



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

INTERIM REPORT 2022



Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y (*Chairwoman*)
Mr. Tse Ping (*Senior Vice Chairman*)
Ms. Cheng Cheung Ling (*Vice Chairwoman*)
Mr. Tse, Eric S Y (*Chief Executive Officer*)
Mr. Tse Hsin
Mr. Wang Shanchun
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent Non-executive Directors

Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

Executive Board Committee

Ms. Tse, Theresa Y Y (*Chairwoman*)
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)
Mr. Li Dakui
Ms. Lu Hong
Dr. Li Kwok Tung Donald

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu (*Chairman*)
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Ms. Tse, Theresa Y Y (*Chairwoman*)
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Cheng Cheung Ling (*Chairwoman*)
Ms. Li Mingqin
Dr. Li Kwok Tung Donald

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

QUALIFIED ACCOUNTANT

Ms. Jennie Ma, CFA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

Corporate Information

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road, Xindu
Lianyungang
Jiangsu Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

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Beijing
PRC

LEGAL ADVISERS

Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

Navigator Law Office
Room 1118, Tower 2, Bright China Chang An Building
No. 7, Jianguomennei Avenue, Dong Cheng District
Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit 01, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

Financial Highlights

	For the six months end 30 June,		Change %
	2022 RMB' Billion	2021 RMB' Billion	
Revenue	15.19	14.35	+5.9%
Gross profit	12.23	11.60	+5.5%
Profit for the period	3.18	9.64	-67.0%
Profit attributable to the owners of the parent ^(Note 1)	1.92	8.48	-77.3%
Adjusted non-HKFRS profit attributable to the owners of the parent ^(Note 2)	1.66	1.59	+4.5%
Sales ^(Note 4) of new products ^(Note 3)	6.61	5.30	+24.6%
Share of revenue	43.5%	36.9%	
Sales ^(Note 4) of oncology medicines	4.96	4.25	+16.7%
Share of revenue	32.6%	29.6%	
Sales ^(Note 4) of innovative medicines	3.49	3.05	+14.2%
Share of revenue	22.9%	21.3%	

The Board of the Company has declared the payment of an interim dividend of HK6 cents per share for the six months ended 30 June, 2022.

Note 1: The significant decrease in profit attributable to the owners of the parent was mainly due to the lower financial performance of an associate over the same period last year.

Note 2: Adjusted non-HKFRS profit attributable to the owners of the parent represents profit attributable to the owners of the parent excluding the impact of (i) share of profits and losses of associates and a joint venture (net of related taxes and non-controlling interests); (ii) unrealised fair value losses/(gains) of current equity investments; (iii) share-based payments; (iv) fair value gain of convertible bond embedded derivative component; and (v) effective interest expenses of the convertible bond debt component. A reconciliation between profit attributable to the owners of the parent and adjusted non-HKFRS profit attributable to the owners of the parent has been set out under the section headed "Adjusted non-HKFRS profit attributable to the owners of the parent" of this report.

Note 3: Products launched within five years.

Note 4: Sales is the gross sales amount minus the sales discount for the current period. It was disclosed as the gross sales amount for the same period in last year. The current year disclosure provides net sales for the same period last year for investors' reference.

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 tumors, surgery/analgesia, liver diseases, respiratory system diseases and others. 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:	Focus V (Anlotinib Hydrochloride) capsules, Annike (penpulimab mAb) injection, Qingkeshu (Abiraterone Acetate) tablets, Zewanxin/Fukaite (Lenvatinib Mesilate) capsules, Anxian (Lenalidomide) capsules, Shanqi (Fosaprepitant Dimeglumine) injection, Qingkeyi (Fulvestrant) injection, Saiweijian (Raltitrexed) injection, Yinishu (Dasatinib) tablets
Surgery/analgesia medicines:	Debaian (Flurbiprofen) cataplasms, Gaisanchun (Calcitriol) soft capsules, Chia Tai Jiuli (Glucosamine hydrochloride) tablets
Hepatitis medicines:	Tianqing ganmei (Magnesium Isoglycyrrhizinate) injection, Runzhong (Entecavir) dispersible tablets, Tianqing ganping (Diammonium Glycyrrhizinate) enteric-coated capsules
Respiratory system medicines:	Tianqing suchang (Budesonide) suspension for inhalation, Tianqing sule (Tiotropium Bromide) powder spray
Cardio-cerebral vascular medicines:	Yilunping (Irbesartan and hydrochlorothiazide) tablets, Kaina (Beraprost Sodium) tablets, Tuotuo (Rosuvastatin Calcium) tablets
Others:	Taibowei (Adalimumab) solution for injection, Aisuping (omeprazole) enteric-coated capsules, Xinhaineng (Carbohydrate and Electrolyte) injection, Fenghaina (Compound Sodium Acetate Ringer) injection

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 Human Resources and Social Security 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.

Corporate Profile

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 the NMPA.

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 was included in American Magazine Pharm Exec’s Top 50 Companies for four consecutive years from 2019 to 2022.

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

Management Discussion and Analysis

INDUSTRY OVERVIEW

According to data from the National Bureau of Statistics, China's GDP (Gross Domestic Product) was RMB56.3 trillion in the first half of 2022, a 2.5% increase year-on-year, and by quarter, the growth rate was 4.8% in the first and 0.4% in the second. In the first quarter, revenue growth of the pharmaceutical manufacturing industry was again slower than GDP growth, mainly due to the high base last year and the pandemic still raging this year.

In the second quarter of 2022, the pandemic severely affected different regions in China, in particular cities in the Yangtze River Delta. Anti-epidemic measures restricted patient consultation with medical institutions and consumers from purchasing drugs at pharmacies, hence the service volume of medical institutions and pharmaceutical consumption slipped. Moreover, medical insurance expenses and residents' income level and consumption headed down and, as a result, the overall confidence of the business insurance sector slumped. In the first half of 2022, health insurance fund level was at RMB534.06 billion, a slight increase of 4.0% year-on-year. The amount of compensation paid was RMB175.56 billion, down 11.0% year-on-year.

With the pandemic gradually coming under control and production and people's life returning to normal, pharmaceutical consumption and admissions to hospital for treatment are expected to rebound significantly, which will help boost growth of the results of pharmaceutical enterprises in the third quarter. On 12 and 13 July, in Nanjing, tender results proposed for the seventh batch of drugs for national centralized procurement were announced and the drug list was disclosed, with a total of 60 products included. The average price of the candidate drugs to be selected came down by 48%, which is in line with market expectation. At the same time, the price reduction has narrowed when compared with the previous five batches, reflective of the progressively more benign price competition in centralized drug procurement. The impact of centralized procurement of subsequent batches of chemical generic drugs on prices may continue to diminish marginally. Innovative research and development will become the core competitiveness of pharmaceutical companies. Sino Biopharm has won the bids for 9 products out of 11, making it one of the listed pharmaceutical companies with the largest number of products selected.

According to the sales data of PDB (Pharmaceutical Database) sample hospitals, the drugs selected in the latest round of centralized procurement contributed about 5% to the revenue of Sino Biopharm in 2021, and most of them are new products. The lower prices under the centralized procurement bids are expected to be compensated by the rapid increase in sales volume afterwards and sales are expected to grow relatively faster. Zoledronic Acid, Tigecycline, Edaravone and Palonosetron of the Group, which have relatively large market shares, won the bids.

