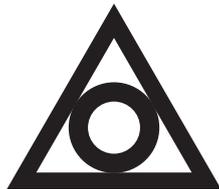


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SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE, 2021

FINANCIAL HIGHLIGHTS

	For the six months end 30 June,		Change %
	2021 RMB'000	2020 RMB'000	
Revenue	14,353,781	12,647,775	+13.5%
Gross profit	11,600,660	9,855,731	+17.7%
Profit for the period	9,641,604	2,064,127	+367.1%
Profit attributable to the owners of the parent	8,480,340	1,240,612	+583.6%
Profit attributable to the owners of the parent excluding the share of profits/(losses) of associates and joint ventures (net of related tax)	1,574,765	1,281,800	+22.9%
Sales of new products ^(Note)	6,300,563	4,405,867	+43.0%
Share of revenue	43.9%	34.8%	
Sales of oncology medicines	5,025,351	4,017,557	+25.1%
Share of revenue	35.0%	31.8%	

The Board of the Company has declared the payment of a quarterly dividend of HK2 cents per share for the three months ended 30 June, 2021. Together with the first quarterly dividend of HK2 cents per share paid, the total dividend of first two quarters amounted to HK4 cents per share.

Note: Products launched within five years.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company” or “Sino Biopharm”), together with its subsidiaries (the “Group”), is a leading, innovative and research and development (“R&D”) driven pharmaceutical conglomerate in the People’s Republic of China (“China” or “PRC”). Our business encompasses a fully integrated chain in pharmaceutical products which covers an array of R&D platforms, a line-up of intelligent production and a strong sales system. The Group’s products have gained a competitive foothold in various therapeutic categories with promising potentials, comprising a variety of biopharmaceutical and chemical medicines for treating tumors, liver diseases, orthopedic diseases, infections and respiratory system diseases. In order to enhance our sustainable competitiveness, the Group attaches great importance to R&D breakthroughs and is positioned as an industry leader in terms of R&D expenditures and product innovation. The Group also actively establishes and extends co-operations with leading domestic and overseas pharmaceutical institutes and enterprises, to bring about the ecological commercialization of world-frontier R&D results to benefit mankind. To take advantage of the development in technology and policy changes and capitalize on opportunities arising from extension of our principal business, the Group adopts a comprehensive strategic layout of development in the greater healthcare field. Meanwhile, the Group actively utilizes new technologies in Big Data, Artificial Intelligence and Financial Technology to continuously enhance the efficiency of our management, R&D, manufacture and sales.

Principal products:

Oncology medicines:	Qingkeshu (Abiraterone Acetate) tablets, Qianping (Bortezomib for injections), Anxian (Lenalidomide) capsules, Yinishu (Dasatinib) tablets, Genike (Imatinib Mesylate) capsules, Qingweike (Decitabine for injections), Jizhi (Gefitinib) tablets, Leweixin (Bendamustine Hydrochloride for injections)
Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Kaina (Beraprost Sodium) tablets
Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Yigu (Zoledronic Acid) injections, Taiyan (Tofacitinib Citrate) tablets
Respiratory system medicines:	Tianqingsuchang (Budesonide Suspension for inhalation)
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaina (Ganirelix Acetate injections)
Others:	Debaian (Flurbiprofen) cataplasms, Qingliming (Iodixanol) injections

The medicines which have received Good Manufacturing Practice (“GMP”) certifications issued by the National Medical Products Administration of the PRC (“NMPA”) are in the following dosage forms: large volume injections, small volume injections, PVC-free soft bags for intravenous injections, capsules, tablets, powdered medicines and granulated medicines. The Group also received the GMP certification for health food in capsules from the Department of Health of Jiangsu Province.

The Group's several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Group Co. Ltd. (“CT Tianqing”), Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (“Jiangsu CT Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (“Jiangsu CT Qingjiang”), CP Pharmaceutical (Qingdao) Co., Ltd. (“CP Qingdao”), Lianyungang Runzhong Pharmaceutical Co., Ltd. (“LYG Runzhong”) and Shanghai Tongyong Pharmaceutical Co., Ltd. (“Shanghai Tongyong”) have been designated “High and New Technology Enterprises”. In addition, NJCTT, Jiangsu CT Qingjiang and Jiangsu CT Fenghai have been designated “Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry medicines of Jiangsu Province”, “Engineering Technological Research Centre for orthopedic medicines” and “Engineering Technological Research Centre for parenteral nutritious medicines” by the Science and Technology Committee of Jiangsu Province, respectively.

Named by the Ministry of Personnel of the PRC as a “Postdoctoral Research and Development Institute”, the research center of CT Tianqing is also the only “New Hepatitis Medicine Research Center” in the country.

Beijing Tide obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

The Company was selected as a constituent stock of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

In September 2011, CT Tianqing received the first certificate of new edition GMP (Certificate No. CN20110001) issued by the State Food and Drug Administration of the PRC for its small volume (injection) dosage.

The Company became a constituent of the MSCI Global Standard Indices' MSCI China Index with effect from the close of trading on 31 May, 2013.

The Company was included in Forbes Asia's “Asia Fab 50 Companies” for three consecutive years in 2016, 2017 and 2018.

