | 8,937,000 |
| Provision for impairment of fixed assets | 2,034,080 | – | – | (1,269,430) | 764,650 |
| Provision for decline in the value of inventories | 4,771,622 | 21,392 | (28,391) | (58,924) | 4,705,699 |
| Provision for impairment of intangible assets | 1,103,470 | – | – | – | 1,103,470 |
| Provision for impairment of Long-term equity investments | 332,756 | – | – | – | 332,756 |
| | <u>17,178,928</u> | <u>21,392</u> | <u>(28,391)</u> | <u>(1,328,354)</u> | <u>15,843,575</u> |

(b) Credit impairment provision

| | 31 December 2021 | Increase in the current period | Decrease in the current period | | 30 June 2022 |
|---|---------------------|--------------------------------------|--------------------------------|-----------|--------------------------|
| | | | Reverse | Write-off | |
| Provision for bad debts of accounts receivables | 14,777,342 | 40,086,291 | – | – | 54,863,633 |
| Provision for bad debts of other receivables | 925 | – | – | – | 925 |
| | <u>14,778,267</u> | <u>40,086,291</u> | <u>–</u> | <u>–</u> | <u>54,864,558</u> |

(19) Accounts payables

| | 30 June 2022 | 31 December 2021 |
|-------------------|--------------------------|---------------------|
| Accounts payables | <u>13,342,815</u> | <u>8,166,235</u> |

As at 30 June 2022 and 31 December 2021, the Group's accounts payable were all payables for material purchases and no significant amounts due to shareholders holding more than 5% (including 5%) of the voting shares of the Company.

(20) Contract liabilities

| | 30 June 2022 | 31 December 2021 |
|---------------------|-----------------------|---------------------|
| Advance receivables | <u>176,905</u> | <u>1,116,833</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(21) Employee benefits payable

| | 30 June 2022 | 31 December 2021 |
|---|------------------|---------------------|
| Short-term employee benefits payable(a) | 2,407,114 | 35,732,260 |
| Defined contribution plans payable(b) | 757,121 | 760,928 |
| | 3,164,235 | 36,493,188 |

(a) Short-term employee benefits payable

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| Wages and salaries, bonus, allowances and subsidies | 35,235,256 | 58,443,154 | (92,111,831) | 1,566,579 |
| Staff welfare | – | 29,721 | (29,721) | – |
| Social security contributions | 491,727 | 5,734,772 | (5,730,946) | 495,553 |
| Including: Medical insurance | 478,825 | 5,563,508 | (5,559,788) | 482,545 |
| Work injury insurance | 12,148 | 144,604 | (144,488) | 12,264 |
| Maternity insurance | 754 | 26,660 | (26,670) | 744 |
| Housing funds | – | 6,732,287 | (6,732,287) | – |
| Labour union funds and employee education funds | 5,277 | 540,606 | (200,901) | 344,982 |
| | 35,732,260 | 71,480,540 | (104,805,686) | 2,407,114 |

(b) Defined contribution plans payable

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 |
|------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------|
| Basic pensions | 737,795 | 11,383,796 | (11,387,922) | 733,669 |
| Unemployment insurance | 23,133 | 458,169 | (457,850) | 23,452 |
| | 760,928 | 11,841,965 | (11,845,772) | 757,121 |

The Group paid basic pensions and unemployment insurance to relevant institutions monthly according to the payment base and proportion which specified by the local labour and social security department, and the payment cannot be used to offset the amount that the Group should pay for employees in the future.

(22) Taxes payable

| | 30 June 2022 | 31 December 2021 |
|--|------------------|---------------------|
| Unpaid VAT | 8,785,616 | 12,506,109 |
| Withholding of personal income tax for employees | 623,500 | 6,809,695 |
| Enterprise income tax payable | – | 10,403,531 |
| | 9,409,116 | 29,719,335 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(23) Other payables

| | 30 June 2022 | 31 December 2021 |
|---|--------------------|---------------------|
| Accrual for marketing and sales promotion expenses | 298,523,035 | 347,755,414 |
| Dividend payable | 72,030,000 | – |
| Guarantee payable | 55,845,646 | 46,841,333 |
| Long-term assets payable | 45,747,018 | 30,828,226 |
| Accrual for marketing and sales commission expenses | 4,783,592 | 4,783,592 |
| Others | 9,975,167 | 13,769,619 |
| | 486,904,458 | 443,978,184 |

As at 30 June 2022, other payables with an age of more than one year were RMB52,296,127 (as at 31 December 2021: RMB41,844,698). Other payables with an age of more than one year are mainly payable to long-term assets and guarantee payable, because the long-term asset payment node has not been reached, and the amount has not been settled.

(24) Other current liabilities

| | 30 June 2022 | 31 December 2021 |
|-----------------------------|-----------------|---------------------|
| Output VAT to be recognised | 22,998 | 46,568 |

(25) Lease liabilities

| | 30 June 2022 | 31 December 2021 |
|--|-------------------|---------------------|
| Lease liabilities | 28,622,124 | 31,263,974 |
| Less: Current portion of non-current liabilities | (8,697,896) | (8,675,506) |
| | 19,924,228 | 22,588,468 |

(i) As at 30 June 2022, the Group had no events that were not included in the lease liabilities, but would result in potential future cash outflows.

(ii) As at 30 June 2022, the minimum rent payable needed to be paid within 1 year for the short-term lease contracts which were simplified according to the new lease standard of the Group is RMB94,250.

(26) Deferred income

| | 30 June 2022 | 31 December 2021 |
|-----------------------------|-------------------|---------------------|
| Commercial compensation (a) | 31,967,215 | 34,426,231 |
| Government grants (b) | 5,693,250 | 6,371,750 |
| | 37,660,465 | 40,797,981 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(26) Deferred income (continued)

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 | Cause of formation |
|-----------------------------|---------------------|-----------------------------------|--------------------------------------|--------------------------|---------------------------|
| Commercial compensation (a) | 34,426,231 | – | (2,459,016) | 31,967,215 | Commercial compensation |
| Government grants (b) | 6,371,750 | 865,102 | (1,543,602) | 5,693,250 | Receive government grants |
| | <u>40,797,981</u> | <u>865,102</u> | <u>(4,002,618)</u> | <u>37,660,465</u> | |

(a) In 2018, the Group signed a market promotion service agreement with Shanghai Huizheng stating that since November 1 2018, Shanghai Huizheng would carry out market promotion for LIBOD. According to the agreement, Shanghai Huizheng paid RMB50,000,000 to the Group as a commercial compensation for a series of expenses incurred by the Group due to the product market switch caused by the change of the promotion service provider. The aforesaid commercial compensation shall be recognised as deferred income and shall be amortised and confirmed as profit or loss during the period of the marketing service contract.