Management Discussion and Analysis

BUSINESS REVIEW

ONCOLOGY

- Focus V (Anlotinib Hydrochloride Capsules) was approved for the fifth indication—differentiated thyroid cancer in the first half of 2022. To date, Anlotinib has been approved for five indications: third-line non-small cell lung cancer, third-line small cell lung cancer, soft tissue sarcoma, medullary thyroid cancer and differentiated thyroid cancer. In addition, 13 new indications of Anlotinib have also entered phase III clinical trial, including the combination of Anlotinib with Penpulimab monoclonal antibody injection, Anlotinib with TQB2450 (PD-L1), Anlotinib with chemotherapy and other treatment options, and are expected to file marketing application gradually over the next one to two years. Since its launch in 2018, revenue from the sales of Anlotinib has continued to grow rapidly and is expected to grow at a compounded rate of 46% over the period 2018-2022.
- Annike (Penpulimab monoclonal antibody injection) was approved for marketing by the National Medical Products Administration (NMPA) in 2021 for the treatment of third-line classic Hodgkin lymphoma. The product is currently under review for two indications, including first-line squamous non-small cell lung cancer and second/third-line nasopharyngeal carcinoma, and is expected to be approved for marketing within this year at the earliest. In addition, three other indications of Penpulimab monoclonal antibody injection, including first-line non-squamous non-small cell lung cancer, first-line hepatocellular carcinoma and second-line gastric/gastroesophageal junction cancer, are in phase III clinical trial and are expected to file marketing application over the next one to two years. During the reporting period, sales of Penpulimab monoclonal antibody injection increased significantly over the same period last year.
- For the research and development pipeline, as at the end of reporting period, the Group has a total of 40 innovative drug candidates in the oncology field in development process of clinical application, including 3 at marketing application stage, 4 at phase III clinical trial, 6 at phase II clinical trial, 24 at phase I clinical trial and 3 at clinical application stage. In addition, the Group has 23 biosimilar or generic drug candidates in the oncology field in development process of clinical application, including 12 at marketing application stage, 2 at phase III clinical trial, 1 at phase I clinical trial, 6 at Bioequivalence (BE) trials, and 2 at clinical application stage. The Group expects four innovative drugs and 14 biosimilars or generic drug in the oncology field will be approved for marketing in the next three years (2022-2024).

Management Discussion and Analysis

- F-627 (Efbemalenograstim alpha, long-acting granulocyte colony-stimulating factor) is currently under marketing application stage. F-627 is a third-generation recombinant long-acting granulocyte colony-stimulating factor (G-CSF). The Fc fusion protein forms a dimer without the need for polyethylene glycol (PEG) modification, thus avoiding the immune response caused by PEG and providing a safety advantage over the mainstream second generation products currently on the market. F-627 is currently the only G-CSF drug on the market that has conducted simultaneous research head-to-head with both short-acting and long-acting G-CSF in large sample sizes, phase III clinical trials of which have been completed in China and the United States with marketing application submission. The Group anticipates that the marketing application will be approved in China in the first half of 2023. With Sino Biopharm's strong oncology sales team, the Group is fully confident that the product will be successfully marketed and capture the market quickly.

SURGERY/ANALGESIA

- Debaian (Flurbiprofen) Cataplasms maintained rapid growth in the first half of the year. The Group focused on hospital access and high-potential area development to further expand its market coverage and hospital channels, strengthening its downstream development and focusing on increasing the development and coverage of secondary hospitals and community healthcare facilities. Through flexibility adjustment on sales and access strategy, the sales of Debaian's have continued to grow over the past few years and are expected to grow at a compounded rate of 33% over the period of 2017-2022.
- For the research and development pipeline, as at the end of reporting period, the Group had a total of 1 innovative drug candidate in the field of surgery/analgesia in phase III clinical trial. In addition, the Group has 9 other biosimilar or generic drug candidates in the surgical/analgesic field in development process of clinical application, including 3 at marketing application stage, 5 at phase III clinical trial and 1 at BE trial. The Group anticipates that 7 biosimilar or generic drugs in the surgical/analgesic area will be approved for marketing in the next three years (2022-2024).

LIVER DISEASES

- In the first half of 2022, the sales of Tianqing Ganmei (Magnesium Isoglycyrrhizinate) Injection grew rapidly. The Group has made efforts to strengthen its academic promotion of the efficacy and safety advantages of Tianqing Ganmei to doctors in the treatment of chronic viral hepatitis, acute drug-related liver injury, liver function abnormalities and other approved indications. The rapid growth in the sales of Tianqing Ganmei during the reporting period was made possible by the expansion of the doctor coverage and enhanced expert recognition through academic conferences at various levels, as well as the active identification of new patients and new market development.

Management Discussion and Analysis

- For the research and development pipeline, as at the end of reporting period, the Group has a total of 8 innovative drug candidates in the field of liver disease in development process of clinical application, including 3 at phase II clinical trial, 4 at phase I clinical trial, and 1 at the clinical application stage. In addition, the Group has 5 biosimilar or generic drug candidates in the field of liver disease in development process of clinical application, including 3 at marketing application stage and 2 at phase III clinical trial. The Group expects to have 2 biosimilar or generic drugs in the field of liver disease approved for marketing in the next three years (2022-2024).

RESPIRATORY SYSTEM

- In the first half of 2022, under the impact of volume-based procurement, the revenue of Tianqingsuchang (Budesonide) Suspension for Inhalation decreased slightly as compared to the same period last year. During the period, the Group proactively responded to the impact of volume-based procurement by taking a series of proactive management measures in a timely manner, including strengthening downstream channel, expanding market coverage and conducting secondary development on markets outside of volume-based procurement. The actual revenue achieved during the period exceeded the Group's expectations set at the beginning of the year, demonstrating the effectiveness of the Group's management measures. The Group expects the product sales will gradually stabilize and rebound after the impact from volume-based procurement in this year.
- For the research and development pipeline, as at the end of reporting period, the Group has a total of 9 innovative drug candidates in the respiratory system field in development process of clinical application, including 4 at phase II clinical trial and 5 at phase I clinical trial. In addition, the Group has 20 biosimilar or generic drug candidates in the respiratory system field in development process of clinical application, including 9 at marketing application, 2 at phase III clinical trial, 2 at phase II clinical trial, 1 at phase I clinical trial, 7 at BE trials and 1 at clinical application. The Group expects to have 15 biosimilar or generic drugs approved for marketing in the respiratory system field in the next three years, from 2022 to 2024.
- TDI01 is a highly selective inhibitor of ROCK2 and is currently in development process of phase I clinical trial for the target indications of pneumoconiosis, pulmonary fibrosis and graft versus host disease. Among them, the development of the pneumoconiosis indication is progressing faster, with US phase I clinical trial completed and phase I clinical trial in China underway. There is no approved drug for pneumoconiosis worldwide, TDI01 is expected to fill this gap and be a boon to pneumoconiosis patients. The Group believes that TDI01 has the potential to become a major drug and will vigorously pursue its clinical development.
- SFT-1001 and SFT-1003 are two soft mist inhalation products that are currently in late clinical stage. As of 2021, there are only five soft mist inhalation products available worldwide, with a global market size of over US\$3 billion and a compound growth rate of over 35% over the past five years, and the global soft mist market is expected to reach US\$7 billion by 2030.

Management Discussion and Analysis

FINANCIAL REVIEW

During the period, the Group recorded revenue of approximately RMB15,193.74 million, an increase of approximately 5.9% over the same period last year. Profit attributable to the owners of the parent was approximately RMB1,921.04 million, a decrease of approximately 77.3% over the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB10.30 cents, a decrease of approximately 77.2% over the same period last year. Excluding the share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests), certain non-cash items and one-off adjustments, adjusted non-HKFRS profit attributable to the owners of the parent was approximately RMB1,658.03 million, an increase of approximately 4.5% over the same period last year. Sales of new products accounted for approximately 43.5% of the Group's total revenue for the period, while it was approximately 36.9% for the same period last year. With cash and bank balances classified under current assets of approximately RMB7,768.29 million, bank deposits classified under non-current assets of approximately RMB6,842 million, and the wealth management products of approximately RMB7,635.45 million in aggregate, the Group's total fund reserve was approximately RMB22,245.74 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, surgery/analgesia medicines, hepatitis medicines, respiratory system medicines, cardio-cerebral vascular medicines and others.

Oncology medicines

For the six months ended 30 June, 2022, the sales of oncology medicines amounted to approximately RMB4,956.61 million, representing approximately 32.6% of the Group's revenue, an increase of approximately 16.7% over the same period last year.

Surgery/analgesia medicines

For the six months ended 30 June, 2022, the sales of surgery/analgesia medicines amounted to approximately RMB2,520.50 million, representing approximately 16.6% of the Group's revenue, an increase of approximately 7.1% over the same period last year.

Hepatitis medicines

For the six months ended 30 June, 2022, the sales of hepatitis medicines amounted to approximately RMB2,008.91 million, representing approximately 13.2% of the Group's revenue, an increase of approximately 11.1% over the same period last year.

Management Discussion and Analysis

Respiratory system medicines

For the six months ended 30 June, 2022, the sales of respiratory medicines amounted to approximately RMB1,512.93 million, representing approximately 10.0% of the Group's revenue, a decrease of approximately 8.4% over the same period last year.

