Sinco Pharmaceuticals Holdings Limited
兴科蓉医药控股有限公司
(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 6833)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 18.8% or RMB100.9 million to RMB636.3 million for the Reporting Period (for the six months ended 30 June 2019: RMB535.4 million), among which revenue from sales of human albumin solution increased by approximately RMB141.6 million, and revenue from sales of antibiotics and other products decreased by approximately RMB40.7 million.

- Gross profit of the Group increased by RMB17.7 million to RMB108.6 million for the Reporting Period (for the six months ended 30 June 2019: RMB90.9 million), while gross profit margin increased from 17.0% to 17.1%.

- During the Reporting Period, the Group recorded net profit of RMB32.5 million (for the six months ended 30 June 2019: RMB15.2 million), which was mainly due to the increase in the Group's gross profit as compared with the corresponding period of 2019.

- During the Reporting Period, net profit attributable to owners of the Company amounted to RMB32.5 million (for the six months ended 30 June 2019: RMB15.2 million), representing an increase in net profit by RMB17.3 million.

- Basic earnings per share amounted to RMB0.019 for the Reporting Period (basic earnings per share for the six months ended 30 June 2019: RMB0.009).

- The Board resolved not to declare any interim dividend for the Reporting Period (for the six months ended 30 June 2019: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sinco Pharmaceuticals Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2019, and the restated comparative figures as at 31 December 2019. The restatement is due to the prior year adjustments the details of which have been disclosed in note 2.3 of the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**636,306**	535,441
Cost of sales		**(527,727)**	(444,514)
Gross profit		**108,579**	90,927
Other income and gains	*4*	**5,785**	13,297
Selling and distribution expenses		**(61,329)**	(44,469)
Administrative expenses		**(20,145)**	(21,008)
Reversal of/(provision for) impairment loss on trade receivables	*6*	**1,819**	(5,624)
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets	*6*	**438**	–
Other expenses		**(3,766)**	(1,120)
Finance costs	*5*	**(1,215)**	(10,213)
PROFIT BEFORE TAX	*6*	**30,166**	21,790
Income tax (expense)/credit	*7*	**2,286**	(6,584)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**32,452**	15,206

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Attributable to:			
Owners of the Company		**32,452**	15,207
Non-controlling interests		**–**	(1)
		32,452	15,206
Earnings per share attributable to ordinary equity holders of the Company:			
– Basic and diluted (RMB)	*8*	**0.019**	0.009

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**192,316**	196,993
Investment property	*9*	**7,043**	7,133
Right-of-use assets	*10(a)*	**470**	1,041
Intangible assets	*9*	**33**	45
Payments in advance	*11*	**674**	508
Deferred tax assets	*12*	**164**	721
Total non-current assets		**200,700**	206,441
Current assets			
Inventories	*13*	**268,238**	259,266
Trade and bills receivables	*14*	**96,787**	30,710
Prepayments, deposits and other receivables	*11*	**12,433**	109,181
Other financial assets measured at amortised cost		**–**	1,990
Pledged bank balances		**37,274**	5,001
Cash and cash equivalents		**86,004**	219,755
Total current assets		**500,736**	625,903
Current liabilities			
Trade payables	*15*	**163,025**	300,466
Contract liabilities	*16*	**72,044**	38,582
Other payables and accruals	*17*	**244,743**	116,876
Interest-bearing bank and other loans	*18*	**93,984**	187,484
Lease liabilities	*10(b)*	**537**	1,022
Tax payable		**2,384**	11,361
Total current liabilities		**576,717**	655,791

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Restated)
NET CURRENT LIABILITIES		**(75,981)**	(29,888)
Total assets less current liabilities		**124,719**	176,553
NON-CURRENT LIABILITIES			
Other payables	*17*	**45,745**	130,107
Lease liabilities	*10(b)*	**230**	154
Total non-current liabilities		**45,975**	130,261
Net assets		**78,744**	46,292
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*19*	**136**	136
Reserves		**79,516**	47,064
		79,652	47,200
Non-controlling interests		**(908)**	(908)
Total equity		**78,744**	46,292

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE AND GROUP INFORMATION

Sinco Pharmaceuticals Holdings Limited is a limited liability company incorporated in the Cayman Islands on 16 March 2015. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 3105, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

During the six months ended 30 June 2020 (the "**Period**"), the Group were principally engaged in marketing, promotion and channel management services for improved human plasma-based pharmaceuticals, antibiotics and other pharmaceuticals focused on therapeutic areas complementary to human plasma-based products and other fast-growing categories in Mainland China. There were no significant changes in the nature of the Group's principal activities during the Period.