(b) Government grants

| | 31 December 2021 | Increase in the current period | Decrease in the current period Credited to other income | Credited to non-operating income | 30 June 2022 | Asset related/ Income related |
|---------------------------------------|---------------------|-----------------------------------|---|--|-------------------------|----------------------------------|
| R&D project industrialisation subsidy | 6,371,750 | – | (1,158,500) | – | 5,213,250 | Asset related |
| Medical R&D project grant | – | 480,000 | – | – | 480,000 | Income related |
| Others | – | 385,102 | (385,102) | – | – | Income related |
| | <u>6,371,750</u> | <u>865,102</u> | <u>(1,543,602)</u> | <u>–</u> | <u>5,693,250</u> | |

The breakdown of government grants included in the Group's profit and loss for the six months ended 30 June 2022 is as follows:

| Government grants | Category | Amount credited to profit or loss for the period | Items reported in profit or loss for the period |
|---------------------------------------|----------------|--|---|
| R&D project industrialisation subsidy | Income related | 1,158,500 | Other income |
| Others | Income related | 385,102 | Other income |
| | | <u>1,543,602</u> | |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(27) Share capital

| | 31 December 2021 | Change in the current period | | | | | 30 June 2022 |
|---|---------------------|------------------------------|-------------|-----------------------------------|--------------------|--------------------|--------------------|
| | | Issue new shares | Scrip issue | Premium transfer to capital | Others | Subtotal | |
| Listed tradable shares-foreign listed foreign shares | 34,000,000 | - | - | - | (1,400,000) | (1,400,000) | 32,600,000 |
| Listed in circulation-A-share holders of domestic listed RMB common shares | 70,300,000 | - | - | - | - | - | 70,300,000 |
| Share capital | <u>104,300,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,400,000)</u> | <u>(1,400,000)</u> | <u>102,900,000</u> |

| | 31 December 2020 | Change in the current period | | | | | 30 June 2021 |
|---|---------------------|------------------------------|-------------|-----------------------------------|----------|----------|--------------------|
| | | Issue new shares | Scrip issue | Premium transfer to capital | Others | Subtotal | |
| Listed tradable shares-foreign listed foreign shares | 34,000,000 | - | - | - | - | - | 34,000,000 |
| Listed in circulation-A-share holders of domestic listed RMB common shares | 70,300,000 | - | - | - | - | - | 70,300,000 |
| Share capital | <u>104,300,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>104,300,000</u> |

(28) Capital surplus

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 |
|------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Share premium | 1,200,120,029 | - | (48,123,679) | <u>1,151,996,350</u> |
| Share-based payment (Note 6) | 64,973,657 | 50,502,749 | - | <u>115,476,406</u> |
| | <u>1,265,093,686</u> | <u>50,502,749</u> | <u>(48,123,679)</u> | <u>1,267,472,756</u> |

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

(29) Treasury stock

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 |
|----------------------|---------------------|-----------------------------------|-----------------------------------|-----------------|
| Shares repurchase i) | <u>40,824,137</u> | <u>8,699,542</u> | <u>(49,523,679)</u> | <u>-</u> |

i) During the period, the cumulative number of shares repurchased by the Group is 3,135,000 shares.

On 7 June 2022, the Company repurchased a total of 14,000,000 H Shares pursuant to the Repurchase Mandate (the "Repurchased H Shares"). Upon completion of the cancellation, the total share capital of the Company will be changed from 1,043,000,000 shares to 1,029,000,000 shares.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(30) Other comprehensive income

| | Other comprehensive income in the balance sheet | | | Other comprehensive income for the six months ended 30 June 2022 income statement | | | | | |
|--|--|--|---|--|--------------------------------|---|----------------------------------|--|---|
| | 31 December 2021 | Attributable to the Company after tax | Other comprehensive income settled to retained earnings | 30 June 2022 | Amount before income tax | Less: other comprehensive income transferred out this period | Deduct: income tax expense | Attributable to the Company after tax | Attributable to minority shareholders |
| Other comprehensive income that cannot be reclassified into profit or loss | | | | | | | | | |
| Changes in fair value of other equity instrument investments | (3,576,771) | (872,524) | - | (4,449,295) | (872,524) | - | - | (872,524) | - |
| Other comprehensive income can be reclassified into profit or loss | | | | | | | | | |
| Translation differences in foreign currency financial statements | (474,049) | 166,897 | - | (307,152) | 166,897 | - | - | 166,897 | - |
| | <u>(4,050,820)</u> | <u>(705,627)</u> | <u>-</u> | <u>(4,756,447)</u> | <u>(705,627)</u> | <u>-</u> | <u>-</u> | <u>(705,627)</u> | <u>-</u> |
| | | | | | | | | | |
| | Other comprehensive income in the balance sheet | | | Other comprehensive income for the six months ended 30 June 2021 income statement | | | | | |
| | 31 December 2020 | Attributable to the Company after tax | Other comprehensive income settled to retained earnings | 30 June 2021 | Amount before income tax | Less: other comprehensive income transferred out this period | Deduct: income tax expense | Attributable to the Company after tax | Attributable to minority shareholders |
| Other comprehensive income that cannot be reclassified into profit or loss | | | | | | | | | |
| Changes in fair value of other equity instrument investments | (370,856) | 3,979,596 | - | 3,608,740 | 3,979,596 | - | - | 3,979,596 | - |
| Other comprehensive income can be reclassified into profit or loss | | | | | | | | | |
| Translation differences in foreign currency financial statements | (399,866) | (32,219) | - | (432,085) | (32,219) | - | - | (32,219) | - |
| | <u>(770,722)</u> | <u>3,947,377</u> | <u>-</u> | <u>3,176,655</u> | <u>3,947,377</u> | <u>-</u> | <u>-</u> | <u>3,947,377</u> | <u>-</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(31) Surplus reserve

| | 31 December 2021 | Increase in the current period | Decrease in the current period | 30 June 2022 |
|---------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------|
| Statutory surplus reserve | 52,150,000 | – | – | 52,150,000 |
| | 31 December 2020 | Increase in the current period | Decrease in the current period | 30 June 2021 |
| Statutory surplus reserve | 52,150,000 | – | – | 52,150,000 |

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

(32) Undistributed profits

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---|---|
| Undistributed profits at the beginning of period | 816,277,203 | 655,131,445 |
| Add: Net (loss)/profit attributable to shareholders of the Company | (35,974,546) | 65,485,448 |
| Less: Dividends declared | (72,030,000) | (52,150,000) |
| Undistributed profits at the end of period | 708,272,657 | 668,466,893 |

In accordance with the Board of Directors on 29 June 2022, the Company recommends the payment of a final dividend of RMB0.07 per ordinary share, calculated on 1,029,000,000 issued shares, totalling RMB72,030,000 for the year of 2021. The proposal is subject to approval by the general meeting of shareholders.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(33) Revenue and cost of sales

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--------------------------|---|---|
| Main operations revenue | 271,259,675 | 398,642,051 |
| Other operations revenue | – | 395,051 |
| | 271,259,675 | 399,037,102 |
| | | |
| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
| Main operations cost | (28,143,633) | (25,322,135) |
| Other operations cost | – | (18,056) |
| | (28,143,633) | (25,340,191) |

(a) Main operations revenue and main operations cost

| | For the six months ended 30 June 2022 | | For the six months ended 30 June 2021 | |
|---|--|----------------------------|--|----------------------------|
| | Main operations revenue | Main operations cost | Main operations revenue | Main operations cost |
| – Sale of pharmaceutical and diagnostic products | 271,019,193 | (27,224,164) | 395,130,912 | (24,805,272) |
| – Service | 240,482 | (919,469) | 3,511,139 | (516,863) |
| | 271,259,675 | (28,143,633) | 398,642,051 | (25,322,135) |

(b) Other operations revenue and cost of sales

| | For the six months ended 30 June 2022 | | For the six months ended 30 June 2021 | |
|--------------------|--|-----------------------------|--|-----------------------------|
| | Other operations revenue | Other operations cost | Other operations revenue | Other operations cost |
| Sales of materials | – | – | 395,051 | (18,056) |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(34) Taxes and surcharges