Cardio-cerebral vascular medicines

For the six months ended 30 June, 2022, the sales of cardio-cerebral vascular medicines amounted to approximately RMB1,552.20 million, representing approximately 10.2% of the Group's revenue, an increase of approximately 13.8% over the same period last year.

Others

For the six months ended 30 June, 2022, the sales of others amounted to approximately RMB2,642.59 million, representing approximately 17.4% of the Group's revenue, a decrease of approximately 9.8% over the same period last year.

ADJUSTED NON-HKFRS PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Addition information is provided below to reconcile profit attributable to the owners of the parent and adjusted non-HKFRS profit attributable to the owners of the parent. The reconciling items principally adjust for the impact of share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests), share-based payments, unrealised fair value losses/(gains) of current equity investments, as well as the fair value gain of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component. Adjusted non-HKFRS profit attributable to the owners of the parent for the period increased by approximately 4.5% over the same period last year.

Management Discussion and Analysis

	For the six months ended 30 June,		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Profit attributable to the owners of the parent	1,921,037	8,480,340	-77.3%
Share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests)	(468,503)	(6,909,147)	
Unrealised fair value losses/(gains) of current equity investments, net	154,199	(19,618)	
Share-based payments	29,723	–	
Fair value gain of Convertible Bond embedded derivative component	(24,604)	(22,050)	
Effective interest expenses of Convertible Bond debt component	46,178	56,571	
Adjusted non-HKFRS profit attributable to the owners of the parent	1,658,030	1,586,096	+4.5%
Basic earnings per share			
Adjusted non-HKFRS profit attributable to the owners of the parent used in the basic earnings per share calculation	1,658,030	1,586,096	+4.5%
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (Shares)	18,658,823,689	18,781,018,730	
Basic earnings per share, based on adjusted non-HKFRS profit attributable to the owner of the parent (RMB' cents)	8.89	8.45	+5.2%

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), adjusted non-HKFRS profit attributable to the owners of the parent is presented in this report as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group’s core operations by excluding impacts of certain non-cash items and the contribution of associates and a joint venture. Adjusted non-HKFRS profit attributable to the owners of the parent is to be considered in addition to, and not as a substitute for, measures of the Group’s financial performance prepared in accordance with HKFRS.

Management Discussion and Analysis

INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

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, its COVID-19 vaccine CoronaVac has been approved for use in 62 countries, regions and international organizations, of which 14 countries and regions allowed the use of it for minors vaccination. Recently, it has been approved for children of age as young as 6 months in Hong Kong, which is the lowest age approved for an inactivated COVID-19 vaccine. With a global supply of more than 2.8 billion doses, CoronaVac has become a true “global public goods”. The clinical trial of inactivated COVID-19 vaccine against the Omicron variant has already commenced in Mainland China and Hong Kong. Sinovac is a supporting unit of BRICS Vaccine R&D Centre in China and Beijing Preventive Vaccine for Humans Engineering Technology Research Centre. Sinovac will continue to build up its R&D and industrialization capabilities and focus on the development of innovative vaccines and their related products. However, as the market environment continues to change, the sales volume of its COVID-19 vaccine decreased and its financial performance is lower compared with the corresponding period last year. As a result, the profit and loss of associates and a joint venture attributable to the Group decreased to approximately RMB503.16 million during the period under review. After deducting related taxes and non-controlling interests of approximately RMB34.66 million, the actual profit contribution from associates and a joint venture totaled approximately RMB468.50 million. As at 30 June, 2022, the carrying amount of the investment in Sinovac was approximately RMB13,503.56 million, accounting for approximately 20.8% of the Group’s total assets.

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

As at 30 June, 2022, 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 RMB1,674.26 million (31 December 2021: approximately RMB1,988.24 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB271.09 million (31 December, 2021: approximately RMB405.21 million).

In addition, as at 30 June, 2022, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB4,104.38 million (31 December 2021: RMB3,942.85 million) and the current financial assets at fair value through profit or loss, including certain wealth management products of approximately RMB7,635.45 million (31 December 2021: approximately RMB4,250.53 million). 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, 2022, these investments in wealth products amounted to approximately RMB7,635.45 million in total, representing approximately 11.8% of the total assets of the Group.

Management Discussion and Analysis

Each of the transactions of acquisition or disposal of wealth management products was entered into with third party who was not a connected person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”)) of the Company, and did not constitute a notifiable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios were less than 5%, calculated either on a standalone basis or by aggregation of the transactions with the same counterparty pursuant to the Rule 14.22 of the Listing Rules.

For the six months ended 30 June, 2022, the Group recorded the realised gain on the disposal of the equity investments of approximately RMB25.11 million and unrealised fair value loss (net) of the current equity investments of approximately RMB154.2 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 oncology, surgery/analgesia, hepatitis, respiratory system and cardio-cerebral vascular medicines. During the interim period, the Group was granted 418 approvals including clinical trial approvals, under clinical trial approvals and applying for production approvals. Among the approvals, there are 29 approvals under hepatitis, 230 approvals under oncology, 31 approvals under respiratory system, 9 approvals under endocrine, 16 approvals under cardio-cerebral vascular, 3 approvals under surgery, 4 approvals under analgesia and 96 approvals for other medicines.

Over the years, the Group has been placing high importance on R&D and bringing innovation, collaboration and imitation together 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, 2022, the R&D expenditure amounted to approximately RMB2,191.59 million in total (2021: RMB1,881.08 million), accounted for approximately 14.4% (2021: 13.1%) of the Group’s revenue, most of which was charged to the statement of profit or loss.

INVESTOR RELATIONS

The Group is committed to maintaining high corporate governance standards to ensure its sustainable development. It also attaches great importance to communication with shareholders and investors. During the review period, despite the pandemic limiting offline events, the Group actively maintained close and good relationships with investors in different places and ensured adequate two-way communication. While investors were able to thoroughly understand the Group’s latest business development and strategies, the Group was able to exchange views with the investment community, listen and gain valuable insights from them and consequently elevate corporate governance standards.

Management Discussion and Analysis

The Group took the initiative to hold an investor conference at the end of March to explain in depth its 2021 annual results and latest business updates. To protect the health of investors, the meeting was held online. It attracted nearly 250 investor participants including analysts and fund managers. The Group also distributed a press release on its financial results to the media so as to keep retail investors informed about its latest business status and prospects. Apart from results press release, the Group also dispatched additional information through media channels from time to time, such as the share purchases pursuant to restricted share award scheme, hoping to maintain high transparency thereby strengthen shareholder and investor confidence.

Moreover, during the period, the management also actively joined online and offline investment summits and roadshows hosted by large investment banks and securities companies, including Morgan Stanley, Citi, Bank of America, J.P. Morgan, UBS, HSBC and CICC, to let investors know the Group's business development and competitive advantages.

As always, the Group publishes duly its annual and interim results reports, disclosures and circulars on both its corporate website and the website of the Hong Kong Exchanges and Clearing Limited. It also voluntarily issues announcements to inform shareholders and investors of its latest business endeavors so as to raise corporate transparency and market attention.

The abovementioned efforts have been well-recognized by the investment community and the market. During the period, for example, the Group won the "Best IR Award" at the 6th Golden Hong Kong Stocks Awards, jointly organized by Zhitong Caijing and 10jqka, two leading Hong Kong and US stocks information platforms in China, which reflects the outstanding investor relations performance of the management and industry recognition for its strength and professionalism.

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, 2022, the Group's cash and bank balances were approximately RMB7,768.29 million (31 December, 2021: approximately RMB10,568.81 million).

CAPITAL STRUCTURE

As at 30 June, 2022, the Group had short term loans of approximately RMB4,068.75 million (31 December, 2021: approximately RMB6,520.57 million) and had long term loans of approximately RMB4,313.16 million (31 December, 2021: approximately RMB413.34 million). In addition, the debt component of the convertible bonds amounted to approximately RMB3,229.49 million as at 30 June, 2022 (31 December, 2021: RMB4,799.19 million).

Management Discussion and Analysis

CHARGE ON ASSETS

As at 30 June, 2022, the Group had charge on assets of approximately RMB839.37 million (31 December, 2021: approximately RMB854.28 million), excluding the amount of bills receivable discounted at banks of approximately RMB Nil (31 December, 2021: approximately RMB5.93 million).