In December 2017, Qingzhong (Tenofovir Disoproxil Fumarate) tablet became the first generic drug in the PRC that had completed the bioequivalence study according to the “Consistency of Quality and Efficacy Evaluation for Generic Drugs” (“Consistency Evaluation”) standard. The Group was the first enterprise that passed the Consistency Evaluation.

In January 2018, Tuotuo (Rosuvastatin Calcium) tablet became the only drug that was approved in the Consistency Evaluation among a whole variety of drugs within Jiangsu Province and was the first of the same kind of drugs in the PRC.

In May 2018, a new Chemicals Category 1 drug of antitumor – Focus V (Anlotinib Hydrochloride) capsule obtained the approval for drug registration granted by National Medical Products Administration of the PRC.

The Company was included in American Magazine Pharm Exec's Top 50 Companies for two consecutive years in 2019 and 2020.

The Company was selected as a constituent stock of the Hang Seng Index with effect from 10 September 2018.

The Company was selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December 2019.

The Company was selected as a constituent stock of Hang Seng Connect Biotech 50 Index on 23 March 2020.

The Company became a constituent stock of Hang Seng China (HK-listed) 25 Index in June 2020.

The Group's website: <http://www.sinobiopharm.com>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period under review, while a few major economies like China and the United States recovered strongly, many emerging markets and developing economies were still restrained by the COVID-19 pandemic and were recovering rather slowly. With geopolitical disputes and economic frictions among major countries intensifying and the risk arising from shortage across the global supply chains becoming more and more serious, there is the urgency for all in the international community to cooperate and work together to tackle the dual-challenge from the economy and the pandemic.

The pandemic being well under control in China, economic activities have basically returned to normal, with domestic consumption and foreign trade on steady rise. Macroeconomic indicators were good. In the second quarter, GDP of the country grew by 7.9% year-on-year, and the average growth rate for two years was 5.5%. Between January and June, GDP was up 12.7% year-on-year and the average growth rate for two years was 5.3%. In particular, industrial enterprises above state designated size, including those in the pharmaceutical industry, afforded rather impressive year-on-year revenue and profit growth, and so did consumption-upgrade related goods, services and Internet-related industries.

In the first half year, execution continued for the third batch of drugs under the centralized procurement program, the fourth batch was implemented and the tendering for the fifth was completed, indicating that the program has become a norm in the country. The national medical insurance negotiations and centralized drug procurement significantly shortened the time to market new high quality products that have won the tender. Companies can introduce those products quickly into the market and achieve volume sales, and in turn earn income, without having to spend on promotion as much as before. That gives an obvious advantage to leading companies with strong R&D capabilities and product pipelines.

In the period under review, inter-provincial settlement of medical insurance was applicable in most provinces. Patients may obtain products on the medical insurance list via “two channels”, i.e. designated medical institutions and pharmacies, and be reimbursed the expenses as covered by medical insurance, giving them greater convenience. The government raised again the level of medical insurance fund so that more products of better efficacy could be covered.

The government has stepped up support and improved control policies relevant to “Internet + healthcare” services. The volume of medicines sold online has been increasing rapidly, giving convenience to patients and also saving sellers’ marketing expenses. Online sales and promotion of drugs has become an important sales channel supplementary to the traditional channels used by pharmaceutical companies.

Business Review

Highlights of the results of the Group during the second quarter

- Progress of Focus V (Anlotinib Hydrochloride Capsules) new indication research: The clinical study of new indication for differentiated thyroid cancer was completed and marketing application was filed with the NMPA. In addition, up to 16 new indications moved into phase III clinical trials.
- Penpulimab (anti PD-1 monoclonal antibody) completed phase III clinical studies for indications including non-small cell lung cancer, Hodgkin lymphoma and nasopharyngeal carcinoma with positive results, and submitted new drug applications to the NMPA, while clinical research for indications such as hepatocellular carcinoma, gastric cancer, and cancer of gastroesophageal junction being in phase III. Up to the end of the period, the Group have already submitted new drug applications for four biomacromolecules – Penpulimab, Adalimumab, Recombinant Human Coagulation Factor VIII and Bevacizumab.
- As at the end of the period, the Group owned cumulatively exceeding 1,000 invention patents, 1,018 to be exact.
- With contracts signed, the China headquarters of the Group and the global R&D headquarters of its subsidiary CT Tianqing will be established in Huangpu and Minhang districts respectively in Shanghai.

- For its outstanding contribution in the fight against the pandemic, CT Tianqing of the Group, received the “Medal of Dedication” from the Red Cross Society of China, the “Outstanding Contribution Unit for COVID-19 Prevention and Control” from the Hubei Red Cross, and the “Contribution to the Fight Against Pandemic Award 2020” – Gold Prize from the Chinese Society of Clinical Oncology.
- Beijing Tide, a subsidiary of the Group, was named the “Role Model of Charity” on the 18th (2021) China Charity Ranking list compiled by the China Philanthropy Times, for its active performance and outstanding contribution amid the COVID-19 pandemic.
- In the fifth batch of drugs for national centralized procurement, of which bidding was completed recently, the Group won the tenders for 11 drugs including Budesonide Suspension for Inhalation, Bendamustine Hydrochloride for Injection, Decitabine for Injections, and Esomeprazole Sodium for Injection. Of them, a good number obtained approval for launch within three years and are expected to see rapid growth in sales volume.