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 | Payment standard |
|---------------------------------------|---|---|--|
| Land use tax | 773,567 | 185,589 | The actual area occupied of the land, RMB1.5-30/m ² |
| City maintenance and construction tax | 674,709 | 328,272 | 5% or 7% of the VAT paid |
| Educational surcharge | 674,709 | 876,425 | 5% of the VAT paid |
| Stamp duty | 255,281 | 306,894 | Depend on the contract amount and nature |
| Real estate tax | 185,458 | 497,765 | 1.2% of the 70% real estate's original cost |
| Environmental protection tax | 47,389 | – | Subject to pollution equivalent and applicable tax |
| | 2,611,113 | 2,194,945 | |

(35) Selling expenses

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---------------------------------------|---|---|
| Marketing and academic promotion fees | 53,342,650 | 120,977,501 |
| Salary costs | 42,070,185 | 36,491,149 |
| Share-based payment expenses | 17,296,880 | – |
| Depreciation and amortisation | 7,241,043 | 7,548,154 |
| Business Hospitality | 3,668,315 | 5,223,574 |
| Travel expenses | 3,396,999 | 4,801,789 |
| Right-of-use asset depreciation | 2,031,184 | 1,881,183 |
| Office expenses | 1,582,854 | 1,206,817 |
| Conference fees | 601,545 | 2,207,638 |
| Shipping fees | 148,923 | 739,550 |
| Rental fees | 135,539 | 347,356 |
| Others | 2,056,594 | 2,692,915 |
| | 133,572,711 | 184,117,626 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(36) General and administrative expenses

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|-------------------------------|---|---|
| Share-based payment expenses | 17,370,956 | – |
| Salary costs | 8,552,431 | 11,824,637 |
| Audit fees | 2,356,604 | 2,345,912 |
| Depreciation and amortisation | 1,923,030 | 2,019,906 |
| Administrative expenses | 1,723,702 | 1,610,460 |
| Rent and property fees | 795,929 | 557,224 |
| Consulting fees | 97,509 | 75,752 |
| Others | 2,133,572 | 3,596,703 |
| | 34,953,733 | 22,030,594 |

(37) R&D expenses

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---------------------------------|---|---|
| Outsourced R&D expenses | 36,864,547 | 54,713,621 |
| Salary costs | 21,529,505 | 18,229,836 |
| Information and materials costs | 14,470,060 | 9,468,070 |
| Share-based payment expenses | 11,746,658 | – |
| R&D department expenses | 11,461,116 | 10,426,553 |
| Depreciation | 6,487,894 | 5,429,485 |
| | 102,559,780 | 98,267,565 |

(38) Financial expenses – Net

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---|---|
| Interest costs | – | – |
| Add: Interest expense on lease liabilities | 742,393 | 399,798 |
| Interest expenses | 742,393 | 399,798 |
| Less: Interest income | (2,461,695) | (2,162,362) |
| Exchange gains or losses – Net | (224,145) | 134 |
| Others | 93,738 | 79,626 |
| | (1,849,709) | (1,682,804) |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(39) Expenses by nature

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

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---|---|---|
| Changes in inventories of finished goods and work in progress | (5,577,651) | (10,352,255) |
| Consumed raw materials and low value consumables, etc. | 22,391,828 | 25,534,709 |
| Marketing and sales promotion expenses | 61,502,414 | 134,768,556 |
| Share-based payment expenses | 50,502,749 | – |
| Employee benefit expenses | 83,322,505 | 79,736,880 |
| Less: Amounts capitalised in development costs | (1,446,576) | (2,040,528) |
| | 81,875,929 | 77,696,352 |
| Outsourced R&D expenses | 36,864,547 | 54,689,705 |
| Depreciation and amortisation | 28,354,712 | 26,742,296 |
| Less: Amounts capitalised in development costs | (40,651) | (373,585) |
| | 28,314,061 | 26,368,711 |
| R&D department expenses | 11,461,116 | 10,426,553 |
| Right-of-use asset depreciation | 4,052,394 | 3,059,710 |
| Quality inspection expenses | 3,466,900 | 2,448,323 |
| Audit Fees | 2,380,876 | 2,345,912 |
| – audit services | 2,300,000 | 2,210,063 |
| – non-audit services | 80,876 | 135,849 |
| Rental(i) | 178,800 | 730,706 |
| Others | 1,815,894 | 2,038,994 |
| | <u>299,229,857</u> | <u>329,755,976</u> |

- (i) As mentioned in Note 2 (22), the rental expenses of short-term leases and low-value leases are directly included in the current profit and loss, and the amount for the six months ended 30 June 2022 is RMB107,292 (for the six months ended 30 June 2021: RMB730,706).

(40) Other income

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 | Asset related/ Income related |
|---------------------------------------|---|---|----------------------------------|
| R&D project industrialisation subsidy | 1,158,500 | 1,158,500 | Asset related |
| Medical R&D project grant | – | 409,968 | Income related |
| Others | 385,102 | 318,261 | Income related |
| | <u>1,543,602</u> | <u>1,886,729</u> | |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(41) Investment income

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---|---|
| Financial product income | 9,604,268 | 11,894,781 |
| Loss of long-term equity investment accounted by equity method | (3,724,438) | (2,832,602) |
| | <u>5,879,830</u> | <u>9,062,179</u> |

For the six months ended 30 June 2022 and 2021, the bank wealth management products purchased by the Group are measured at fair value and their changes are included in the current profit and loss. As at 30 June 2022 and 31 December 2021, the Group had no balance of wealth management products.

(42) Credit impairment loss

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--------------------------------------|---|---|
| Accounts receivables bad debt losses | 40,086,291 | 18,146,247 |
| Other receivables bad debt reverse | – | (6,339,800) |
| | <u>40,086,291</u> | <u>11,806,447</u> |

(43) Asset impairment losses

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|----------------------------------|---|---|
| Impairment losses on inventories | (6,999) | – |

(44) Gains on disposals of assets

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 | Amount included for the six months ended 30 June 2022 non-recurring profit and loss |
|----------------------------------|---|---|--|
| Gain on disposal of fixed assets | <u>615,680</u> | <u>607,345</u> | <u>615,680</u> |

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(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(45) Non-operating income

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 | Amount included for the six months ended 30 June 2022 non-recurring profit and loss |
|--------|---|---|--|
| Others | 399,685 | 418,833 | 399,685 |

(46) Non-operating expenses

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 | Amount included for the six months ended 30 June 2022 non-recurring profit and loss |
|-----------------------------------|---|---|--|
| Inventory shortage | 750,500 | 1,761,297 | 750,500 |
| Losses from scrap of fixed assets | 66,904 | 235,275 | 66,904 |
| Donation | – | 150,000 | – |
| Inventory loss | – | 4,184 | – |
| | 817,404 | 2,150,756 | 817,404 |

(47) Income tax expenses

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---------------------|---|---|
| Current income tax | 69,386 | (17,813) |
| Deferred income tax | (25,237,989) | 1,735,202 |
| | (25,168,603) | 1,717,389 |

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(47) Income tax expenses (continued)

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

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---|---|---|
| Total profit | (61,189,485) | 66,786,868 |
| Income tax expenses calculated at applicable tax rates 25% | (15,297,372) | 16,696,717 |
| Effect of favourable tax rates | 6,118,893 | (6,754,853) |
| Tax losses not recognised as deferred tax assets | 138 | 552,563 |
| Deductible temporary differences not recognised as deferred tax assets | 502,050 | – |
| Additional deduction of research and development expenses | (12,294,722) | (9,175,748) |
| Costs, expenses and losses not deductible for tax purposes | 925,128 | 1,105,104 |
| Effect of eliminated unrealised profits on intra-group transactions | (37,500) | (62,500) |
| Reversing the deductible loss of deferred income tax assets recognised in previous years | (2,253,695) | (451,677) |
| Utilisation of previously unrecognised deductible temporary differences | (173,775) | (174,405) |
| Deductible losses of unrecognized deferred income tax assets in previous years recognized in the current period | (2,727,134) | – |
| Others | 69,386 | (17,812) |
| Income tax expenses | (25,168,603) | 1,717,389 |

(48) (Losses)/earnings per share

(a) Basic (losses)/earnings per share

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

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---|---|---|
| (Loss)/profit attributable to shareholders of the Company | (35,974,546) | 65,485,448 |
| Weighted average number of ordinary shares outstanding | 1,040,750,083 | 1,043,000,000 |
| Basic (losses)/earnings per share | (0.03) | 0.06 |
| Among them: | | |
| – Basic (losses)/earnings per share from continuing operations: | (0.03) | 0.06 |
| – Basic earnings per share from discontinuing operations: | – | – |

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(48) (Losses)/earnings per share (continued)

(b) Diluted earnings per share

Diluted (losses)/earnings per share are calculated by dividing net (losses)/earnings attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding.