CONTINGENT LIABILITIES

As at 30 June, 2022, the Group and the Company had no material contingent liabilities (31 December, 2021: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2022, the total assets of the Group amounted to approximately RMB64,934.46 million (31 December, 2021: approximately RMB60,543.34 million) whereas the total liabilities amounted to approximately RMB26,189.85 million (31 December, 2021: approximately RMB22,814.31 million). The gearing ratio (total liabilities over total assets) was approximately 40.3% (31 December, 2021: approximately 37.7%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 25,552 employees as at 30 June, 2022 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 and equity-settled share-based payments) in selling and distribution costs and administrative expenses for the period was approximately RMB2,514.43 million (2021: approximately RMB2,313.04 million).

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. No option in respect of the shares of the Company ("Shares") had been granted under the 2013 Share Option Scheme up to 30 June, 2022. During the six months ended 30 June, 2022, 8,577,623 Shares had been granted to a total of nine selected participants under the 2018 Share Award Scheme, and as of 30 June, 2022, 332,617,877 Shares were held on trust by the trustee under the 2018 Share Award Scheme.

Management Discussion and Analysis

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 has hedged part of the Euro risk in financial liabilities by entering into foreign exchange forward contracts and will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

The ESG vision of Sino Biopharm, is to effectively practice the values of “benefit the country, benefit the general public and benefit the enterprise” through high-quality ESG management, support the Healthy China initiative, seek health and well-being for more patients, and treat more diseases. At the same time, we also hope that through high-level ESG management, we can cope with risks, seize opportunities, promote the harmonious development of enterprises, society and environment, provide strong support for sustainable development, and create long-term value for ourselves and business partners.

To ensure the realization of the Sino Biopharm ESG vision, under the guidance of national and industrial policies, the Group has formulated the ‘CARE’ ESG Governance Strategy, with ‘Cure, Accessible, Relationship, Environmental’ as the four-core directions, constantly promote the organic integration of ESG vision and development strategy of the Group, promote high quality and sustainable development of the industry.

Sino Biopharm has formulated “Ten Specific ESG Measures for the Year” by taking into account the internal and external ESG environment and its own development needs in early 2022. The key tasks for the first half-year include ESG risk control, ESG system improvement, ESG report publication, Climate-change risk management, ESG digital platform construction and community investment. In the first half of 2022, under the effective operation of the Group’s ESG management structure, all ESG tasks were effectively implemented and the overall ESG management standard and performance of the Group continued to excel.

In the aspects of ESG risk control, the Group comprehensively identified the key ESG risks involved in operational process and put them under continuous monitoring and control. In the first half of 2022, the Group had not encountered any material ESG-related risks.

Management Discussion and Analysis

In the aspects of ESG system improvement, the Group formulated and released a series of system documents, including the “Sino Biopharm ESG Task Management Measures”, to optimize the operational mechanism of the ESG management system, refine the division of responsibilities of the ESG Work Management Committee and its members, and clarify the interim work objectives and requirements. In the first half of 2022, the management of the Group convened six monthly meetings of the ESG Work Management Committee, with at least 3/4 of the members were present at each meeting to fully discharge its ESG work supervision responsibilities. At the same time, the ESG Committee under the Board received quarterly reports on the Group’s ESG work to provide a timely and comprehensive understanding of the overall progress of the Group’s ESG work and to provide corresponding guidance.

In the aspects of ESG report publication, the Group published the “Sino Biopharmaceutical Limited ESG Report 2021” on 31 May, 2022. Being the sixth consecutive annual ESG report of the Group, it aimed to provide a true and comprehensive picture of the Group’s ESG management and the results achieved for the year. The scope of disclosure of the 2021 ESG Report was extended to cover the Group and all of its key subsidiaries members, and while meeting the disclosure requirements of The Stock Exchange of Hong Kong Limited, the Group took the initiative to disclose a large number of distinctive indicators to address the concerns of various stakeholders in a more comprehensive and in-depth manner.

In the aspects of Climate-change risk management, the Group formulated the climate risk coping strategies, with ‘strategic adjustment, innovative applications, energy transformation, contingency plan’ as the core, combined with national policy and industry pattern, comprehensively assess and address climate risks and low-carbon policy risks. We integrate the green production concept into the operation strategy of the Group, continuously promote the iteration of environmental protection equipment and technology, constantly optimize our own energy structure, increase the proportion of clean energy, promote the low-carbon transition by economic means, earnestly respond to the carbon peaking and carbon neutrality goals of China, and make positive contributions to the response to global climate change.

In the aspects of ESG digital platform construction, with in-depth understanding of the importance of digitalisation in enhancing ESG management, the Group commenced the construction of an ESG digital platform in 2022. The digital platform will cover the Group and all its key subsidiaries members, with functions such as information visualisation, performance tracking and benchmarking. The construction of the digital platform is to build up a sound foundation for the Group’s ESG digital management and to provide a scientific basis for future ESG management improvements through high quality statistics and visual analysis of ESG key performance indicators. Currently, the digital platform has entered the enterprise-end testing phase and is expected to be completed for operation by the fourth quarter of 2022.

Management Discussion and Analysis

In the aspects of community investment, the Group upholds the value of “benefit the country, benefit the general public and benefit the enterprise”, proactively fulfills its responsibilities as a corporate citizen and actively invest in the community, which covers activities such as fighting the pandemic, helping the poor and needy, education donation and charitable donation. In the first half of 2022, in the face of the resurgence of COVID-19, the Group set up regular countermeasures to support the anti-pandemic work in different parts of the country. In February, the Group donated 70,000 sets of COVID-19 detection kits and 120,000 surgical masks to the HKSAR Government, associations and community organisations. In March, the Group donated 100,000 sets of COVID-19 detection kits, 12,000 N95 masks and 20,000 pairs of medical rubber gloves to Lianyungang and in April, the Group donated 500,000 sets of COVID-19 detection kits to Shanghai Siyecao Cabin Hospital.

PROSPECTS

The Group has already made systematic arrangements in various aspects such as marketing system and production cost control to cope with the normalisation of national volume-based procurement, which has played a positive role in stabilising revenue and profit growth. In the future, the Group will build a healthier, more diversified and sustainable revenue structure by continuing to build on traditional public hospital sales, invest more resources in new marketing channels and new marketing tools, and gradually expanding their share of revenue.

In view of the potential impact of the national volume-based procurement policy on generic drugs, the Group has re-evaluated and optimised its product lines under development from the perspective of innovation and market value, focusing more on products with high innovation and market potential. The Group has also continued to invest more resources in innovative R&D facilities, personnel and projects. Innovation has become a key driver of growth for the Group, with the share of revenue from innovative medicines expected to reach 24% by 2022. Looking ahead, the Group plans to exceed the RMB10 billion mark in revenue from innovative medicines by 2023, further increasing the share of revenue from innovative medicines. The Group aims to become a world-class innovative pharmaceutical group by 2030, with a revenue target of HK\$100 billion, of which over 60% is contributed by innovative drugs. The Group is focusing on four therapeutic areas, namely oncology, surgery/analgesia, liver disease and respiratory system, and will strive to achieve its 2030 target through a two-pronged approach of independent research and development and innovation-driven business development.

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.