The Group has benefited significantly from its continuous and huge investment in R&D over the years. During the period under review, the more than 60 new products launched by the Company in 2018 and after together accounted for more than 80% of sales growth and more than 40% of total sales revenue, and their sales revenue contributions are still growing quickly. In terms of sales contribution by therapeutic area, oncology medicines, hepatitis medicines and cardiovascular medicines were the three core contributors, followed by respiratory system medicines, orthopedic medicines and digestive medicines. With multiple business drivers, the Group boasts strong growth momentum and a healthier and more balanced product mix.

During the period under review, seizing the favorable opportunities from Focus V (Anlotinib Hydrochloride Capsule) being selected in the second medical insurance negotiation and also new indication being approved, the Group strengthened its guiding stance in the academic arena, explored market potential in depth and improved patient loyalty with high quality services. As such, Focus V maintained rapid growth in performance.

Seeing an opportunity in the academic success of Focus V, the Company stepped up academic support and services for a number of oncology products and indications. As a result, the prostate cancer drug Qingkeshu (Abitaterone Acetate Tablets), the blood cancer drugs Anxian (Lenalidomide Capsules), Qianping (Bortezomib for Injections), Leweixin (Bendamustine Hydrochloride for Injections), Anyue (Pomalidomide), and Weishou (Azacitidine for Injections, for hematoma + solid tumor), and the solid tumor treating drugs Jizhi (Gefitinib Tablets) and Qingkeyi (Fulvestrant Injections) all achieved notable growth.

The launch of the Group’s respiratory product Tianqingsuchang (Budesonide Suspension for Inhalation), which is the first generic drug of its kind approved in China, has broken the monopoly of many years by multinational companies by giving patients an affordable drug of the same efficacy. The generic drug has been very well-received by medical practitioners as well as patients since its debut, and is deemed a rising star in terms of sales performance among the Group’s respiratory products. Data¹ showed that the Group’s position in the respiratory medicine market has risen quickly.

The Group has been active in pursuing marketing reform to absorb the impacts of medical reform policies on the pharmaceutical industry. While continuing to strive for good performance in the existing hospital market, to grasp fast growing opportunities in the medicine market outside public hospitals, it actively developed such new marketing channels and modes as chain pharmacies, private hospitals and community hospitals and reported success. Orthopedic medicines Debaian (Flurbiprofen Cataplasms) and Gaisanchun (Calcitriol Soft Capsule), digestive medicines Getai (Diosmin) tablets and Deyou (Pronase Granules), contrast agent product Qingliming (Iodixanol Injection), cardiovascular medicine Anershun (Dabigatran Etxilate Capsule), infusion products Xianhaineng (Carbohydrate and Electrolyte Injection), Qingkeping (Ganirelix Acetate Injection) and Fenghaina (Ganirelix Acetate Injection) and the respiratory medicine Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride for Suspension) all achieved satisfactory results.

With the centralized drug procurement program in effect covering the hepatitis medicine Entecavir, the Group's share in the hepatitis medicine market shrank slightly. However, the Group remained the market leader, with sales more than doubling that of the company in second place¹.

The sales volume of products including orthopedics medicine Taiyan (Tofacitinib Citrate Tablets), cardiovascular medicine Beilishu (Ticagrelor Tablets) and respiratory medicine Xintai (Montelukast Sodium Oral Granules) increased rapidly after the Company won the bids in the third batch of drugs for centralized procurement.

During the period under review, the Group mitigated the upward price pressure of active pharmaceutical ingredients, excipients and packaging materials through optimizing the relevant suppliers, organizing bid invitations and price negotiations. It also pursued comprehensive lean production and achieved good results, saving production costs in the millions in the six months. The resilience to downward price pressure of many of its products thus further enhanced.

On the R&D front, the Group optimized its product pipelines under development and the mix of new products, heeding national policy trends, and focusing more on key innovative products with obvious clinical advantages and high market value.

In the second quarter, the Group obtained a total of 10 marketing approvals, including those for Tenofovir Alafenamide Fumarate Tablets, Dexmedetomidine Hydrochloride Injection, Edaravone Injection, Aprepitant Capsules (2 specifications), Sunitinib Malate Capsules, Tolvaptan Tablets, Aprepitant Capsules (2 specifications) and Tofacitinib Citrate Tablets. Between January and June, it secured a total of 17 marketing approvals and, in the second quarter, 17 new clinical trial approvals. In that same six months, a total of 24 clinical trial approvals were obtained, of which 17 were for research projects of Class I innovative drugs involving 8 innovative products.

In the second quarter, the Group had 22 chemical drugs passing (or deemed to have passed) Consistency Evaluations. It obtained a total of 34 approvals between January and June.

¹ Source: IMS Health Incorporated

In the second quarter, the Group submitted 15 new applications for clinical trial, and 21 applications were filed between January and June, of which 18 were related to Class I innovative drugs involving 11 innovative drugs.

In the second quarter, the Group submitted 8 marketing applications for products with clinical research completed. Between January and June, a total of 12 marketing applications were submitted.

In the second quarter, the Group obtained 55 new invention patents, with a total of 94 between January and June. It filed 158 new invention patent applications in the quarter and a total of 370 applications were filed between January and June.