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---|---|
| (Loss)/Profit attributable to shareholders of the Company | (35,974,546) | 65,485,448 |
| Weighted average number of ordinary shares outstanding | 1,040,750,083 | 1,043,000,000 |
| Add: Weighted average number increased due to the issue of restricted shares | — | — |
| The adjusted weighted average of the company's outstanding common shares | 1,040,750,083 | 1,043,000,000 |
| Diluted (losses)/earnings per share | (0.03) | 0.06 |
| Among them: | | |
| – Basic (losses)/earnings per share from continuing operations: | (0.03) | 0.06 |
| – Basic earnings per share from discontinuing operations: | — | — |

(49) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|------------------------------------|---|---|
| Deposits and guarantee receivables | 9,244,312 | 318,261 |
| Interest income | 2,461,695 | 2,162,362 |
| Government grant | 865,102 | 152,000 |
| Others | 1,101 | 20,248 |
| | 12,572,210 | 2,652,871 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(b) Cash paid relating to other operating activities

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|------------------------------|---|---|
| Administrative and data fees | 11,461,116 | 10,426,553 |
| Business hospitality | 3,668,315 | 5,223,574 |
| Travel expenses | 3,396,999 | 4,801,789 |
| Consulting service fee | 3,340,360 | 4,579,533 |
| Advertising expenses | 490,121 | 1,095,385 |
| Others | 1,457,773 | 1,822,570 |
| | 23,814,684 | 27,949,404 |

(c) Cash received relating to other investing activities

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|------------------------------------|---|---|
| Selling wealth management products | 2,014,604,268 | 1,883,694,781 |

(d) Cash paid relating to other investing activities

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|-----------------------------------|---|---|
| Buying wealth management products | 2,005,000,000 | 1,871,800,000 |

(e) Cash payments relating to other financing activities

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|------------------------------|---|---|
| Shares repurchase expenses | 8,699,542 | – |
| Payment of lease liabilities | 4,260,410 | 3,577,588 |
| Payment of lease deposit | 108,978 | – |
| | 13,068,930 | 3,577,588 |

For the six months ended 30 June 2022, the total lease-related cash outflow paid by the Group was RMB4,548,188 (for the six months ended 30 June 2021: RMB4,308,294). Except for the amount of the above-mentioned lease liabilities payment included in financing activities, the remaining cash outflows were included in operating activities.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---|---|
| Net (loss)/profit | (36,020,882) | 65,069,479 |
| Add: Provisions for asset impairment | (6,999) | – |
| Credit impairment provision | 40,086,291 | 11,806,447 |
| Amortisation of right-of-use assets | 4,052,394 | 3,059,710 |
| Depreciation of fixed assets | 23,354,083 | 21,857,047 |
| Amortisation of intangible assets | 4,409,592 | 3,909,747 |
| Amortisation of long-term prepaid expenses | 591,037 | 601,917 |
| Gains on disposal of fixed assets and other long-term assets | (615,680) | (607,345) |
| Losses on scrapping of fixed assets | 66,904 | 235,275 |
| Financial expenses | 742,393 | 399,798 |
| Investment income | (5,879,830) | (9,062,179) |
| (Increase)/decrease in deferred tax assets | (25,237,989) | 1,735,202 |
| Increase in inventories | (6,361,688) | (5,073,867) |
| Share-based payment expenses | 50,502,749 | – |
| Decrease in operating receivables | 108,065,682 | 18,693,290 |
| Decrease in operating payables | (95,243,715) | (50,318,402) |
| Decrease in deferred income | (3,137,516) | (6,272,484) |
| Net cash flows from operating activities | <u>59,366,826</u> | <u>56,033,635</u> |

(g) Cash

| | 30 June 2022 | 30 June 2021 |
|------------------------------|----------------------|----------------------|
| Cash | 1,206,635,416 | 1,118,394,682 |
| Less restricted cash at bank | – | – |
| Cash | <u>1,206,635,416</u> | <u>1,118,394,682</u> |

(50) Foreign currency items

| | Foreign currency balance | 30 June 2022 Exchange rate | RMB balance |
|----------------------------|-----------------------------|-------------------------------|-------------------|
| Cash at bank and on hand – | | | |
| USD | 497,070 | 6.7114 | 3,336,036 |
| HKD | 1,586,340 | 0.8552 | 1,356,622 |
| | | | <u>4,692,658</u> |
| | | | |
| | | 31 December 2021 | |
| | Foreign currency balance | Exchange rate | RMB balance |
| Cash at bank and on hand – | | | |
| USD | 497,152 | 6.3757 | 3,169,692 |
| HKD | 12,025,904 | 0.8176 | 9,832,379 |
| | | | <u>13,002,071</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

6 SHARE-BASED PAYMENT

(1) Equity-settled share-based payment

2021 restricted shares (Type 2) scheme

(a) Abstract

Pursuant to the proposal of About the 2021 restricted shares scheme (draft) and the related summary approved on the Group's 1st general meeting of shareholders of A-share and H-share in 2021 which was held on May 27 2021, and the proposal of The adjustment of the list, number and price of incentive objects granted for the first time in the 2021 restricted shares scheme, the proposal of Granting restricted shares to incentive objects for the first time and the other relevant proposals approved at the 10th (Interim) meeting of the seventh Board of Directors held on July 22 2021, the Group implemented the restricted share scheme to incentive objects. The total amount were 32.77 million restricted shares (Type 2) at RMB8.90/share as the grant price, 5.23 million shares reserved and 258 incentive objects.

According to the scheme, the number of shares granted to incentive objects accounts for 30%, 30% and 40% of the total amount of shares granted every year within 3 years from the date of the first grant, and each grant of shares shall be subject to the corresponding grant conditions.

Pursuant to the proposal of Granting reserved restricted shares to incentive objects approved on the 15th (Interim) meeting of the seventh Board of Directors and the 15th (Interim) meeting of the Board of Supervisors held on May 26 2022, the Group granted 5.23 million reserved restricted shares (Type 2) at RMB8.90/share to 125 incentive objects.

The above-mentioned scheme will conduct performance appraisal for the Group and incentive objects. The number of shares granted to incentive objects accounts for 50% and 50% of the total amount of shares granted every year within 2 years from the date of the first grant, and each grant of shares shall be subject to the corresponding grant conditions.