Interim Condensed Consolidated Statement of Profit or Loss

RESULTS

The Board of the Company announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 June, 2022 together with the comparative interim condensed consolidated results for 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	3	15,193,738	14,353,781
Cost of sales		(2,959,599)	(2,753,121)
Gross profit		12,234,139	11,600,660
Other income	3	290,817	326,435
Other (losses)/gains, net	3	(31,552)	192,788
Selling and distribution costs		(5,751,550)	(5,665,489)
Administrative expenses		(1,182,354)	(1,126,360)
Other expenses		(2,138,772)	(1,787,276)
<i>Including: Research and development costs</i>		(2,048,604)	(1,781,597)
Finance costs	4	(169,271)	(147,223)
Share of profits and losses of associates and a joint venture		503,155	7,584,980
PROFIT BEFORE TAX	5	3,754,612	10,978,515
Income tax expense	6	(571,391)	(1,336,911)
PROFIT FOR THE PERIOD		3,183,221	9,641,604
Profit attributable to:			
Owners of the parent		1,921,037	8,480,340
Non-controlling interests		1,262,184	1,161,264
		3,183,221	9,641,604
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		RMB10.30 cents	RMB45.15 cents
– Diluted		RMB9.20 cents	RMB43.38 cents

Details of the interim dividend declared for the period are disclosed in note 7 to the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	3,183,221	9,641,604
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(376,949)	(23,581)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(376,949)	(23,581)
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	(230,781)	287,069
Income tax effect	–	–
	(230,781)	287,069
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(607,730)	263,488
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,575,491	9,905,092
Attributable to:		
Owners of the parent	1,313,343	8,758,176
Non-controlling interests	1,262,148	1,146,916
	2,575,491	9,905,092

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June, 2022 RMB'000 (Unaudited)	31 December, 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,394,940	7,154,298
Investment properties		733,218	705,626
Right-of-use assets		1,377,536	1,361,764
Goodwill		642,552	647,930
Intangible assets		1,214,069	1,064,016
Investments in associates and joint ventures		14,814,226	14,266,396
Equity investments designated at fair value through other comprehensive income		1,674,255	1,988,238
Financial assets at fair value through profit or loss		4,104,383	3,942,851
Bank deposit		6,842,000	4,972,000
Deferred tax assets		414,310	334,865
Prepayments and other asset		525,210	602,175
Total non-current assets		39,736,699	37,040,159
CURRENT ASSETS			
Inventories		2,137,132	1,937,741
Trade and bills receivables	10	4,947,839	4,220,667
Prepayments, other receivables and other assets		2,031,041	1,715,452
Amounts due from related companies		406,921	404,767
Equity investments designated at fair value through profit or loss		271,088	405,206
Financial assets at fair value through profit or loss		7,635,448	4,250,533
Cash and bank balances	11	7,768,292	10,568,812
Total current assets		25,197,761	23,503,178
CURRENT LIABILITIES			
Trade and bills payables	12	2,676,473	1,693,152
Tax payable		100,151	101,167
Other payables and accruals		8,828,608	6,728,000
Interest-bearing bank borrowings		4,068,753	6,520,565
Derivative financial liabilities		117,363	–
Amounts due to related companies		424,708	237,662
Lease liabilities		49,451	64,473
Total current liabilities		16,265,507	15,345,019
NET CURRENT ASSETS		8,932,254	8,158,159
TOTAL ASSETS LESS CURRENT LIABILITIES		48,668,953	45,198,318

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June, 2022 RMB'000 (Unaudited)	31 December, 2021 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		48,668,953	45,198,318
NON-CURRENT LIABILITIES			
Convertible bonds – debt component		3,229,494	4,799,189
Convertible bonds – embedded derivative instrument		84,477	152,797
Deferred government grants		694,739	674,450
Interest-bearing bank borrowings		4,313,157	413,337
Lease liabilities		356,177	319,949
Contingent consideration		220,738	227,983
Deferred tax liabilities		1,025,561	881,590
Total non-current liabilities		9,924,343	7,469,295
Net assets		38,744,610	37,729,023
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	414,942	415,440
Treasury shares		(1,378,597)	(689,347)
Reserves		31,177,810	30,565,023
		30,214,155	30,291,116
Non-controlling interests		8,530,455	7,437,907
Total equity		38,744,610	37,729,023

Interim Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the parent

	Share		Treasury shares	Capital reserve	Asset revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	capital account	premium											
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	415,440	12,555,650	(689,347)	(9,310,613)	28,176	504,902	22,691	4,143,210	(450,393)	23,071,400	30,291,116	7,437,907	37,729,023
Profit for the period	-	-	-	-	-	-	-	-	-	1,921,037	1,921,037	1,262,184	3,183,221
Other comprehensive income for the period:													
Fair value changes of financial assets	-	-	-	-	-	(230,781)	-	-	-	-	(230,781)	-	(230,781)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(30,879)	-	-	-	30,879	-	-	-
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(376,913)	-	(376,913)	(36)	(36)	(376,949)
Total comprehensive income for the year	-	-	-	-	-	(261,660)	-	-	(376,913)	1,951,916	1,313,343	1,262,148	2,575,491
Share of associates' equity movement	-	-	-	11,506	-	-	-	-	-	-	11,506	-	11,506
Equity-settled share-based payment	-	-	29,723	-	-	-	-	-	-	-	29,723	-	29,723
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(169,600)	(169,600)
Repurchase of shares for cancellation	-	-	(78,051)	-	-	-	-	-	-	-	(78,051)	-	(78,051)
Repurchase of shares under share award scheme	-	-	(731,265)	-	-	-	-	-	-	-	(731,265)	-	(731,265)
Cancellation of treasury shares	(498)	(89,845)	90,343	-	-	-	-	-	-	-	-	-	-
Final 2021 dividend declared	-	-	-	-	-	-	-	-	-	(622,217)	(622,217)	-	(622,217)
At 30 June 2022 (unaudited)	414,942	12,465,805	(1,378,597)	(9,299,107)	28,176	243,242	22,691	4,143,210	(827,306)	24,401,099	30,214,155	8,530,455	38,744,610
At 1 January 2021 (audited)	415,895	12,668,722	(469,944)	(9,537,944)	28,176	372,782	22,691	3,134,202	(355,848)	10,468,428	16,747,160	5,672,398	22,419,558
Profit for the period	-	-	-	-	-	-	-	-	-	8,480,340	8,480,340	1,161,264	9,641,604
FV changes in equity investment FVTOCI	-	-	-	-	-	279,195	-	-	-	-	279,195	7,874	287,069
Other comprehensive income for the period of foreign operations	-	-	-	-	-	-	-	-	(1,359)	-	(1,359)	(22,222)	(23,581)
Total comprehensive income for the period	-	-	-	-	-	279,195	-	-	(1,359)	8,480,340	8,758,176	1,146,916	9,905,092
Contribution from non-controlling interests	-	-	-	13,834	-	-	-	-	-	-	13,834	9,018	22,852
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	20,155	20,155
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(315,080)	(315,080)
Final 2020 dividend declared	-	-	-	-	-	-	-	-	-	(314,516)	(314,516)	-	(314,516)
Interim 2021 dividend	-	-	-	-	-	-	-	-	-	(629,031)	(629,031)	-	(629,031)
Transfer from retained profits financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	365,378	-	(365,378)	-	-	-
Transfer to retained profits upon disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(163,005)	-	-	-	163,005	-	-	-
At 30 June 2021 (unaudited)	415,895	12,668,722	(469,944)	(9,524,110)	28,176	488,972	22,691	3,499,580	(357,207)	17,802,848	24,575,623	6,533,449	31,109,072

Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	3,948,941	2,335,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(626,972)	(585,607)
Net cash outflow for acquisition of subsidiaries	–	(757,160)
(Increase)/decrease in wealth management products recorded in financial assets at fair value through profit or loss	(3,372,051)	1,830,082
Decrease/(increase) in wealth management products recorded in other receivables	569,500	(3,814,992)
Investment in financial assets designated at fair value through profit or loss	–	(1,560,780)
(Increase)/decrease in time deposits with original maturity of more than three months	(2,603,575)	634,890
Other investing cash inflows, net	43,439	197,600
Net cash flows used in investing activities	(5,989,659)	(4,055,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	7,719,271	547,288
Repurchase of convertible bonds	(1,542,993)	–
Repayment of bank loans	(6,578,135)	(805,604)
Dividends paid to non-controlling shareholders	(91,896)	(315,038)
Repurchase of shares	(809,316)	–
Other financing cash outflow, net	(157,458)	(188,335)
Net cash flows used in financing activities	(1,460,527)	(761,689)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,501,245)	(2,482,102)
Cash and cash equivalents at beginning of period	9,599,537	10,624,194
Effect of foreign exchange rate changes, net	(32,850)	(113,766)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,065,442	8,028,326
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,212,456	5,576,276
Time deposits with original maturity of less than three months when acquired	1,852,986	2,452,050
	6,065,442	8,028,326

Notes to Interim Condensed Consolidated Financial Information

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June, 2022 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December, 2021.

1.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December, 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The revised standards have had no significant financial effect on these financial statements.