During the period under review, the Group recorded revenue of approximately RMB14,353.78 million, an increase of approximately 13.5% over the same period last year. Profit attributable to the owners of the parent was approximately RMB8,480.34 million, an increase of approximately 583.6% over the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB45.15 cents, an increase of approximately 584.1% over the same period last year. Excluding the share of profits/(losses) of associates and joint ventures and related tax, adjusted profit attributable to the owners of the parent was approximately RMB1,574.77 million, an increase of approximately 22.9% over the same period last year. Sales of new products accounted for approximately 43.9% of the Group's total revenue for the period, while it was approximately 34.8% for the same period last year. Cash and bank balances totaled approximately RMB8,028.33 million at the period end.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include oncology medicines, hepatitis medicines, cardio-cerebral medicines, orthopedic medicines, respiratory system medicines, parenteral nutritious medicines and others.

Oncology medicines

For the six months ended 30 June, 2021, the sales of oncology medicines amounted to approximately RMB5,025.35 million, representing approximately 35% of the Group's revenue.

Hepatitis medicines

For the six months ended 30 June, 2021, the sales of hepatitis medicines amounted to approximately RMB1,991.89 million, representing approximately 13.9% of the Group's revenue.

Cardio-cerebral medicines

For the six months ended 30 June, 2021, the sales of cardio-cerebral medicines amounted to approximately RMB1,495.44 million, representing approximately 10.4% of the Group's revenue.

Orthopedic medicines

For the six months ended 30 June, 2021, the sales of orthopedic medicines amounted to approximately RMB1,245.44 million, representing approximately 8.7% of the Group's revenue.

Respiratory system medicines

For the six months ended 30 June, 2021, the sales of respiratory medicines amounted to approximately RMB1,062.93 million, representing approximately 7.4% of the Group's revenue.

Parenteral nutritious medicines

For the six months ended 30 June, 2021, the sales of parenteral medicines amounted to approximately RMB594.62 million, representing approximately 4.1% of the Group's revenue.

Others

For the six months ended 30 June, 2021, the sales of others amounted to approximately RMB2,938.11 million, representing approximately 20.5% of the Group's revenue.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

During the period under review, the businesses of the Group's major associates and joint ventures were carried out smoothly and their performance was in line with expectation. Among them, Sinovac Life Sciences Co., Ltd. ("Sinovac"), a company which is mainly engaged in the R&D, production and sales of human vaccines and in which the Group holds 15.03% equity interests, performed particularly well. Its COVID-19 vaccine CoronaVac has been granted an emergency use or conditional marketing authorization in more than 50 countries and included in the emergency use list of World Health Organization. In April 2021, the third phase of CoronaVac's stock solution workshop was completed and put into production in China, with an annual production capacity of over 2 billion doses. Apart from China, CoronaVac is also manufactured in Indonesia, Malaysia, Brazil, Turkey and Egypt. It has signed cooperation agreements with about 20 countries outside of China for nearly 900 million doses of vaccine this year. CoronaVac has so far been administered for more than 1 billion doses worldwide, making positive contribution to improving the accessibility and affordability of COVID-19 vaccines and helping the prevention and control of the pandemic across the globe. Sinovac was treated as an associate in the financial statements of the Group and accounted for using the equity method. At the end of the review period, the carrying amount of the investment in Sinovac was approximately RMB9,722.59 million, accounting for approximately 17.3% of the Group's total assets. Due to the strong financial performance of individual associate, the associates and joint ventures as a whole contributed a profit of approximately RMB7,584.98 million in total to the Group during the period under review. After deducting related taxes of approximately RMB679.40 million, their actual profit contribution totaled approximately RMB6,905.58 million.

EQUITY INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June, 2021, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain listed and unlisted equity investments) of approximately RMB2,137.13 million (31 December 2020: approximately RMB1,991.11 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB418.05 million (31 December, 2020: approximately RMB389.68 million).

In addition, as at 30 June, 2021, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB3,817.5 million (31 December 2020: RMB3,865.07 million) and the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB1,996.97 million (31 December 2020: approximately RMB3,827.06 million), including the wealth management products of Industrial and Commerce Bank of China (approximately RMB550 million), CCB Wealth Management (approximately RMB500 million), China Citic Bank (approximately RMB400 million), Industrial Bank (approximately RMB347.7 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board of the directors (the “Board”) of the Company believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 30 June, 2021, these investments in wealth products amounted to approximately RMB9,408.71 million in total, representing approximately 16.7% of the total assets of the Group.

For the six months ended 30 June, 2021, the Group recorded the realized gain on the disposal of the equity investments of approximately RMB39.36 million and unrealized fair value gain (net) of the current equity investments and financial assets of approximately RMB19.62 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group has continued to focus its R&D efforts on new hepatitis, oncology, respiratory system and cardio-cerebral medicines. During the second quarter, the Group was granted 10 registration approvals, 17 clinical trial approvals and 22 approvals for Consistency Evaluation, and made 15 clinical trial applications and 8 production applications. Cumulatively, a total of 393 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 39 were for hepatitis medicines, 185 for oncology medicines, 25 for respiratory system medicines, 17 for endocrine, 16 for cardio-cerebral medicines and 111 for other medicines.