(b) Movements of restricted shares

| | |
|--|------------|
| No. of restricted shares issued at the beginning of the year | 32,460,000 |
| No. of restricted shares granted for the year | 5,230,000 |
| No. of restricted shares exercised for the year | — |
| No. of restricted shares expired for the year | (650,000) |

| | |
|--|-------------------|
| No. of restricted shares issued at the end of the year | <u>37,040,000</u> |
|--|-------------------|

Equity-settled share-based payment expenses is listed below:

| | |
|-------------------------------------|-------------------|
| Selling expenses | 17,296,880 |
| General and administrative expenses | 17,370,956 |
| Research and development expenses | 11,746,658 |
| Cost of sales | 4,088,255 |
| | <u>50,502,749</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

6 SHARE-BASED PAYMENT (continued)

(1) Equity-settled share-based payment (continued)

- (c) As at 30 June 2022, the remaining life of 9.54 million shares of restricted shares (Type 2) scheme was 0.06 years until July 2022; the remaining life of 9.54 million shares was 1.06 years until July 2023; the remaining life of 12.72 million shares was 2.06 years until July 2024 in the first granted restricted shares (Type 2).

As at 30 June 2022, the remaining life of 2.62 million shares of restricted shares (Type 2) scheme was 1.90 years until May 2023; the remaining life of 2.62 million shares was 2.90 years until May 2024 in the reserved restricted shares (Type 2) which were granted in the current period.

(d) Determination method for the fair value of share-based payments

The Group adopts the income method to evaluate all the equity of the Company's shareholders, and the fair value of related options at the grant date is determined based on the evaluation price of the Black-Scholes Option Pricing Model. During the reporting period, the main parameters used in the Black-Scholes Model are listed below:

| | 30 June 2022 | 31 December 2021 |
|---|-----------------|------------------------|
| Expected volatility of equity interests | 46.08%, 44.01% | 42.47%, 41.67%, 44.01% |
| Risk-free interest rate | 1.96%, 2.24% | 2.33%, 2.53%, 2.60% |
| Expected dividend yield ratio | — | — |

Based on the above parameters, the fair value of the stock options granted on 26 May 2022 was RMB11,798,000, and the expenses for share-based payments will be recognised in the Group's profit or loss for the subsequent vesting period.

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS

(1) Equity in subsidiaries

(a) The structure of the Group

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

(b) Subsidiaries with significant minority interests

As at 30 June 2022 and 31 December 2021, the Group had no subsidiaries with significant minority interests.

(2) Equity in joint venture and associates

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

(b) Summarised financial information of significant joint venture:

| | 30 June 2022 Changzhou BVCF | 31 December 2021 Changzhou BVCF |
|---|---|---|
| Current assets | 13,813,175 | 13,655,162 |
| Non-current assets | 205,029,600 | 203,889,000 |
| Total assets | 218,842,775 | 217,544,162 |
| Current liabilities | (3,592,940) | (1,625,940) |
| Equity attributable to equity owners of the Company | 215,249,835 | 215,918,222 |
| Share of net assets by shareholding | 67,749,642 | 66,167,538 |
| Carrying amount of investment in associate | 67,749,642 | 66,167,538 |
| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
| General and administrative expenses | (1,980,250) | (2,181,932) |
| Financial expenses | 171,253 | 301,327 |
| Profit or loss in changes of fair value | 6,966,685 | — |
| Net profit/(loss) | 5,157,688 | (1,880,605) |
| Total comprehensive income | 5,157,688 | (1,880,605) |
| Dividends received by the Group from joint ventures | — | — |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

(c) Summarised financial information of significant associate

(i) Derma Clinic Investment Co., Ltd.

| | 30 June 2022 Derma | 30 December 2021 Derma |
|---|---|---|
| Current assets | 1,277,052 | 19,566,620 |
| Non-current assets | 546,069 | 5,944,165 |
| Total assets | 1,823,121 | 25,510,785 |
| Current liabilities | (37,421,038) | (37,099,486) |
| Equity attributable to equity owners of the Company | (35,597,917) | (11,588,701) |
| Share of net assets by shareholding | (7,119,583) | (2,317,740) |
| Carrying amount of investment in associate | — | — |
| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
| Cost of sales | (445,208) | (1,565,784) |
| Selling expenses | — | (6,664) |
| General and administrative expenses | (1,907,600) | (3,536,579) |
| Financial expenses | (1,787) | (5,056) |
| Impairment loss | (20,671,403) | — |
| Non-operating income | 197,691 | — |
| Non-operating expenses | (2,049,224) | — |
| Net loss | (24,877,531) | (5,114,083) |
| Total comprehensive loss | (24,877,531) | (5,114,083) |
| Dividends received by the Group from associates | — | — |

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

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

(ii) Shanghai WD Pharmaceutical Co., Ltd.

| | 30 June 2022 WD Pharmaceutical | 30 December 2021 WD Pharmaceutical |
|---|---|---|
| Current assets | 114,750,417 | 132,456,331 |
| Non-current assets | 471,715,830 | 464,485,171 |
| Total assets | 586,466,247 | 596,941,502 |
| Current liabilities | (1,958,463) | (1,159,805) |
| Non-current liabilities | (2,697,020) | (585,526) |
| Total liabilities | (4,655,483) | (1,745,331) |
| Equity attributable to equity owners of the Company | 581,810,764 | 595,196,171 |
| Share of net assets by shareholding | 230,200,747 | 235,497,103 |
| Carrying amount of investment in associate | 254,342,589 | 259,638,694 |
| | Period from investment Date to 30 June 2022 | Period from investment Date to 30 June 2021 |
| Taxes and surcharges | (2,134) | (1,199) |
| General and administrative expenses | (3,854,764) | (594,749) |
| R&D expenses | (10,023,475) | (2,630,881) |
| Financial expenses | (7,655) | 27 |
| Other income | 29,386 | – |
| Investment income | 1,070,674 | 101,105 |
| Loss arising from changes in fair value | (597,440) | – |
| Net loss | (13,385,408) | (3,125,697) |
| Total comprehensive loss | (13,385,408) | (3,125,697) |
| Dividends received by the Group from associates | – | – |

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

7 EQUITY IN OTHER SUBJECTS (continued)

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

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

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

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

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

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

8 SEGMENT INFORMATION

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

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

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

The company has no parent company and ultimate controlling party.

(2) Significant subsidiaries

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

(3) Joint ventures and associates

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions

(a) Pricing policies

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

(b) Sales of goods

| Related party | Related transaction | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---------------------------------|---|---|
| China Medical Foreign Trading Liao Ning Co., Ltd. | Sale of pharmaceutical products | 8,508,415 | 4,231,097 |
| Shanghai Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 4,363,182 | 6,841,766 |
| SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd. | Sale of pharmaceutical products | 3,633,644 | 1,358,527 |
| Jiangxi Nanhua Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 2,461,891 | 1,813,009 |
| Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 2,337,516 | 4,144,095 |
| SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch | Sale of pharmaceutical products | 898,668 | 607,774 |
| Zhejiang Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 885,010 | 1,432,756 |
| Shandong Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 733,301 | 651,339 |
| SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 725,875 | 977,480 |
| Beijing Keyuan Xinhai Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 666,771 | – |
| Shanghai Suzuken Chinese Medicine Co., Ltd. | Sale of pharmaceutical products | 389,264 | 15,396,301 |
| SPH Changzhou Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 386,675 | 993,005 |
| SPH Keyuan Xinhai Pharmaceutical Jilin Co., Ltd. | Sale of pharmaceutical products | 224,984 | 966,457 |
| Shanghai Pharmaceutical Ningbo Pharmaceutical Co., Ltd. | Sale of pharmaceutical products | 71,507 | 118,998 |
| SPH Keyuan Xinhai Pharmaceutical Hubei Co., Ltd. | Sale of pharmaceutical products | – | 510,048 |
| | | 26,286,703 | 40,042,652 |