The comparative statement of profit or loss has been re-presented to be consistent with current period presentation. For the period ended 30 June, 2021, other gains with total amount of RMB109,903,000 which was recorded in administrative expenses, and other gains with total amount of RMB82,885,000 which was recorded in other income and gains have been re-presented to other gains or losses, net.

2. OPERATING SEGMENT INFORMATION

Management considers the business from a product/service perspective. The three reportable segments are as follows:

- (a) the modernised Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;
- (b) the investment segment is engaged in long term investments; and
- (c) the “others” segment comprises, principally related healthcare and hospital business.

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

Segment assets exclude deferred tax assets and interests in associates and a joint venture 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.

Notes to Interim Condensed Consolidated Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2022 (Unaudited)

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	14,950,324	736	242,678	15,193,738
Segment results	3,667,728	(139,662)	17,192	3,545,258
<i>Reconciliation:</i>				
Interest and unallocated gains				123,384
Share of profits and losses of associates and a joint venture				503,155
Unallocated expenses				(417,185)
Profit before tax				3,754,612
Income tax expense				(571,391)
Profit for the period				3,183,221
Other segment information				
Depreciation and amortisation	352,902	33,197	22,573	408,672
Capital expenditure	770,854	11,615	7,086	789,555
Other non-cash expenses	-	-	-	-
As at 30 June, 2022 (Unaudited)				
Assets and liabilities				
Segment assets	37,150,938	10,784,750	1,770,236	49,705,924
<i>Reconciliation:</i>				
Investments in associates and a joint venture				14,814,226
Other unallocated assets				414,310
Total assets				64,934,460
Segment liabilities	12,441,406	11,694,422	928,310	25,064,138
<i>Reconciliation:</i>				
Other unallocated liabilities				1,125,712
Total liabilities				26,189,850

Notes to Interim Condensed Consolidated Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

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

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	14,062,845	1,362	289,574	14,353,781
Segment results	3,615,278	(7,764)	(9,933)	3,597,581
<i>Reconciliation:</i>				
Interest and unallocated gains				99,309
Share of profits and losses of associates and a joint venture				7,584,980
Unallocated expenses				(303,355)
Profit before tax				10,978,515
Income tax expense				(1,336,911)
Profit for the period				9,641,604
Other segment information				
Depreciation and amortisation	369,643	23,300	20,213	413,156
Capital expenditure	488,130	8,005	70,586	566,721
Other non-cash expenses	–	–	125	125
As at 31 December, 2021 (Audited)				
Assets and liabilities				
Segment assets	32,524,755	11,773,056	1,644,265	45,942,076
<i>Reconciliation:</i>				
Investments in associates and a joint venture				14,266,396
Other unallocated assets				334,865
Total assets				60,543,337
Segment liabilities	9,698,257	11,312,596	820,704	21,831,557
<i>Reconciliation:</i>				
Other unallocated liabilities				982,757
Total liabilities				22,814,314

Notes to Interim Condensed Consolidated Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

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 2022 RMB' 000 (Unaudited)	31 December 2021 RMB' 000 (Audited)
Hong Kong	6,437,059	6,750,616
Mainland China	19,192,640	18,715,509
Others	1,072,052	336,080
	26,701,751	25,802,205

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.

Notes to Interim Condensed Consolidated Financial Information

3. REVENUE, OTHER INCOME AND OTHER (LOSSES)/ GAINS, NET

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, net is as follows:

	For the six months ended 30 June,	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of industrial products	14,951,060	14,073,648
Revenue from other sources	242,678	280,133
	15,193,738	14,353,781

	For the six months ended 30 June,	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	122,848	99,309
Dividend income	74	108
Government grants	45,217	11,369
Sale of scrap materials	2,660	16,379
Investment income	91,048	126,661
Others	28,970	72,609
	290,817	326,435

Notes to Interim Condensed Consolidated Financial Information

3. REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET (continued)

	For the six months ended 30 June,	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited and restated)
Other (losses)/gains, net		
Gain on disposal of items of property, plant and equipment	1,961	1,861
Gain on disposal of equity investment designated at fair value through profit or loss	25,113	39,356
Fair value gains, net		
Equity investments designated at fair value through profit or loss	(154,199)	19,618
Financial assets at fair value through profit or loss	12,864	–
Convertible bond embedded derivative component	24,604	22,050
Exchange gain, net	67,354	109,903
Loss on extinguishment of partial convertible bonds	(9,249)	–
	(31,552)	192,788

4. FINANCE COSTS

	For the six months ended 30 June,	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	111,719	84,458
Interest on convertible bonds	46,178	56,571
Interest on lease liabilities	8,438	6,194
Interest on loan from a related company	2,936	–
	169,271	147,223

Notes to Interim Condensed Consolidated Financial Information

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2022 RMB' 000 (Unaudited)	2021 RMB' 000 (Unaudited)
Cost of inventories sold	2,959,599	2,753,121
Depreciation of property, plant and equipment	353,592	375,721
Depreciation of investment properties	15,817	10,846
Depreciation of right-of-use assets	32,918	14,165
Amortization of intangible assets	6,345	12,424
Research and development costs	2,048,604	1,781,597
Gain on disposal of items of property, plant and equipment	(1,961)	(1,861)
Loss on disposal of items of property, plant and equipment	-	125
Share of profits and losses of associates and a joint venture	(503,155)	(7,584,980)
Bank interest income	(122,848)	(99,309)
Dividend income	(74)	(108)
Investment income	(91,048)	(126,661)
Loss on extinguishment of partial convertible bonds	9,249	-
Gain on disposal of equity investment designated at fair value through profit or loss	(25,113)	(39,356)
Fair value (gains)/loss, net:		
Equity investments at fair value through profit or loss	154,199	(19,618)
Financial assets at fair value through profit or loss	(12,864)	-
Convertible bond embedded derivative component	(24,604)	(22,050)
Auditors' remuneration	2,517	2,386
Staff cost (including directors' remuneration) in selling and distribution costs and administrative expenses:		
Wages and salaries	2,007,649	1,885,456
Pension contributions	477,062	427,580
Equity-settled share-based payments	29,723	-
	2,514,434	2,313,036
Foreign exchange differences, net	(67,354)	(109,903)
Accrual of impairment losses of trade receivables	3,801	5,554

Notes to Interim Condensed Consolidated Financial Information

6. INCOME TAX

	For the six months ended 30 June,	
	2022	2021
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China	481,175	738,397
Deferred tax	90,216	598,514
Total tax charge for the period	571,391	1,336,911

The Company incorporated in the Cayman Islands are not subject to income or capital gain tax under the law of the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The subsidiaries incorporated in the British Virgin Islands (“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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Belgium profits tax has been provided at a rate of 25% on the estimated assessable profits arising in Belgium during the period.

During the period ended 30 June, 2022, NJCTT, CT Tianqing, Beijing Tide, Jiangsu Fenghai, Jiangsu Qingjiang, Shanghai Tongyong, Qingdao Chai Tai and LYG Runzhong 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 Mainland China are subject to a corporate income tax rate of 25% in 2022.

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. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008 with 5% and 10%, respectively.

6. INCOME TAX (continued)

During the period ended 30 June, 2022, taxes related to the share of profits and losses of associates and a joint venture were amounted to approximately RMB48,868,000 (2021: RMB679,405,000).

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of an interim dividend of HK6 cents per ordinary share for the six months ended 30 June, 2022 (2021: HK4 cents). The interim dividend will be paid to shareholders on Wednesday, 28 September, 2022 whose names appear on the register of members of the Company on Friday, 9 September, 2022. For the purpose of determining shareholders who are qualified for the interim dividend, the register of members of the Company will be closed from Thursday, 8 September, 2022 to Friday, 9 September, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Wednesday, 7 September, 2022.

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 RMB1,921,037,000 (2021: approximately RMB8,480,340,000), and the weighted average number of ordinary shares of 18,658,823,689 (2021: 18,781,018,730) in issue during the period.

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.