In the opinion of directors of the Company (the "**Directors**"), Risun Investments Limited ("**Risun**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the parent and the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The unaudited interim condensed 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 financial statements for the year ended 31 December 2019.

Going concern basis

As at 30 June 2020, the Group had net current liabilities of RMB75,981,000 (31 December 2019: RMB29,888,000).

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

(a) As at 23 July 2020, the Group had unutilised banking facility of RMB50.0 million valid from 23 July 2020 to 9 July 2021. Meanwhile, the Group is actively exploring the availability of alternative sources of financing;

(b) The Group is actively strengthening its business models to improve its cash flows from operating activities by increasing the sales of additional Human Albumin Solution to more distributors and negotiate for better credit terms with both suppliers and customers. In addition, a distributor has committed to provide an interest-free deposit of RMB100,000,000 to the Group, of which RMB50,000,000, RMB30,000,000 and RMB17,000,000 have been received in June 2020, July 2020 and August 2020, respectively. The remaining amount of RMB3,000,000 is expected to be received by the end of August 2020. The interest-free deposit will be refunded by the Group to the distributor by three instalments, of which RMB50,000,000, RMB30,000,000 and RMB20,000,000 would be repaid on May 2022, June 2022 and July 2022, respectively.

The Directors of the Company have critically reviewed the Group's cash flow forecast which covers a period of twelve months from the end of the Period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2020 on a going concern basis.

Should the going concern assumption for whatever reason or as a result of changing circumstances, becomes inappropriate, necessary accounting adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to accrue or make provisions for additional liabilities, including contingent liabilities that may arise under such circumstances, and accordingly, may reclassify non-current assets as current assets at realisable values, as the case may be.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of this unaudited interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following amendments to a number of International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 ("**Covid-19**") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced by the lessors as a result of the Covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB66,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and the corresponding right-of-use assets for the period ended 30 June 2020.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed financial information.

2.3 CORRECTION OF PRIOR PERIOD ERRORS

With a review of financial statements presentation, the Directors of the Company decided to restate certain items in consolidated statement of financial position as at 31 December 2019. The effects of the prior period adjustments on the Group's interim condensed financial information for the six months ended 30 June 2020 are summarised as follows:

As at 31 December 2019

	As previously stated	Prior period adjustments			As restated
		(a)	(b)	(c)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payments in advance – non-current	3,665	–	–	(3,157)	508
Inventories	250,963	–	8,303	–	259,266
Prepayments, deposits and other receivables	46,108	67,565	(4,492)	–	109,181
Trade payables	146,158	154,308	–	–	300,466
Other payables and accruals – current	137,764	(20,888)	–	–	116,876
Other payables – non-current	195,962	(65,855)	–	–	130,107
Reserves	46,410	–	3,811	(3,157)	47,064

Notes:

(a) During the year ended 31 December 2019, the Group commenced to engage certain import agents to deal with the Group's import of pharmaceutical products, including import services and issuance of letter of credit to the Group for its endorsement to overseas suppliers. The relevant imported pharmaceutical products covered by the letters of credit are pledged to the import agents as securities. The pledge of pharmaceutical products can be released when the Group makes full payment to the import agents. Upon the settlement of letter of credit by import agents, the Group reclassifies the settled amounts from trade payables to other payables due to import agents. As at 31 December 2019, the Group has outstanding letters of credit not yet settled with overseas suppliers amounting to RMB154,308,000; and the Group made a payment of RMB67,565,000 to import agents as deposits for outstanding letter of credit for the release of pledged pharmaceutical products. The Group incorrectly reclassified trade payables to other payables amounting to RMB86,743,000 and offset trade payables against other receivables of RMB67,565,000 as at 31 December 2019.

Therefore, the effect of correcting the above errors resulting in:

(i) an increase in prepayment, deposit and other receivables of RMB67,565,000;

(ii) an increase in trade payable of RMB154,308,000; and

(iii) a decrease in other payables of RMB86,743,000, of which RMB65,855,000 are classified under non-current liabilities.