Over the years, the Group has been placing high importance on R&D and innovation, as well as through collaboration and imitation, to raise both R&D standards and efficiency. Regarding R&D as the lifeblood of the Group's development, the Group continues to devote into more resources. For the six months ended 30 June, 2021, the total R&D expenditure of approximately RMB1,881.08 million, which accounted for approximately 13.1% of the Group's revenue, was charged to the statement of profit or loss and capitalized in the statement of financial position.

The Group also emphasizes on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the second quarter, the Group has received 56 authorized patent notices (55 invention patents and 1 utility model patent) and filed 161 new patent applications (158 invention patents and 3 utility model patents). Cumulatively, the Group has obtained 1,018 invention patent approvals, 34 utility model patents and 116 apparel design patents.

INVESTOR RELATIONS

The Group is committed to maintaining high corporate governance standards to ensure its sustainable development. During the review period, despite the limitation of offline events due to the COVID-19 pandemic, the Group has been proactive in approaching local and overseas investors through diversified channels to maintain an open line of communication and ensure that the investors had a thorough understanding of its latest business development and strategies. Moreover, the Group gathers valuable insights from the investors through personal exchanges, aiming to further elevate its corporate governance standards.

In order to protect the health of investors, the Group continued to host teleconferences at the end of May to inform investors about its 2021 first quarterly results and its latest business development. The teleconference attracted more than 300 analysts and fund managers. Aside from these, the Group distributed a results press release to the media so as to keep retail investors well informed about its latest business status and its prospects via media coverage. Apart from the press release about its results, the Group also dispatched other information, such as the appointment of new management members and the increase in shareholdings by the Directors through media channels, with the aim of strengthening the confidence of its shareholders and investors.

Besides, the management participated in many online investment summits and roadshows during the period hosted by large investment banks and securities companies, including the Bank of America, Citi, J.P. Morgan, Morgan Stanley, UBS and CICC, all in a bid to help investors gain an update on the Group's business development and competitive advantages.

The Group has published its annual reports, interim reports and quarterly results announcements, disclosures and circulars on both its corporate website and the website of the Hong Kong Exchanges and Clearing Limited all the time. In addition, it issues voluntary announcements to inform shareholders and investors about its latest business endeavors so as to maintain transparency and market attention.

All these efforts of the Group are well recognised by the investment community. In “The All-Asia Executive Team” awards organized by the authoritative international financial magazine Institutional Investor, the Group earned the title of “Most Honored Companies”, along with the “Best IR Professionals” in the Health Care & Pharmaceuticals sector, a reflection of its management team’s outstanding execution ability, as well as the high recognition for its professional IR management by the capital market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s liquidity remains strong. During the period, the Group’s primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. As at 30 June, 2021, the Group’s cash and bank balances were approximately RMB8,028.33 million (31 December, 2020: approximately RMB11,259.08 million).

CAPITAL STRUCTURE

As at 30 June, 2021, the Group had short term loans of approximately RMB1,824.68 million (31 December, 2020: approximately RMB1,552.83 million) and had long term loans of approximately RMB6,273.33 million (31 December, 2020: approximately RMB6,922.12 million). In addition, the debt component of the convertible bonds amounted to approximately RMB5,242.64 million as at 30 June, 2021 (31 December, 2020: RMB5,441.32 million).

CHARGE ON ASSETS

As at 30 June, 2021, the Group had charge on assets of approximately RMB870.18 million (31 December, 2020: approximately RMB856.39 million), excluding the amount of bills receivable discounted at banks of approximately RMB255.42 million (31 December, 2020: approximately RMB99.48 million).

CONTINGENT LIABILITIES

As at 30 June, 2021, the Group and the Company had no material contingent liabilities (31 December, 2020: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2021, the total assets of the Group amounted to approximately RMB56,206.73 million (31 December, 2020: approximately RMB47,210.44 million) whereas the total liabilities amounted to approximately RMB25,097.66 million (31 December, 2020: approximately RMB24,790.88 million). The gearing ratio (total liabilities over total assets) was approximately 44.7% (31 December, 2020: approximately 52.5%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 24,443 employees as at 30 June, 2021 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) in selling and distribution costs and administrative expenses for the period was approximately RMB2,313,036,000 (2020: approximately RMB1,634,763,000).

The Group adopted the Share Option Scheme on 28 May, 2013 (the "2013 Share Option Scheme") and the Share Award Scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. As of 30 June, 2021, (i) no option in respect of the Shares had been granted under the 2013 Share Option Scheme; and (ii) 80,480,500 Shares were held on trust under the 2018 Share Award Scheme and no Shares had been granted to any selected participant yet.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars, Euro and HK dollars. The Group will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

PROSPECTS

In response to centralized drug procurement becoming a norm in the country, the Group has made systematic deployment in different aspects including marketing setup and production cost control. Such efforts have had positive effect on keeping revenue stable and profit growth. Looking ahead, while keeping up its best effort on marketing to traditional public hospitals, the Group will put more resources into new marketing channels and new marketing approaches, so as to gradually expand the proportion of revenue contribution from them and also build a healthy, diversified and sustainable revenue structure.