(c) Sales of services

| Related party | Related transaction | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|-------------------|---------------------------|---|---|
| WD Pharmaceutical | Manufacturing consignment | 216,991 | – |

(d) Key management compensation

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|-----------------------------|---|---|
| Key management compensation | 4,356,000 | 3,536,000 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(e) Receive services

| Related party | Related transaction | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|---|------------------------------------|---|---|
| SPH (Benxi) Northern Pharmaceutical Co., Ltd. | Consigned research and development | 313,962 | – |

(6) Receivables from and payables to related parties

(a) Account receivables

| | 30 June 2022 | | 31 December 2021 | |
|---|--------------------|----------------------------|--------------------|----------------------------|
| | Carrying amount | Provision for bad debts | Carrying amount | Provision for bad debts |
| China Medical Foreign Trading Liao Ning Co., Ltd. | 12,375,130 | (766,111) | 7,174,763 | (10,103) |
| Heilongjiang Keyuan Xinhai Pharmaceutical Co., Ltd. | 11,830,107 | (1,896,531) | 13,934,748 | (27,577) |
| Shanghai Suzuken Chinese Medicine Co., Ltd. | 10,998,946 | (2,134,868) | 21,868,466 | – |
| SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd. | 8,771,101 | (1,136,334) | 5,028,447 | (13,529) |
| SPH Changzhou Pharmaceutical Co., Ltd. | 1,967,611 | (314,623) | 2,168,034 | (127,586) |
| Jiangsu Hongkang Pharmaceutical Co., Ltd. | 896,325 | (83,203) | 2,178,276 | – |
| Jiangxi Nanhua Pharmaceutical Co., Ltd. | 703,795 | (871) | 1,023,589 | (21,785) |
| Beijing Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd. | 686,774 | (3,434) | 174,783 | (175) |
| SPH Ningbo Pharmaceutical Co., Ltd. Biological Products Branch | 599,658 | – | 688,363 | (337) |
| Shandong Pharmaceutical Co., Ltd. | 401,760 | – | 217,515 | – |
| Shanghai Pharmaceutical Holdings Jiangsu Co., Ltd. | 352,452 | (70,490) | 704,905 | (105,736) |
| Shanghai Pharmaceutical Ningbo Pharmaceutical Co., Ltd. | 27,877 | – | 220,546 | – |
| Shanghai Pharma Co., Ltd. | – | – | 2,066,877 | – |
| SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. | – | – | 219,089 | – |
| | 49,611,536 | (6,406,465) | 57,668,401 | (306,828) |

(b) Contract liabilities

| | 30 June 2022 | 31 December 2021 |
|-------------------|-----------------|---------------------|
| Shanghai Jiaolian | – | 758,611 |

Notes to the Financial Statements

For the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

10 CONTINGENCIES

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

The Group had no significant pending litigation or arbitration.

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

The Group did not provide any debt guarantee to other entities.

11 COMMITMENTS

(1) Capital commitments

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

| | 30 June 2022 | 31 December 2021 |
|------------------------------------|--------------------|---------------------|
| Buildings, machinery and equipment | <u>100,146,050</u> | <u>86,862,411</u> |

12 FINANCIAL INSTRUMENTS AND RISKS

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

(1) Market risk

(a) Foreign exchange risk

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

(b) Interest rate risk

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

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2022 and 2021, the Group did not enter into any interest rate swap agreements.

As at 30 June 2022, the Group had no bank loans. (As at 31 December 2021, the Group had no bank loans.)

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENTS AND RISKS (continued)

(2) Credit risk

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

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

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

As at 30 June 2022 and 31 December 2021, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

(3) Liquidity risk

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

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

| | 30 June 2022 | | | | |
|-------------------------|--------------------|------------------|------------------|------------------|--------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| Financial liabilities – | | | | | |
| Accounts payables | 13,342,815 | – | – | – | 13,342,815 |
| Other payables | 112,661,423 | – | – | – | 112,661,423 |
| Lease liabilities | 9,369,024 | 8,858,972 | 6,469,309 | 6,314,697 | 31,012,002 |
| | <u>135,373,262</u> | <u>8,858,972</u> | <u>6,469,309</u> | <u>6,314,697</u> | <u>157,016,240</u> |
| | 31 December 2021 | | | | |
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| Financial liabilities – | | | | | |
| Accounts payables | 8,166,235 | – | – | – | 8,166,235 |
| Other payables | 92,532,770 | – | – | – | 92,532,770 |
| Lease liabilities | 9,795,704 | 8,625,994 | 9,256,637 | 7,182,193 | 34,860,528 |
| | <u>110,494,709</u> | <u>8,625,994</u> | <u>9,256,637</u> | <u>7,182,193</u> | <u>135,559,533</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

The changes in level 3 assets are as follows

| | Other equity instruments | Financial products | Total |
|---|--------------------------|--------------------|-----------------|
| 1 January 2021 | 5,253,127 | – | 5,253,127 |
| Purchase | – | 1,871,800,000 | 1,871,800,000 |
| Sell | – | (1,883,694,781) | (1,883,694,781) |
| A gain or loss included in profit or loss | – | 11,894,781 | 11,894,781 |
| Included in other comprehensive income | 3,979,596 | – | 3,979,596 |
| 30 June 2021 | 9,232,723 | – | 9,232,723 |
| 1 January 2022 | 2,047,212 | – | 2,047,212 |
| Purchase | – | 2,005,000,000 | 2,005,000,000 |
| Sell | – | (2,014,604,268) | (2,014,604,268) |
| A gain or loss included in profit or loss | – | 9,604,268 | 9,604,268 |
| A gain or loss included in other comprehensive income | (872,524) | – | (872,524) |
| 30 June 2022 | 1,174,688 | – | 1,174,688 |

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

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

Financial assets and liabilities measured at amortised cost mainly include cash, receivables and payables etc.

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

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

14 CAPITAL MANAGEMENT

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

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

The Group's total capital is listed as 'owners' equity' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of debt ratio as other company in this industry. This ratio is calculated as net debt divided by total capital, which is borrowings minus cash. As at 30 June 2022 and 31 December 2021, the cash balance of the Group was much larger than the borrowing balance and, therefore, the debt ratio was not applicable.

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivables

| | 30 June 2022 | 31 December 2021 |
|-------------------------------|-------------------|--------------------|
| Bank acceptance notes | 82,231,526 | 107,227,432 |
| Less: Provision for bad debts | — | — |
| | <u>82,231,526</u> | <u>107,227,432</u> |

(a) As at 30 June 2022, the above-mentioned notes of the Company were not subject to collateral or pledge.

(b) As at 30 June 2022, the Company's notes receivables endorsed or discounted but not yet due are as follows:

| | 30 June 2022 | Not |
|--------------------------|------------------|---------------|
| | De-recognised | de-recognised |
| Bank acceptance notes i) | <u>1,782,159</u> | <u>—</u> |

i) For the six months ended 30 June 2022, since endorsements or discount transactions that met the conditions for derecognition occurred by accident and the amount was not significant, the Company measured at amortised cost.