Notes to Interim Condensed Consolidated Financial Information

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

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

	For the six months ended 30 June,	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	1,921,037	8,480,340
Interest on convertible bonds	46,178	56,571
Exchange gain on convertible bonds – debt component	(182,511)	(147,056)
Fair value gain on convertible bonds – derivative component	(24,604)	(22,050)
Profit attributable to ordinary equity holders of the parent before interest, exchange gain and fair value gain on convertible bonds	1,760,100	8,367,805
Number of shares		
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	18,658,823,689	18,781,018,730
Effect of dilution – weighted average number of ordinary shares:		
– Convertible bonds	463,918,295	507,979,051
	19,122,741,984	19,288,997,781

Notes to Interim Condensed Consolidated Financial Information

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June, 2022, the Group acquired assets at a cost of RMB626,972,000 (30 June, 2021: RMB585,607,000).

Assets with a net book value of RMB7,211,000 were disposed of by the Group during the six months ended 30 June, 2022 (30 June, 2021: Nil), resulting in a net gain on disposal of RMB1,961,000 (30 June, 2021: RMB1,736,000).

10. TRADE AND BILLS RECEIVABLES

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

	30 June, 2022 RMB' 000 (Unaudited)	31 December, 2021 RMB' 000 (Audited)
Current to 90 days	4,507,620	3,573,203
91 days to 180 days	319,070	547,008
Over 180 days	121,149	100,456
	4,947,839	4,220,667

11. CASH AND BANK BALANCES

	30 June, 2022 RMB' 000 (Unaudited)	31 December, 2021 RMB' 000 (Audited)
Cash and bank balances, unrestricted	4,212,456	6,213,974
Time deposits with original maturity of less than three months	1,852,986	3,385,563
Time deposits with original maturity of more than three months	1,702,850	969,275
Cash and bank balances	7,768,292	10,568,812

Notes to Interim Condensed Consolidated Financial Information

12. TRADE AND BILLS PAYABLES

An ageing 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, 2021 RMB' 000 (Audited)
Current to 90 days	2,126,294	1,073,974
91 days to 180 days	130,431	441,548
Over 180 days	419,748	177,630
	2,676,473	1,693,152

13. SHARE CAPITAL

	30 June, 2022 RMB' 000 (Unaudited)	31 December, 2021 RMB' 000 (Audited)
<i>Issued and fully paid:</i>		
18,815,194,230 ordinary shares of HK\$0.025 each (2021: 18,839,594,230 ordinary shares of HK\$0.025 each)	414,942	415,440

14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June, 2022 RMB' 000 (Unaudited)	31 December, 2021 RMB' 000 (Audited)
Contracted, but not provided for:		
– Land, plant and machinery	306,127	900,632
– Capital investments	1,411,548	10,335
	1,717,675	910,967

Notes to Interim Condensed Consolidated Financial Information

15. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions and outstanding balances with related parties during the period:

	For the six months ended 30 June,	
	2022	2021
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Associates:		
Sales of products (note i)	66,817	–
Selling and marketing service income (note (ii))	47,669	–
Purchases of products (note (ii))	70,476	–
Operating lease rental payable to:		
A company beneficially owned by a director (note (iii))	893	900
A company beneficially owned by a director (note (iii))	–	3,270
Consultancy fee receivable from:		
A company beneficially owned by related parties (note (iv))	–	667

Notes:

- (i) The sales to an associate was made according to the published prices and conditions offered to the major customers of the Group. The outstanding balance of amount due from the associate as at 30 June, 2022 is RMB Nil (31 December 2021: RMB64,572,000).
- (ii) During the six months ended 30 June, 2022, the Group provided selling and marketing service to an associate with reference to the market prices. Also, the Group made purchases from the associate according to the prices mutually agreed between both parties. The outstanding balance of the amount due from the associate and the amount due to the associate as at 30 June, 2022 were RMB283,437,000 (31 December 2021: RMB242,433,000) and RMB399,731,000 (31 December 2021: 101,532,000), respectively.
- (iii) Lease rentals were based on tenancy agreements entered into between the Group and each of the related parties with reference to the market prices.
- (iv) Consultancy fee was based on services agreement entered into between the Group and related parties with reference to the market prices.

Notes to Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June, 2022 RMB'000 (Unaudited)	31 December, 2021 RMB'000 (Audited)	30 June, 2022 RMB'000 (Unaudited)	31 December, 2021 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through profit or loss	271,088	405,206	271,088	405,206
Financial assets at fair value through profit or loss	7,635,448	4,250,533	7,635,448	4,250,533
Non-current: Financial assets at fair value through profit or loss	4,104,383	3,942,851	4,104,383	3,942,851
Equity investments designated at fair value through other comprehensive income	1,674,255	1,988,238	1,674,255	1,988,238
Bills receivables	540,833	971,548	540,833	971,548
	14,226,007	11,558,376	14,226,007	11,558,376
Financial liabilities				
Interest-bearing bank borrowings	8,381,910	6,933,902	8,387,034	6,936,114
Derivative financial liabilities	117,363	–	117,363	–
Contingent consideration	220,738	227,983	220,738	227,983
Convertible bonds-debt component	3,229,494	4,799,189	3,253,168	5,150,328
Convertible bonds-embedded derivative components	84,477	152,797	84,477	152,797
	12,033,982	12,113,871	12,062,780	12,467,222

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the listed equity investments are based on quoted market prices.

Notes to Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June, 2022 (Unaudited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through profit or loss	271,088	–	–	271,088
Financial assets at fair value through profit or loss	–	7,635,448	–	7,635,448
Non-current: Financial assets at fair value through profit or loss	–	–	4,104,383	4,104,383
Equity investments at fair value through other comprehensive income	406,526	–	1,267,729	1,674,255
Bills receivables	–	540,833	–	540,833

As at 31 December, 2021 (Audited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through profit or loss	405,206	–	–	405,206
Financial assets at fair value through profit or loss	–	4,250,533	–	4,250,533
Non-current: Financial assets at fair value through profit or loss	–	–	3,942,851	3,942,851
Equity investments at fair value through other comprehensive income	812,391	–	1,175,847	1,988,238
Bills receivables	–	971,548	–	971,548

Notes to Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

As at 30 June, 2022 (Unaudited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial liabilities	–	117,363	–	117,363
Contingent consideration	–	–	220,738	220,738
Convertible bonds – Embedded derivative components	–	–	84,477	84,477

As at 31 December, 2021 (Audited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration	–	–	227,983	227,983
Convertible bonds – Embedded derivative components	–	–	152,797	152,797

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in Level 2.

The fair value of the convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair values of unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non-current) at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the derivative component of convertible bonds has been estimated using the binominal option pricing model.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(c) Financial instruments in Level 3 (continued)

The recurring fair value measurement for the Group's financial assets and financial liabilities at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 30 June, 2022. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation techniques	Significant unobservable inputs
Financial assets		
Financial assets at fair value through profit or loss	Discounted cash flow method	Expected return rate
Bills receivables held both to collect cash flows and to sell	Discounted cash flow method	Discount rate per annum
Unlisted equity investments, at fair value	Valuation multiples	Average P/B or P/E multiple of peers
Financial Liabilities		
Contingent consideration	Discounted cash flow method	Profit forecasting
Convertible bonds-Embedded derivative components	Binominal option pricing model	Expected volatility Risk-free rate

During the period, there were no transfers of fair value measurements among Level 1, Level 2 and Level 3.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Notes	Capacity/ Nature of interest	Number of shares held, capacity and nature of interest			Approximate percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations	Total	
Ms. Tse, Theresa Y Y	(1)	Beneficial owner	-	2,279,254,761	2,279,254,761	12.11%
Mr. Tse Ping	(2)	Beneficial owner	161,618,000	1,459,785,124	1,621,403,124	8.62%
Ms. Cheng Cheung Ling	(3)	Beneficial owner	205,034,750	675,000,000	880,034,750	4.68%
Mr. Tse, Eric S Y	(4)	Beneficial owner	-	4,050,000,000	4,050,000,000	21.53%
Mr. Tse Hsin		Beneficial owner	174,247,000	-	174,247,000	0.93%
Mr. Li Yi	(5)	Beneficial owner	6,572,623	-	6,572,623	0.03%
Dr. Li Kwok Tung Donald		Beneficial owner	71,000	-	71,000	0.00%

Notes:

- (1) Ms. Tse, Theresa Y Y held 2,279,254,761 shares of the Company through France Investment (China 1) Group Limited, 91.33% of the issued share capital of which is owned by Ms. Tse, Theresa Y Y.
- (2) Mr. Tse Ping held 1,459,785,124 shares of the Company through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.
- (3) Ms. Cheng Cheung Ling held 675,000,000 shares of the Company through Chia Tai Bainian Holdings Limited, the entire issued share capital of which is owned by Ms. Cheng Cheung Ling.
- (4) Mr. Tse, Eric S Y held 2,362,500,000 and 1,687,500,000 shares of the Company through Thousand Eagles Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Mr. Tse, Eric S Y.
- (5) Mr. Li Yi resigned as a Director and the Chief Executive Officer of the Company, with effect from 28 July, 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Long position in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Hsin	CT Tianqing	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Saved as disclosed above, as at 30 June, 2022, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 30 June, 2022, the following persons (not being Directors or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Thousand Eagles Limited	(1)	Beneficial owner	2,362,500,000	12.56%
France Investment (China 1) Group Limited	(2)	Beneficial owner	2,279,254,761	12.11%
Remarkable Industries Limited	(1)	Beneficial owner	1,687,500,000	8.97%
Validated Profits Limited	(3)	Beneficial owner	1,459,785,124	7.76%

Notes:

- (1) Each of Thousand Eagles Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse, Eric S Y.
- (2) France Investment (China 1) Group Limited is an investment holding company owned as to 91.33% by Ms. Tse, Theresa Y Y.
- (3) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.

Save as disclosed above, as at 30 June, 2022, no person (not being Directors or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

2013 SHARE OPTION SCHEME

On 28 May, 2013, the shareholders of the Company approved the adoption of the 2013 Share Option Scheme, which is in force for 10 years from that date, for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of shares of the Company ("Shares") in respect of which options may be granted under the 2013 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the issued share capital of the Company as at the date of adoption of the 2013 Share Option Scheme.

The total number of Shares issued and to be issued upon exercise of options granted under the 2013 Share Option Scheme and any other share option scheme of the Company to each participant, including cancelled, exercised and outstanding options, in any 12-month period up to the date of grant, shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. Where any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of Shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2013 Share Option Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue and (ii) having an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK\$5 million, such further grant of options must be approved by shareholders in a general meeting.

Any change in the terms of the share options granted to a substantial shareholder of the Company or any independent non-executive director, or any of their respective associates, must be approved by shareholders in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2013 Share Option Scheme at any time during a period to be determined on the date of offer of grant of a share option and notified to each grantee by the directors. The exercise period may commence once the offer of the grant is accepted by the grantee and shall end in any event not later than 10 years from the date grant of the share option.

Other Information

2013 SHARE OPTION SCHEME *(continued)*

The exercise price of the share options under the 2013 Share Option Scheme shall be a price determined by the Board but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer of the grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options had been granted under the 2013 Share Option Scheme since its adoption.

2018 SHARE AWARD SCHEME

The Company has adopted the 2018 Share Award Scheme on 5 January, 2018 (the "Adoption Date"), pursuant to which existing Shares will be purchased by the trustee from the market out of cash contributed by the Group and be held on trust for the participants selected by the Board (the "Selected Participants") until such Shares are vested in accordance with the terms of the 2018 Share Award Scheme. The purpose and objective of the 2018 Share Award Scheme are to recognize the contributions made by the Selected Participants and to give incentive to retain and encourage the Selected Participants for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at its absolute discretion determine the number of restricted Shares to be granted and select any participant to be a Selected Participant with such vesting conditions as it may deem appropriate under the 2018 Share Award Scheme. Participants of the 2018 Share Award Scheme include the directors and employees of the Company and any of its subsidiaries and other persons permitted by the 2018 Share Award Scheme.

The maximum number of Shares which the trustee may purchase with funds contributed by the Group (the "Scheme Limit") shall not exceed 3% of the total issued share capital of the Company as at the Adoption Date. On 26 April, 2022, the Board resolved that the Scheme Limit be refreshed to 3% of the total issued share capital of the Company as at the date of resolutions, in order to reflect the fact that the number of Shares has increased significantly upon completion of two bonus issues of Shares each on the basis of one bonus Share for every two then existing Shares since the Adoption Date. The 2018 Share Award Scheme shall terminate upon the expiry of the period of 10 years from the Adoption Date.

2018 SHARE AWARD SCHEME *(continued)*

On 13 June, 2022, the Company granted 8,577,623 restricted Shares in aggregate to a total of nine Selected Participants at nil consideration under the 2018 Share Award Scheme. The restricted Shares vested immediately on the date of grant. Among the restricted Shares granted, 6,342,623 Shares were granted to Mr. Li Yi who was then an executive Director. The grant of Restricted Shares to Mr. Li Yi constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, the grant of such Restricted Shares to Mr. Li Yi was made as a part of his remuneration package pursuant to the employment agreement entered into by the Company with Mr. Li Yi, and accordingly, was exempt from reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules. Saved as disclosed above, no Shares have been awarded to any Selected Participants pursuant to the 2018 Share Award Scheme since the Adoption Date.

As at 30 June, 2022, 332,617,877 Shares were held on trust by the trustee under the 2018 Share Award Scheme.

CONVERTIBLE BONDS

On 17 February, 2020, the Company completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 ("Convertible Bonds") by way of debt issues to professional investors only. The net proceeds from the Convertible Bonds are used by the Group for research and development expenditure, construction of manufacturing facilities, sales and marketing and general corporate purposes.

During the six months ended 30 June, 2022, Convertible Bonds having an aggregate principal amount of EUR222,768,000 were repurchased and cancelled by the Company in accordance with the terms and conditions of the Convertible Bonds, with principal amount of EUR489,732,000 of the Convertible Bonds remained outstanding at the period end. Following the payments of dividends by the Company during years 2021 and 2022, the conversion price of the Conversion Bonds was further adjusted from HK\$12.56 to HK\$12.41 per Share under the terms and conditions of the Convertible Bonds during the review period. The maximum number of Shares issuable by the Company upon conversion of all the outstanding Convertible Bonds amounted to 339,888,214 Shares at the period end while no conversion had ever been made up to that date.

Other Information

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, 2022 except for the deviation from Code Provisions F.2.2 and C.1.6 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 two INEDs participated in the AGM held on 6 June, 2022 by electronic means, although they were not counted towards the quorum of the meeting due to restrictions of the then effective articles of association of the Company on holding general meetings as hybrid or electronic meetings. The other two INEDs were unable to attend the AGM due to their other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, it was confirmed that for the six months ended 30 June, 2022, all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 1 December, 2021, the Company as borrower entered into a facility agreement (the “2021 Facility Agreement”) with certain financial institutions for the grant of senior term loan and revolving credit facilities in an aggregate amount of USD1,000,000,000. Pursuant to the terms of the 2021 Facility Agreement, the Company has undertaken, among others, to ensure that certain shareholdings in the Company and control on the Board will be retained by Mr. Tse Ping, Ms. Cheng Cheung Ling, Ms. Tse, Theresa Y Y, and Mr. Tse, Eric S Y, all being Directors and/or substantial shareholders of the Company, and their respective family members. Details of these performance covenants were disclosed in the announcement of the Company dated 1 December, 2021.

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

During the six months ended 30 June, 2022, 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. The Audit Committee is comprised of four 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 period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June, 2022, the Company bought back 21,400,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$94 million before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share		Consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February	5,500,000	5.21	5.21	28,655,000
April	11,000,000	4.31	4.14	46,613,000
May	4,900,000	3.90	3.88	19,109,020

Pursuant to the rules of the 2018 Share Award Scheme, the trustee of the scheme purchased on the Stock Exchange a total of 215,765,000 Shares at a total consideration of approximately HK\$882,405,000 during the review period.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the review period.

FORWARD LOOKING STATEMENTS

Certain statements contained in this report may be viewed as "forward-looking statements" with respect to the business outlook, financial performance estimates, and business operations forecast of the Group. These forward-looking statements are based on the current beliefs, assumptions, and expectations of and the information currently available to the Board and the Company, and therefore involve risks and uncertainties. Actual outcome may differ materially from the forecasts and expectations in such forward-looking statements. The Company assume no obligation to update the forward-looking statements contained in this report. In light of the above risks and uncertainties, shareholders of the Company and potential investors should not place undue reliance on such statements.

Other Information

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises eight Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, 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 Dr. Li Kwok Tung Donald.

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

Hong Kong, 23 August, 2022