Well aware of the potential impacts of the national centralized procurement policy on generic drugs, the Group has re-evaluated and optimized its developing product pipelines with innovation and their market value on top of its mind, focusing more on products yet more innovative and with strong market potential. The Group will also step up investment in innovative R&D facilities, personnel and projects. There will be a marked increase in the proportion of innovative drugs and high-entry-barrier biopharmaceutical drugs among products to be launched to market by the Group in the future.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders for their trust, support and understanding, as well as to all staff for their dedication and diligence.

RESULTS

The Board of the Company announces the unaudited consolidated results of the Group for the six months ended 30 June, 2021 together with the comparative consolidated results for 2020 as follows:

Consolidated Statement of Profit or Loss

		For the six months ended 30 June,	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)
REVENUE	3	14,353,781	12,647,775
Cost of sales		<u>(2,753,121)</u>	<u>(2,792,044)</u>
Gross profit		11,600,660	9,855,731
Other income and gains	3	409,320	352,279
Selling and distribution costs		(5,665,489)	(4,612,527)
Administrative expenses		(1,016,457)	(1,053,643)
Other expenses		(1,787,276)	(1,715,877)
<i>Including: Research and development costs</i>		(1,781,597)	(1,540,569)
Finance costs	4	(147,223)	(174,323)
Share of profits and losses of associates and joint ventures		<u>7,584,980</u>	<u>(41,188)</u>
PROFIT BEFORE TAX	5	10,978,515	2,610,452
Income tax expense	6	<u>(1,336,911)</u>	<u>(546,325)</u>
PROFIT FOR THE PERIOD		<u>9,641,604</u>	<u>2,064,127</u>
Profit attributable to:			
Owners of the parent		8,480,340	1,240,612
Non-controlling interests		<u>1,161,264</u>	<u>823,515</u>
		<u>9,641,604</u>	<u>2,064,127</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		<u>RMB45.15 cents</u>	<u>RMB6.60 cents</u>
– Diluted		<u>RMB43.38 cents</u>	<u>RMB6.60 cents</u>

Details of the second quarterly dividend declared for the period are disclosed in note 7 of this announcement.

Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
PROFIT FOR THE PERIOD	<u>9,641,604</u>	<u>2,064,127</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(23,581)</u>	<u>50,830</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(23,581)</u>	<u>50,830</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>287,069</u>	<u>–</u>
Income tax effect	<u>–</u>	<u>–</u>
	<u>287,069</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>263,488</u>	<u>50,830</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>9,905,092</u>	<u>2,114,957</u>
Attributable to:		
Owners of the parent	<u>8,758,176</u>	<u>1,238,339</u>
Non-controlling interests	<u>1,146,916</u>	<u>876,618</u>
	<u>9,905,092</u>	<u>2,114,957</u>

Consolidated Statement of Financial Position

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		7,078,474	6,870,288
Investment properties		293,933	308,559
Right-of-use assets		1,648,191	1,521,916
Goodwill		906,031	88,926
Intangible assets		915,743	924,710
Investments in associates and joint ventures		11,218,558	5,050,637
Equity investments designated at fair value through other comprehensive income		2,137,129	1,991,107
Financial assets at fair value through profit or loss		3,817,496	3,865,074
Deferred tax assets		695,860	463,366
Prepayments and other asset		3,681,996	3,331,652
		<hr/>	<hr/>
Total non-current assets		32,393,411	24,416,235
CURRENT ASSETS			
Inventories		1,731,596	1,880,051
Trade and bills receivables	9	5,059,329	2,914,077
Prepayments, other receivables and other assets		6,463,634	2,398,724
Amounts due from related companies		115,413	125,536
Equity investments designated at fair value through profit or loss		418,046	389,675
Financial assets at fair value through profit or loss		1,996,974	3,827,056
Cash and bank balances	10	8,028,326	11,259,084
		<hr/>	<hr/>
Total current assets		23,813,318	22,794,203
CURRENT LIABILITIES			
Trade and bills payables	11	1,620,732	1,947,802
Tax payable		252,397	60,701
Other payables and accruals		7,766,520	7,353,512
Interest-bearing bank borrowings		1,824,681	1,552,825
Lease liabilities		21,162	28,699
		<hr/>	<hr/>
Total current liabilities		11,485,492	10,943,539
		<hr/>	<hr/>
NET CURRENT ASSETS		12,327,826	11,850,664
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		44,721,237	36,266,899
		<hr/>	<hr/>

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		44,721,237	36,266,899
NON-CURRENT LIABILITIES			
Convertible bonds-debt component		5,242,644	5,441,324
Convertible bonds-embedded derivative instrument		451,405	439,188
Deferred government grants		579,924	608,201
Interest-bearing bank borrowings		6,273,332	6,922,115
Lease liabilities		291,359	264,861
Deferred tax liabilities		773,501	171,652
Total non-current liabilities		13,612,165	13,847,341
Net assets		31,109,072	22,419,558
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	415,895	415,895
Treasury shares		(469,944)	(469,944)
Reserves		24,629,672	16,801,209
		24,575,623	16,747,160
Non-controlling interests		6,533,449	5,672,398
Total equity		31,109,072	22,419,558

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited consolidated financial information should be read in conjunction with 2020 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2020.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. OPERATING SEGMENT INFORMATION

The management considers the business from products/services perspective. The three reportable segments are as follows:

- (a) the chemical medicines and biopharmaceutical medicines segment comprises the manufacture, sale and distribution of the chemical medicine products and modernized Chinese medicine products;
- (b) the investment segment is engaged in long term and short term investments; and
- (c) the other segment comprises, principally, (i) the Group's R&D sector which provides services to third-party; and (ii) related healthcare and hospital business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Segment assets exclude deferred tax assets and investments in associates as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

The segment results for the six months ended 30 June, 2021 (Unaudited)

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	<u>14,062,845</u>	<u>1,362</u>	<u>289,574</u>	<u>14,353,781</u>
Segment results	<u>3,615,278</u>	<u>(7,764)</u>	<u>(9,933)</u>	<u>3,597,581</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				99,309
Share of profits and losses of associates and joint ventures				7,584,980
Unallocated expenses				<u>(303,355)</u>
Profit before tax				10,978,515
Income tax expense				<u>(1,336,911)</u>
Profit for the period				<u>9,641,604</u>
Assets and liabilities				
Segment assets	27,459,962	15,071,357	1,760,992	44,292,311
<i>Reconciliation:</i>				
Investments in associates and joint ventures				11,218,558
Other unallocated assets				<u>695,860</u>
Total assets				<u>56,206,729</u>
Segment liabilities	8,585,767	14,509,051	976,941	24,071,759
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>1,025,898</u>
Total liabilities				<u>25,097,657</u>
Other segment information:				
Depreciation and amortisation	<u>369,643</u>	<u>23,300</u>	<u>20,213</u>	<u>413,156</u>
Capital expenditure	<u>488,130</u>	<u>8,005</u>	<u>70,586</u>	<u>566,721</u>
Other non-cash expenses	<u>–</u>	<u>–</u>	<u>125</u>	<u>125</u>

The segment results for the six months ended 30 June, 2020 (Unaudited and restated)

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	<u>12,400,813</u>	<u>2,416</u>	<u>244,546</u>	<u>12,647,775</u>
Segment results	<u>3,276,144</u>	<u>(531,551)</u>	<u>(22,203)</u>	<u>2,722,390</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				152,769
Share of profits and losses of associates and joint ventures				(41,188)
Unallocated expenses				<u>(223,519)</u>
Profit before tax				2,610,452
Income tax expense				<u>(546,325)</u>
Profit for the period				<u>2,064,127</u>
Assets and liabilities				
Segment assets	28,098,016	16,473,031	1,600,982	46,172,029
<i>Reconciliation:</i>				
Investments in associates and joint ventures				946,145
Other unallocated assets				<u>501,342</u>
Total assets				<u>47,619,516</u>
Segment liabilities	8,227,410	15,153,554	701,730	24,082,694
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>1,709,554</u>
Total liabilities				<u>25,792,248</u>
Other segment information:				
Depreciation and amortisation	<u>634,730</u>	<u>13,380</u>	<u>16,934</u>	<u>665,044</u>
Capital expenditure	<u>504,930</u>	<u>103</u>	<u>100,499</u>	<u>605,532</u>
Other non-cash expenses	<u>117</u>	<u>–</u>	<u>–</u>	<u>117</u>

Geographical information

(a) Revenue from external customers

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

(b) Non-current assets

	30 June, 2021 <i>RMB'000</i> (Unaudited)	30 June, 2020 <i>RMB'000</i> (Unaudited and restated)
Hong Kong	13,479,724	2,888,336
Mainland China	11,405,232	8,139,727
Others	857,971	210,980
	<u>25,742,927</u>	<u>11,239,043</u>

The non-current assets information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2021 and 2020.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	14,073,648	12,407,014
Others	280,133	240,761
	<u>14,353,781</u>	<u>12,647,775</u>

	For the six months ended 30 June,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	99,309	152,769
Dividend income	108	903
Government grants	11,369	20,286
Sale of scrap materials	16,379	1,036
Investment income	126,661	122,754
Gross rental income	–	4,291
Others	72,609	47,340
	<u>326,435</u>	<u>349,379</u>
Gains		
Gain on disposal of items of property, plant and equipment	1,861	354
Gain on disposal of equity investment designated at fair value through profit or loss	39,356	2,546
Fair value gains, net		
Equity investments designated at fair value through profit or loss	19,618	–
Convertible bond embedded derivative component	22,050	–
	<u>82,885</u>	<u>2,900</u>
Total other income and gains	<u><u>409,320</u></u>	<u><u>352,279</u></u>

4. FINANCE COSTS

	For the six months ended 30 June,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	84,458	133,806
Interest on lease liabilities	6,194	–
Effective interest expense of convertible bonds	56,571	40,517
	<u>147,223</u>	<u>174,323</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June,	
	2021	2020
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Cost of inventories sold	2,753,121	2,792,044
Depreciation of property, plant and equipment	375,721	270,262
Depreciation of investment properties	10,846	11,792
Depreciation of right-of-use assets	14,165	3,836
Amortization of other intangible assets	12,424	379,154
Research and development costs	1,781,597	1,540,569
Gain on disposal of items of property, plant and equipment	(1,861)	(354)
Loss on disposal of items of property, plant and equipment	125	117
Share of profits and losses of associates and joint ventures	(7,584,980)	41,188
Bank interest income	(99,309)	(152,769)
Dividend income	(108)	(903)
Investment income	(126,661)	(122,754)
Fair value (gains)/loss, net:		
Equity investments at fair value through profit or loss	(19,618)	18,874
Convertible bond embedded derivative component	(22,050)	278,082
Auditors' remuneration	2,386	2,407
Staff cost (including directors' remuneration)		
Wages and salaries	1,885,456	1,391,315
Pension contributions	427,580	243,448
	<u>2,313,036</u>	<u>1,634,763</u>
Foreign exchange differences, net	(109,903)	39,149
Accrual of impairment losses of trade receivables	5,554	(121,765)