(b) As at 31 December 2019, the Group charged transportation costs attributable to unsold inventories to profit and loss amounted to RMB3,811,000. In addition, there was a purchase cut off error of inventories, which led to an overstatement of prepayment amounting to RMB4,492,000 as at 31 December 2019.

Therefore, the effect of correcting the above errors resulting in:

(i) An increase in inventories of RMB8,303,000;

(ii) A decrease in prepayment, deposits and other receivable of RMB4,492,000; and

(iii) An decrease in cost of sales and a corresponding increase in reserves, of RMB3,811,000.

(c) As at 31 December 2019, there was a payment in advance in respect of rights for the use of certain technical knowhow with gross balance before impairment amounted to RMB6,907,000. According to the Group's impairment test made on the payment in advance as at 31 December 2019, full impairment loss should be required, but only RMB3,750,000 were recognised in profit or loss for the year ended 31 December 2019.

Therefore, the effect of correcting the above error would result in an increase in an impairment loss for the year ended 31 December 2019/ a decrease in reserves as at 31 December 2019, of RMB3,157,000 with a corresponding decrease in "Payments in advance" as at 31 December 2019.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold.

The Group's revenue and contribution to profit are mainly derived from its sale of human albumin solution, antibiotics and other pharmaceutical products focused on therapeutic areas complementary to human plasma-based products and other fast-growing categories in Mainland China, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Sale of pharmaceutical products	**636,306**	535,441

Revenue from contracts with customers:

(i) ***Disaggregated revenue information***

	For the six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Types of pharmaceutical products:				
Human albumin solution	**503,091**	**79.1**	361,505	67.5
Antibiotics (Axetine and Medocef)	**133,215**	**20.9**	171,869	32.1
Others (Taurolite and Diphereline)	**–**	**–**	2,067	0.4
Total revenue from contracts with customers	**636,306**	**100.0**	535,441	100.0

Geographical market

All revenue from contracts with customers of the Group during the reporting period was attributable to customers located in Mainland China, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in Mainland China.

Timing of revenue recognition

All revenue from contracts with customers of the Group for the reporting period is recognised when goods are transferred at a point in time.

Information about major customers

Revenue derived from major customers accounting for 10% or more of the total revenue is set out below:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	*	104,933
Customer B	*	59,869

* Less than 10% of the total revenue

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Imputed discount on deposit received	**4,255**	–
Gain on derecognition of financial assets measured at amortised cost	**366**	–
Service income	**647**	12,492
Bank interest income	**196**	83
Government grants*	**177**	691
Others	**144**	31
	5,785	13,297

* There were no unfulfilled conditions or contingencies relating to the government grants.

5. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other loans	**1,147**	10,058
Interest on lease liabilities	**68**	22
Interest on discounted bills receivable	**–**	133
	1,215	10,213

6. PROFIT BEFORE TAX

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

	Notes	**For the six months ended 30 June** **2020** ***RMB'000*** **(Unaudited)**	2019 *RMB'000* (Unaudited)
Cost of inventories sold		**527,727**	444,514
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**4,761**	4,618
Welfare and other benefits		**3,553**	148
Reversal of equity-settled share option expenses		**–**	(50)
Pension scheme contributions			
– Defined contribution fund		**232**	713
Housing fund			
– Defined contribution fund		**232**	242
Total employee benefit expense		**8,778**	5,671
Depreciation of investment property	*9*	**90**	29
Depreciation of items of property, plant and equipment			
– Owned property, plant and equipment	*9*	**4,632**	4,679
– Right-of-use asset	*10(a)*	**505**	474
Amortisation of intangible assets	*9*	**12**	56
Amortisation of decoration cost		**120**	–
Provision for/(reversal of) impairment losses on trade receivables, net	*14*	**(1,819)**	5,624
Reversal of impairment loss on financial assets included in prepayments, deposits and other receivables		**(438)**	–
Write-down of inventories to net realisable value		**563**	–
Research expenses		**443**	387
Foreign exchange losses		**2,398**	618
Lease payments not included in the measurement of lease liabilities		**129**	124
Auditors' remuneration		**950**	400

7. INCOME TAX

The major components of income tax expense/(credit) are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax in Mainland China for the Period	**2,156**	2,493
Corporate income tax in Hong Kong for the Period	**–**	551
Adjustments in respect of current tax of previous years	**(4,999)**	4,952
Deferred tax:		
Deferred tax in Mainland China for the Period *(note 12)*	**557**	(1,412)
Total tax expense/(credit) for the Period	**(2,286)**	6,584

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(b) No provision for Hong Kong profits tax has been made as the Group's subsidiary in Hong Kong has accumulated tax losses brought forward which exceed the estimated assessable profit for the six months ended 30 June 2020. The subsidiary of the Group located in Hong Kong was liable to corporate income tax at a rate of 16.5% on the assessable profits generated for the six months ended 30 June 2019.