(c) Provision for bad debts

The Company's notes receivables are generated from daily business activities such as the sales of goods and the provision of labour services. Regardless of whether there was a significant financing component, loss provisions are measured in accordance with the expected credit losses throughout the lifetime. As at 30 June 2022 and 31 December 2021, the Company considered that the bank acceptance notes held did not have significant credit risk and would not cause credit losses due to bank defaults, so no provision for bad debt was made.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(2) Accounts receivables

| | 30 June 2022 | 31 December 2021 |
|-------------------------------|--------------------|---------------------|
| Accounts receivables | 443,599,336 | 525,299,179 |
| Less: Provision for bad debts | (54,588,033) | (14,501,742) |
| | 389,011,303 | 510,797,437 |

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

| | 30 June 2022 | 31 December 2021 |
|---------------|--------------------|---------------------|
| Within 1 year | 437,506,193 | 524,300,354 |
| 1 to 2 years | 6,093,143 | 998,825 |
| | 443,599,336 | 525,299,179 |

(b) As at 30 June 2022, the top five accounts receivables based on the balance of the debtors are summarised and analysed as follows:

| | Account Balance | Amount of bad debt provision | % of total balance |
|------------------------------------|--------------------|---------------------------------|-----------------------|
| Total top five accounts receivable | 241,850,604 | (26,407,273) | 54.52% |

(c) Provision for bad debts

| | 31 December 2021 | Change amount in the period | | | 30 June 2022 |
|--|---------------------|-----------------------------|----------|-----------|---------------------|
| | | Accrual | Reversal | Write-off | |
| Provision for bad debts of accounts receivables | (14,501,742) | (40,086,291) | — | — | (54,588,033) |

Regardless of whether there was a significant financing component, the Company calculated loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2022 and 31 December 2021, the Company did not make provision for bad debts for individual accounts receivables.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(2) Accounts receivables (continued)

(c) Provision for bad debts (continued)

(ii) As at 30 June 2022, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio – sales receivable:

| | 30 June 2022 | | |
|----------------------------|---------------------|-------------------------------------|---------------------|
| | Accounts Balance | Provision for bad debts | |
| | Amount | Life expectancy Credit loss rate | Amount |
| Not overdue | 107,361,868 | – | – |
| Overdue within 120 days | 102,337,721 | 2.38% | (2,439,715) |
| Overdue 121 days to 1 year | 227,806,604 | 20.22% | (46,055,175) |
| Overdue 1 year to 2 years | 6,093,143 | 100.00% | (6,093,143) |
| | 443,599,336 | | (54,588,033) |

(iii) As at 31 December 2021, the analysis of accounts receivables for the provision of bad debts is as follows:

Portfolio – sales receivable:

| | 31 December 2021 | | |
|----------------------------|---------------------|-------------------------------------|---------------------|
| | Accounts Balance | Provision for bad debts | |
| | Amount | Life expectancy Credit loss rate | Amount |
| Not overdue | 334,215,249 | – | – |
| Overdue within 120 days | 141,396,122 | 1.77% | (2,502,813) |
| Overdue 121 days to 1 year | 48,688,983 | 22.59% | (11,000,104) |
| Overdue 1 year to 2 years | 998,825 | 100.00% | (998,825) |
| | 525,299,179 | | (14,501,742) |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables

| | 30 June 2022 | 31 December 2021 |
|----------------------------------|---------------------|---------------------|
| Amounts due from subsidiaries | 66,659,570 | 50,242,905 |
| Amounts due from related parties | 23,753,000 | 23,753,000 |
| Deposit receivable | 2,799,471 | 2,661,493 |
| Receivables from employees | 224,459 | 273,208 |
| Guarantee receivables | 221,513 | 10,380 |
| Others | 807,486 | 641,386 |
| | 94,465,499 | 77,582,372 |
| Less: Provision for bad debts | (48,953,000) | (48,953,000) |
| | 45,512,499 | 28,629,372 |

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

| | 30 June 2022 | 31 December 2021 |
|---------------|-------------------|---------------------|
| Within 1 year | 43,040,626 | 26,823,887 |
| 1-2 years | 25,782,846 | 25,693,561 |
| 2-3 years | 577,103 | 958,000 |
| Above 3 years | 25,064,924 | 24,106,924 |
| | 94,465,499 | 77,582,372 |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables (continued)

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

(i) As at 30 June 2022, the analysis of bad debt provisions of other receivables in the first phase is as follows:

| | Book balance | 12-month expected credit loss rate | Provision for bad debts |
|----------------------------|-------------------|--|----------------------------|
| Combined accrual: | | | |
| Amount due from subsidiary | 41,459,570 | — | — |
| Deposit and guarantee | 3,020,984 | — | — |
| Receivables from employees | 224,459 | — | — |
| Others | 807,486 | — | — |
| | <u>45,512,499</u> | | <u>—</u> |

As at 30 June 2022 and 31 December 2021, the Company had no other receivables in the second phase.

As at 30 June 2022, the analysis of bad debt provisions of other receivables in the third phase is as follows:

| | Book balance | Expected credit loss rate throughout the lifetime | Provision for bad debts |
|----------------------------------|-------------------|--|----------------------------|
| Individual accruals: | | | |
| Amount due from subsidiary | 25,200,000 | 100.00% | (25,200,000) |
| Amounts due from related parties | 23,753,000 | 100.00% | (23,753,000) |
| | <u>48,953,000</u> | | <u>(48,953,000)</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables (continued)

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

(ii) As at 31 December 2021, the analysis of bad debt provisions of other receivables in the first phase is as follows:

| | Book balance | 12-month expected credit loss rate | Provision for bad debts |
|----------------------------|-------------------|--|----------------------------|
| Combined accrual: | | | |
| Amount due from subsidiary | 25,042,905 | — | — |
| Deposit and guarantee | 2,671,873 | — | — |
| Receivables from employees | 273,208 | — | — |
| Others | 641,386 | — | — |
| | <u>28,629,372</u> | | <u>—</u> |

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

As at 31 December 2021, the analysis of bad debt provisions of other receivables in the third phase is as follows:

| | Book balance | Expected credit loss rate throughout the lifetime | Provision for bad debts |
|----------------------------------|-------------------|--|----------------------------|
| Individual accruals: | | | |
| Amount due from subsidiary | 25,200,000 | 100.00% | (25,200,000) |
| Amounts due from related parties | 23,753,000 | 100.00% | (23,753,000) |
| | <u>48,953,000</u> | | <u>(48,953,000)</u> |

(c) Provision for bad debt

| | 31 December 2021 | Accrual | Write-off | 30 June 2022 |
|--|---------------------|----------|-----------|---------------------|
| Provision for bad debts of other receivables | <u>(48,953,000)</u> | <u>—</u> | <u>—</u> | <u>(48,953,000)</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Other receivables (continued)

- (d) As at 30 June 2022, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

| | Nature | Balance | Aging | % of total amount | Provision for bad debts |
|----------------|-----------------|-------------------|-------------------|-------------------|-------------------------|
| Subsidiary1 | Entrusted Loan | 25,200,000 | Within 1 year | 26.68% | (25,200,000) |
| Subsidiary2 | Entrusted Loan | 25,000,000 | Within 1 year | 26.46% | – |
| | Advance payment | 16,308,776 | Within 1 year | 17.26% | – |
| Related party1 | Loan | 23,753,000 | More than 3 years | 25.14% | (23,753,000) |
| Company1 | Deposit | 1,267,464 | More than 3 years | 1.34% | – |
| Company2 | Deposit | 572,004 | 1 to 2 years | 0.61% | – |
| | | <u>92,101,244</u> | | <u>97.49%</u> | <u>(48,953,000)</u> |