6. INCOME TAX EXPENSE

	For the six months ended 30 June,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	738,397	539,978
Deferred tax	598,514	6,347
	<u>1,336,911</u>	<u>546,325</u>
Total tax charge for the period	<u>1,336,911</u>	<u>546,325</u>

Pursuant to Section 6 of Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

During the period ended 30 June, 2021, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, CP Qingdao, LYG Runzhong and Shanghai Tongyong were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2021.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

During the period ended 30 June, 2021, taxes related to the share of profits and losses of associates and joint ventures were amounted to approximately RMB679,405,000 (2020: Nil).

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of a quarterly dividend of HK2 cents per ordinary share for the three months ended 30 June, 2021 (2020: HK2 cents). The second quarterly dividend will be paid to shareholders on Monday, 4 October, 2021 whose names appear on the register of members of the Company on Thursday, 16 September, 2021. For the purpose of determining shareholders who are qualified for the second quarterly dividend, the register of members of the Company will be closed from Wednesday, 15 September, 2021 to Thursday, 16 September, 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second quarterly dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 14 September, 2021.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the period of approximately RMB8,480,340,000 (2020 (restated): approximately RMB1,240,612,000), and the weighted average number of ordinary shares of 18,781,018,730 (2020 (restated): 18,806,046,211) in issue during the period, as adjusted to reflect the bonus shares during last year.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest, exchange difference and fair value change on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		and restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	8,480,340	1,240,612
Interest on convertible bonds	56,571	40,517
Exchange gain on convertible bonds – debt component	(147,056)	(132,204)
Fair value (gain)/loss on convertible bonds – derivative component	(22,050)	278,082
Profit attributable to ordinary equity holders of the parent before interest, exchange gain and fair value (gain)/loss on convertible bonds	<u>8,367,805</u>	<u>1,427,007</u>

	Number of shares	
	2021	2020
	(Unaudited)	(Unaudited) and restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	18,781,018,730	18,806,046,211
Effect of dilution – weighted average number of ordinary shares:		
– Convertible bonds	<u>507,979,051</u>	<u>373,901,293</u>
	<u>19,288,997,781</u>	<u>19,179,947,504*</u>

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for last period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for last period, and the weighted average number of ordinary shares of 18,806,046,211 in issue during last period.

9. TRADE AND BILL RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the Group's trade and bill receivables as at the end of reporting period, based on invoice date and net of provisions, is as follows:

	30 June,	31 December,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current to 90 days	4,701,550	2,289,584
91 days to 180 days	225,894	519,447
Over 180 days	<u>131,885</u>	<u>105,046</u>
	<u>5,059,329</u>	<u>2,914,077</u>

10. CASH AND BANK BALANCES

	30 June, 2021 RMB'000 (Unaudited)	31 December, 2020 RMB'000 (Audited)
Cash and bank balances, unrestricted	5,576,276	6,596,500
Time deposits with original maturity of less than three months	2,452,050	4,027,694
Time deposits with original maturity of more than three months	—	634,890
	<u>8,028,326</u>	<u>11,259,084</u>

11. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of reporting period, based on invoice date, is as follows:

	30 June, 2021 RMB'000 (Unaudited)	31 December, 2020 RMB'000 (Audited)
Current to 90 days	957,672	970,392
91 days to 180 days	126,927	717,441
Over 180 days	536,133	259,969
	<u>1,620,732</u>	<u>1,947,802</u>

12. SHARE CAPITAL

	30 June, 2021 RMB'000 (Unaudited)	31 December, 2020 RMB'000 (Audited)
<i>Issued and fully paid:</i>		
18,861,499,230 ordinary shares of HK\$0.025 each (2020: 18,861,499,230 ordinary shares of HK\$0.025 each)	<u>415,895</u>	<u>415,895</u>

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the six months ended 30 June, 2021 except for the deviation from Code Provisions E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the “AGM”) by the chairwoman of the Board and Independent Non-executive Directors (“INED(s)”) of the Company. The chairwoman of the Board and three INEDs were unable to attend the AGM held on 7 June, 2021 due to other business engagements.

INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules and has appointed sufficient number of INEDs including two with appropriate professional qualifications, or accounting or related financial management expertise. Biographies of the INEDs have been set out in the 2020 Annual Report of the Company.

The Audit Committee is comprised of five INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the six months ended 30 June, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

By Order of the Board
Sino Biopharmaceutical Limited
Tse, Theresa Y Y
Chairwoman

Hong Kong, 31 August, 2021

As at the date of this announcement, the Board of the Company comprises nine Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Li Yi, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin and five Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Mr. Li Kwok Tung Donald.