(c) The subsidiaries of the Group located in Mainland China were liable to the People's Republic of China ("**PRC**") corporate income tax ("**CIT**") at a rate of 25% on the assessable profits generated for the six months ended 30 June 2020 and 2019.

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

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the Period of RMB32,452,000 (six months ended 30 June 2019: RMB15,207,000), and the weighted average number of ordinary shares of 1,691,890,585 (for the six months ended 30 June 2019: 1,691,890,585) in issue during the Period.

For the six months ended 30 June 2020 and 2019, diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of the option was higher than the average market price per share.

9. INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Movements in investment property, other property, plant and equipment and intangible assets during the Period are as follows:

	Investment property *RMB'000*	Other Property plant and equipment *RMB'000*	Intangible assets *RMB'000*
Carrying amount at 1 January 2020	7,133	196,993	45
Additions	–	9	–
Depreciation charged for the Period/amortisation for intangible assets for the Period *(note 6)*	(90)	(4,632)	(12)
Disposal	–	(54)	–
Carrying amount at 30 June 2020 (unaudited)	7,043	192,316	33

As at 30 June 2020, the Group's buildings with a net carrying amount of approximately RMB84,964,000 (31 December 2019: RMB86,622,000) were erected on the land where the Group was still in the process of applying for the land use rights certificate. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as of 30 June 2020.

As at 30 June 2020, the Group's other property with a net carrying amount of RMB71,398,000 (31 December 2019: RMB72,730,000) were pledged to secure its bank loans (note 18).

The Group's investment property and other property, plant and equipment are situated in Mainland China and held under medium lease terms and long lease terms.

10. LEASES

The Group as a lessee

The Group has lease contracts for office premises and warehouse used in its operations. In 2017 and 2018, the Group entered into certain long-term lease contracts for items of office premises. Lump sum payments were made yearly upfront to acquire the certain leased office premise with lease periods of five years, and no ongoing payments will be made under the terms of the lease after the payments. For other leases, the payments were made monthly, quarterly and semi-annually. Leases of office premises have lease terms between 1 and 5 years. Leases of a warehouse has lease terms within one year. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) ***Right-of-use assets***

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Office premises *RMB'000*
As at 1 January 2020	1,041
Decrease as a result of Covid-19-related rent concessions	(66)
Depreciation charge *(note 6)*	(505)
As at 30 June 2020 (unaudited)	470

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the reporting period are as follows:

	RMB'000
Carrying amount at 1 January 2020	1,176
Derecognised as a result of Covid-19-related rent concessions	(66)
Accretion of interest recognised during the period *(note 5)*	68
Payments	(411)
Carrying amount at 30 June 2020 (unaudited)	767
Analysed into:	
Current portion	537
Non-current portion	230

The total cash outflow for leases included in the statement of cash flows is within financing activities.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Six months ended on 30 June 2020 ***RMB'000*** **(unaudited)**
Interest on lease liabilities *(note 5)*	**68**
Depreciation charge of right-of-use assets	**505**
Expense relating to short-term leases and the leases with remaining lease terms ended on or before 30 June 2020 (included in administrative expenses) *(note 6)*	**129**
Total amount recognised in profit or loss (unaudited)	**702**

11. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Restated)
Current portion:		
Prepayments in respect of:		
– purchase of inventories	**950**	7,843
– consultation service fee	**294**	202
– others	**947**	1,718
Deposit:		
– issuance of letter of credit	**4,164**	67,565
– others	**404**	4,803
Value-added tax recoverable	**3,827**	26,657
Amount due from related parties *(note 22 (b))*	**616**	447
Other receivables in respect of:		
– staff advances	**660**	418
– others	**605**	–
	12,467	109,653
Less: Allowance for credit losses	**(34)**	(472)
	12,433	109,181
Non-current portion:		
Prepayments in advance in respect of:		
– prepaid office decoration	**674**	508
	13,107	109,689

12. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Period are as follows:

	RMB'000
At 1 January 2020	721
Deferred tax derecognised in Mainland China during the Period *(note 7)*	(557)
At 30 June 2020 (unaudited)	164

Deferred tax assets have not been recognised in respect of the tax losses arisen in subsidiaries that have been loss making as it was not considered probable that tax profits would be available against which the tax losses can be utilised.