(4) Long-term equity investments

| | 30 June 2022 | 31 December 2021 |
|--|---------------------|---------------------|
| Subsidiaries (a) | 501,288,309 | 494,607,495 |
| Joint ventures (b) | 67,749,642 | 66,177,975 |
| Associates (c) | 254,675,345 | 259,971,450 |
| | <u>823,713,296</u> | <u>820,756,920</u> |
| Less: Provision for impairment of long-term equity investments | | |
| – Subsidiaries | (44,511,800) | (44,511,800) |
| – Associates | (332,756) | (332,756) |
| | <u>(44,844,556)</u> | <u>(44,844,556)</u> |
| | <u>778,868,740</u> | <u>775,912,364</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Long-term equity investments

(a) Subsidiaries

| | 31 December 2021 | Investment Addition | Changes in the period Reduce investment | Provision for impairment | Others | 30 June 2022 | Impairment balance | Cash dividends declared this period |
|------------------------|---------------------|------------------------|---|-----------------------------|------------------|--------------------|-----------------------|--|
| Taizhou Pharmaceutical | 443,671,100 | - | - | - | 4,603,246 | 448,274,346 | - | - |
| Tracing Bio-technology | 2,761,395 | - | - | - | 2,077,568 | 4,838,963 | (30,737,000) | - |
| Fernovelty Holding | 3,663,200 | - | - | - | - | 3,663,200 | (13,774,800) | - |
| | <u>450,095,695</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,680,814</u> | <u>456,776,509</u> | <u>(44,511,800)</u> | <u>-</u> |

(b) Joint venture

| | 31 December 2021 | Investment Addition | Reduce investment | Equity pick up | Changes in the period OCI Adjust-ment | Other equity changes | Declare cash dividends or profits | Provision for impairment | Others | 30 June 2022 | Impairment balance |
|----------------|---------------------|------------------------|----------------------|-------------------|---|-------------------------|---|-----------------------------|--------|-----------------|-----------------------|
| Changzhou BVCF | 66,177,975 | - | - | 1,571,667 | - | - | - | - | - | 67,749,642 | - |

(c) Associate

| | 31 December 2021 | Investment Addition | Reduce investment | Equity pick up | Changes in the period OCI Adjust-ment | Other equity changes | Declare cash dividends or profits | Provision for impairment | Others | 30 June 2022 | Impairment balance |
|-------------------|---------------------|------------------------|----------------------|--------------------|---|-------------------------|---|-----------------------------|----------|--------------------|-----------------------|
| WD Pharmaceutical | 259,638,694 | - | - | (5,296,105) | - | - | - | - | - | 254,342,589 | - |
| Lead Discovery | 332,756 | - | - | - | - | - | - | - | - | 332,756 | (332,756) |
| Derma | - | - | - | - | - | - | - | - | - | - | - |
| | <u>259,971,450</u> | <u>-</u> | <u>-</u> | <u>(5,296,105)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>254,675,345</u> | <u>(332,756)</u> |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Right-of-use asset

| | Buildings |
|---------------------------------|-------------|
| Cost | |
| 31 December 2021 | 35,097,497 |
| Increases in the current period | |
| New lease contract | 958,736 |
| Decreases in the current period | |
| Lease early termination | (116,568) |
| 30 June 2022 | 35,939,665 |
| Accumulated depreciation | |
| 31 December 2021 | (5,494,508) |
| Increases in the current period | |
| Accrual | (3,852,558) |
| Decreases in the current period | |
| Lease early termination | 33,999 |
| 30 June 2022 | (9,313,067) |
| Carrying amount | |
| 30 June 2022 | 26,626,598 |
| 31 December 2021 | 29,602,989 |

(6) Lease liabilities

| | 30 June 2022 | 31 December 2021 |
|--|-----------------|---------------------|
| Lease liabilities | 28,275,434 | 30,714,383 |
| Less: Current portion of non-current liabilities | (8,410,760) | (8,287,185) |
| | 19,864,674 | 22,427,198 |

As at 30 June 2022, the Company had no events that were not included in the lease liabilities while resulting in potential future cash outflows.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(7) Revenue and cost of sales

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--------------------------|---|---|
| Main operations revenue | 230,066,478 | 359,119,253 |
| Other operations revenue | – | 395,051 |
| | 230,066,478 | 359,514,304 |
| | | |
| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
| Main operations cost | (25,171,194) | (20,061,022) |
| Other operations cost | – | (18,056) |
| | (25,171,194) | (20,079,078) |

(a) Main operations revenue and main operations cost

| | For the six months ended 30 June 2022 | | For the six months ended 30 June 2021 | |
|--|--|----------------------------|--|----------------------------|
| | Main operations revenue | Main operations cost | Main operations revenue | Main operations cost |
| – Sale of pharmaceutical and diagnostic products | 226,908,234 | (22,012,950) | 353,505,774 | (17,192,543) |
| – Provide technology service | 3,158,244 | (3,158,244) | 5,613,479 | (2,868,479) |
| | 230,066,478 | (25,171,194) | 359,119,253 | (20,061,022) |

(b) Other operations revenue and cost of sales

| | For the six months ended 30 June 2022 | | For the six months ended 30 June 2021 | |
|----------------------|--|-----------------------------|--|-----------------------------|
| | Other operations revenue | Other operations cost | Other operations revenue | Other operations cost |
| – Sales of materials | – | – | 395,051 | (18,056) |

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Investment income

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--------------------------------------|--|---|
| Financial product income | 9,017,649 | 11,894,781 |
| Interest income from entrusted loans | 770,268 | 3,405,046 |
| Equity pick up | (3,724,438) | (1,809,786) |
| | <u>6,063,479</u> | <u>13,490,041</u> |

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

Supplementary Information of Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

| | For the six months ended 30 June 2022 | For the six months ended 30 June 2021 |
|--|---|---|
| Gains and losses from disposal of non-current assets | 615,680 | 607,345 |
| Government grants recognised in profits | 1,543,602 | 1,886,729 |
| Except for effective hedging business related to the Group's normal business operations, gains and losses on changes in fair value from holding transactional financial assets, and investment income from disposal of transactional financial assets and other non-current financial assets | 9,604,268 | 11,894,781 |
| Investment loss from disposal of subsidiary | – | – |
| Non-operating income and expenses other than the above | (417,719) | (1,731,923) |
| | 11,345,831 | 12,656,932 |
| Impact of income tax expense | (1,702,901) | (1,704,169) |
| Impact on the minority interests, net of tax | 1,048 | (10,979) |
| | 9,643,978 | 10,941,784 |

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

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

Supplementary Information of Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

| | Weighted average return on net assets (%) For the six months ended 30 June 2022 | Earnings per share Basic earnings per share For the six months ended 30 June 2022 | Diluted earnings per share For the six months ended 30 June 2022 |
|---|---|--|--|
| Net loss attributable to ordinary shareholders of the Company | (1.62%) | (0.03) | (0.03) |
| Net loss attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss | (2.06%) | (0.04) | (0.04) |
| | Weighted average return on net assets (%) For the six months ended 30 June 2021 | Earnings per share Basic earnings per share For the six months ended 30 June 2021 | Diluted earnings per share For the six months ended 30 June 2021 |
| Net profit attributable to ordinary shareholders of the Company | 3.20% | 0.06 | 0.06 |
| Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss | 2.67% | 0.05 | 0.05 |

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>), Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Company (<http://www.fd-zj.com>). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the shareholders and made available for review on the aforesaid websites in due course.

By order of the Board

Wang Hai Bo

Chairman

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

Mr. Wang Hai Bo (Executive Director)

Mr. Su Yong (Executive Director)

Mr. Zhao Da Jun (Executive Director)

Mr. Shen Bo (Non-executive Director)

Ms. Yu Xiao Yang (Non-executive Director)

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

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

Mr. Xu Qing (Independent Non-executive Director)

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

Shanghai, the PRC

25 August 2022

** For identification purpose only*