13. INVENTORIES

At the end of the Period, all inventories represented purchased pharmaceutical products.

At 30 June 2020, the Group's inventories with a carrying amount of RMB264,613,000 (31 December 2019: RMB224,916,000) were pledged to secure the Group's other payables (note 17).

14. TRADE AND BILLS RECEIVABLES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000*
Trade receivables	**54,909**	28,412
Impairment	**(622)**	(2,441)
Trade receivables, net of impairment	**54,287**	25,971
Bills receivable*	**42,500**	4,739
	96,787	30,710

* The above bills receivable at 30 June 2020 and 31 December 2019 were classified as financial assets at fair value through profit or loss as they were held for endorsement or discounting.

The Group grants credit terms ranging from 45 days to 60 days to customers after the delivery of goods, except for certain customers who make payments in advance prior to delivery of goods. The Group maintains strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. Trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade receivables as at the end of the Periods, based on the invoice date, is as follows:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000*
Within 3 months	**47,114**	26,476
Over 3 months	**7,795**	1,936
	54,909	28,412

The movements in the loss allowance for impairment of trade receivables are as follows:

	RMB'000
As at 1 January 2019	1,115
Provision of impairment losses, net	1,326
As at 31 December 2019	2,441
As at 1 January 2020	2,441
Provision of impairment losses, net *(note 6)*	(1,819)
As at 30 June 2020 (unaudited)	622

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2020

	Current	**1 to 90 days past due**	**More than 90 days past due**	**Total**
Expected credit loss rate	**0.32%**	**2.10%**	**100%**	
Gross carrying amount *(RMB'000)*	**46,776**	**7,706**	**427**	**54,909**
*Settlement by letters of credit *(RMB'000)*	**(36,442)**	**–**	**–**	**(36,442)**
	10,334	**7,706**	**427**	**18,467**
Expected credit losses *(RMB'000)*	**33**	**162**	**427**	**622**

* Certain trade receivables amounting to RMB36,442,000 was guaranteed by letter of credit issued by reputable banks, which was not past due as at 30 June 2020.

As at 31 December 2019

	Current	**1 to 90 days past due**	**More than 90 days past due**	**Total**
Expected credit loss rate	0.96%	25.16%	100%	
Gross carrying amount *(RMB'000)*	20,770	7,215	427	28,412
Expected credit losses *(RMB'000)*	199	1,815	427	2,441

As at 30 June 2020, the Group did not discount any bills receivable accepted by banks in the PRC and as at 30 June 2019, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB8,361,000 (the "**Derecognised Bills**"). All of the Derecognised Bills had been accepted by Bank of China, Bank of Communications and Industrial Bank Co., Ltd., all of which are reputable banks in the PRC and had a maturity of one to two months as at 30 June 2019. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Period, the Group has recognised interest expenses of Nil (six months ended 30 June 2019: RMB133,000) *(note 5)* on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the Period or cumulatively. The discounting has been made evenly throughout the Period.

15. TRADE PAYABLES

An ageing analysis of the trade payables as of 30 June 2020 and 31 December 2019, based on the invoice date or issuance date, where appropriate, is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Restated)
Within 3 months	**100,749**	294,574
Over 3 months	**62,276**	5,892
	163,025	300,466

The trade payables of the Group are non-interest-bearing and are normally settled within 270 days (31 December 2019: 270 days).

16. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2019 and 30 June 2020. The balance of contract liabilities is expected to be recovered/settled within one year.

Movements in the contract liabilities balances during the six months ended 30 June 2020 are as follows:

	RMB'000
Carrying amount at 31 December 2019 and 1 January 2020	38,582
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(8,297)
Consideration received from customers, excluding amounts recognised as revenue during the Period	41,759
Carrying amount at 30 June 2020 (unaudited)	72,044

17. OTHER PAYABLES AND ACCRUALS

	Notes	**30 June 2020** ***RMB'000*** **(Unaudited)**	31 December 2019 *RMB'000* (Restated)
Current portion:			
Payables related to:			
– Payroll and welfare payable		**476**	605
– Property, plant and equipment		**1,312**	1,312
– Deposits received	*(a)*	**4,121**	7,532
– Consultation professional fees		**950**	19,122
– Other tax payables		**699**	786
– Import agent contracts	*(c)*	**233,258**	63,165
– Interest payable		**–**	23,181
– Others		**3,927**	1,173
		244,743	116,876
Non-current portion:			
Payables related to:			
– Deposits received	*(b)*	**45,745**	–
– Import agent contracts	*(c)*	**–**	130,107
		290,488	246,983

Notes:

(a) The balances represented refundable deposits received from the Group's distributors according to the sales contracts in order to guarantee their performance under the distribution agreements.

(b) The balances as at 30 June 2020 mainly represented the payables related to deposits received from a distributor which has committed to provide an interest-free deposit of RMB100,000,000 to the Group, of which RMB50,000,000 have been received in June 2020 and would be repaid in May 2022.

(c) The balances as at 30 June 2020 mainly represented the payables to four (31 December 2019: two) independent third parties, which are principally engaged in import agent services, for its settlement of part of purchase of pharmaceutical products on behalf of the Group together with the service charge for the import and logistics services. Such payables were secured by inventories with a carrying amount of RMB264,613,000 (31 December 2019: RMB224,916,000) *(note 13)*.

18. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**30 June 2020 *RMB'000* (Unaudited)**	31 December 2019 *RMB'000*
Bank loans repayable within one year:			
Secured, pledged and guaranteed	*(a)*	**93,984**	47,484
Other loans repayable within one year:			
Secured and guaranteed	*(b)*	**–**	140,000
		93,984	187,484

Notes:

(a) The Group's bank loans and other borrowings are secured and guaranteed as follows:

(i) At 30 June 2020, the bank loan of RMB39,264,000 (31 December 2019: RMB38,484,000) was secured by part of the Group's other property of RMB61,166,000 (31 December 2019: RMB62,410,000) and guaranteed by the Company and its subsidiaries including Chengdu Sinco Pharmaceutical Technology Co., Ltd., Xizang Linzhi Ziguang Pharmaceuticals Co., Ltd., and Qingdao Ruichi Pharmaceuticals Co., Ltd.

(ii) At 30 June 2020, the bank loan of RMB9,000,000 (31 December 2019: RMB9,000,000) was secured by part of the Group's other property of RMB10,232,000 (31 December 2019: RMB10,320,000) and guaranteed by Mr. Huang Xiangbin.

(iii) At 30 June 2020, the bank loan of RMB8,850,000 is guaranteed by Mr. Huang Xiangbin and Chengdu Sinco Pharmaceutical Technology Co., Ltd.

(iv) At 30 June 2020, the bank loans of RMB36,870,000 is pledged by the structured deposit amounting to RMB37,274,000.

(b) At 31 December 2019, other borrowings of RMB140,000,000 is secured by 1,049,990,000 issued ordinary shares of the Company held by Risun and guaranteed by Mr. Huang Xiangbin.

(c) As at the end of the Period, the Group's bank loans amounting to RMB57,114,000 are denominated in RMB, and bank loans amounting to RMB36,870,000 are denominated in USD.

(d) All of the Group's bank loans and other borrowings as at the end of the Period are interest-bearing at fixed rates ranging from 1.94% to 5.64% (31 December 2019: interest-bearing at fixed rates ranging from 4.80% to 5.64%).

19. SHARE CAPITAL

Shares

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000*
Authorised:		
10,000,000,000 (31 December 2019: 10,000,000,000) ordinary shares of HK$0.0001 each	**822**	822
Issued and fully paid:		
1,691,890,585 (31 December 2019: 1,691,890,585) ordinary shares of HK$0.0001 each	**136**	136

20. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the development of the Group. Eligible participants of the Share Option Scheme are employees (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the "**Invested Entity**"), including directors (including independent non-executive directors) and senior management of the Company, its subsidiaries and any Invested Entity. The Share Option Scheme was approved by the Company's shareholders on 1 February 2016 and became effective upon the listing of the Company and, unless otherwise cancelled or amended, will remain in force for 10 years from 1 February 2016. Please refer to the 2016 annual report of the Company for details.

The following share options were outstanding under the Share Option Scheme during the Period:

	Note	**Weighted average exercise price** ***HK$ per share***	**Number of options** ***'000***
As at 1 January 2020 and 30 June 2020	*(i)*	**0.568**	**15,650**

Note:

(i) The share options outstanding as at 1 January 2020 and 30 June 2020 represented 15,650,000 share options granted by the Company under the Share Option Scheme on 21 September 2016 at an exercise price of HK$0.568 per share to certain eligible participants of the Company in respect of their contributions to the Group's development.

The exercise prices and exercise periods of the share options outstanding as of 30 June 2020 and 31 December 2019 are as follows:

30 June 2020

Number of options *'000*	**Exercise price per share** *HK$*	Exercise period
6,260	**0.568**	From 21 September 2017 to 20 September 2022
4,695	**0.568**	From 21 September 2018 to 20 September 2022
4,695	**0.568**	From 21 September 2019 to 20 September 2022
15,650		

31 December 2019

Number of options *'000*	Exercise price per share *HK$*	Exercise period
6,260	0.568	From 21 September 2017 to 20 September 2022
4,695	0.568	From 21 September 2018 to 20 September 2022
4,695	0.568	From 21 September 2019 to 20 September 2022
15,650		

The Company recognised a share option expense of Nil during the Period (the six months ended 30 June 2019: Reversal of share option expense of RMB50,000).

The fair value of equity-settled share options granted under the Share Option Scheme was estimated as of the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	Nil
Expected volatility (%)	48.75
Risk-free interest rate (%)	0.72

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

As at 30 June 2020, the Company had 15,650,000 (31 December 2019: 15,650,000) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,650,000 (31 December 2019: 15,650,000) additional ordinary shares of the Company and additional share capital of HK$1,565 (31 December 2019: HK$1,565) and share premium of at least HK$8,887,635 (31 December 2019: HK$8,887,635) (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 15,650,000 share options outstanding under the Share Option Scheme, which represented approximately 0.9% of the Company's shares in issue as of that date.

21. COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000*
Contracted, but not provided for:		
– Construction of a warehouse	**83,008**	83,008

22. RELATED PARTY TRANSACTIONS AND BALANCES

(a) During the Period, the Group had the following material transactions with its related parties:

	For the six months ended	
	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000*
Guaranteed by Mr. Huang Xiangbin:		
Interest-bearing bank loan *(note 18 (a))*	**17,850**	9,000
Interest-bearing other borrowings *(note 18(b))*	**–**	140,000
Secured by Risun's shares over the Company		
Interest-bearing other borrowings *(note 18(b))*	**–**	140,000

(b) Balances with related parties

The Group had outstanding balances due from and to related parties at the end of the reporting period.

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000*
Amount due from Risun	*(i)*	**160**	143
Amount due from Mr Huang Xiangbin	*(ii)*	**456**	447
		616	590

(i) The balance represents miscellaneous expenditure paid on behalf Risun, which are unsecured, interest-free and repayable on demand.

(ii) The balance due from Mr. Huang Xiangbin is staff advances, which are unsecured, interest-free and repayable on demand.

(c) **Compensation of key management personnel of the Group:**

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**1,374**	1,039
Pension scheme contributions	**16**	29
	1,390	1,068

23. DIVIDENDS

At a meeting of the Directors held on 28 August 2020, the Directors of the Company resolved not to declare or pay any interim dividends for the Period to shareholders (for the six months ended 30 June 2019: Nil).

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying amounts		Fair values	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)		**(Unaudited)**	
Financial liabilities				
Non-current portion of Other payables – deposits received	**50,000**	–	**45,745**	–

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, due from related parties, pledged bank balances, other financial assets measured at amortised cost, financial assets included in prepayments, deposits and other receivables, financial liabilities included in current portion of other payables and accruals, trade payables, and interest-bearing bank and other loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument 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 the non-current other payables 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 Group's own non-performance risk for non-current financial liabilities as at 30 June 2020 was assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2020				
Bills receivable	–	42,500	–	42,500
As at 31 December 2019				
Bills receivable	–	4,739	–	4,739

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2020				
Other payables, non-current portion	–	–	45,745	45,745

25. COMPARATIVE FIGURES

As stated in note 2.3, certain comparative figures in respect of the preceding period have been restated in the current period's financial statements.

26. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 28 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Since early 2020, the outbreak of the new coronavirus COVID-19 has been causing a profound impact on human life and economic activities worldwide. As the pandemic continues to spread globally, almost all industries have suffered various degrees of impact. During the first quarter of 2020, the pharmaceutical industry was negatively affected by the general closure of hospital departments, the strict implementation of isolation control policies and the decline in the national pharmaceutical logistics capacity. However, fields related to anti-epidemic benefited structurally and the essential attributes of medical products were outstanding. The short-term damages are expected to recover quickly after the pandemic.

As an industry with high barriers and strong demands, blood products have played an important role in the fight against the new coronavirus COVID-19 pandemic. In the post-pandemic era, some types of blood products are expected to reach a new round of growth due to the opportunities created by the pandemic. During the Reporting Period, the supply of human albumin products in the Chinese market was 30.81 million (standardized in 10g), representing an increase of 8.1 million from the same period in 2019. The volume of imported human albumin products accounted for 66% in the first half of the year, which continued to maintain a relatively strong position.

At present, the world's plasma collection volume exceeds 50,000 tons, and the United States accounts for approximately 80% of the total volume. The plasma used for human albumin products imported by China also comes from the United States. Although the global pandemic will inevitably have a negative impact on the global volume of plasma collection, considering the time needed for blood collection, testing, production, batch release and transportation, the imported human albumin products supplied in the Chinese market this year should be the batches manufactured before the outbreak of COVID-19 pandemic. We expect that the supply and release of imported human albumin products will continue to remain stable in 2020 and the impact of the pandemic on the supply of blood products may gradually be reflected in the first half of 2021.

Throughout the Reporting Period, the revenue from the sales of human albumin solutions was RMB503.1 million, representing an increase of approximately 39.2% or RMB141.6 million as compared with the same period in 2019. The increase in revenue was mainly due to the fact that the human albumin products produced by the German factory introduced last year had entered into a stable and continuous batch release phase. The significant increase in the release volume in the first half of the year compared with the same period last year led to a growth in sales. According to the arrangements with our suppliers for the second half of 2020, our supplies will continue to increase. As such, we expect our full-year revenue of human albumin solutions will rise accordingly.

The completion of the Company's sales model transformation in 2019 and the full year's turnaround for profit have laid a good foundation for the Company's positive performance in 2020. Although the outbreak of the COVID-19 pandemic has had a temporary impact on the entire industry, with the stabilization of the domestic epidemic, market demand will be further released in the second half of the year. We believe that, given our supplies are adequately guaranteed, our business performance in the second half of 2020 will further improve.

1. Core Products

Human Albumin Solution

Dating back to the early 1940s, blood products have undergone decades of fast development. Such products have grown from human albumin at the very beginning to over 20 categories in three series, encompassing such sub-categories as human albumin, immune globulin and blood coagulation factors. Given the approval granted to new indications and an improved rate of diagnosis, the Plasma Protein Therapeutics Association (PPTA) predicts that the market demand for blood products will retain a high-speed growth globally. In these two years, as many new domestic plasma collection stations have been put into service, the amount of plasma collection increased every year and production capacity of domestic manufacturers also increased rapidly. As the largest sales category in the market of blood products in the PRC, human albumin is the only kind of blood product allowed to be imported at the present, and its lot release of imported and domestic categories maintains a rapid growth every year. In the first half of 2020, the human albumin batch release amounted to 30.81 million bottles (the first half of 2019: 22.70 million bottles), among which the percentage of imported and domestic categories were 66% and 34% respectively. Manufactured by Octapharma AG, a global leading manufacturer of blood products, and included as a Category B product in the National Reimbursement Drug List ("**NRDL**"), the Human Albumin Solution operated by the Group is used to remedy the shock caused by hypovolemia, remove edema and poisonous substances, and treat neonatal hyper-bilirubinemia. Based on the lot release of the Human Albumin Solution in the PRC in the first half of 2020, the market share of the Human Albumin Solution manufactured by Octapharma AG was approximately 14% (the first half of 2019: 5.5%).

Axetine (Cefuroxime Sodium for injection)

Manufactured by Medochemie Ltd. ("**Medochemie**") from Cyprus, the Axetine operated by the Group is classified as the second generation of cephalosporin antibiotics. It is used to remedy bacterial infections caused by sensitive bacteria, including respiratory infection, urinary tract infection, and skin and soft tissue infections. The product has been included in the National Catalogue of Essential Pharmaceuticals and the Category A products of NRDL.

Medocef (Cefoperazone Sodium for injection)

Manufactured by Medochemie and operated by the Group, Medocef is classified as the third generation of cephalosporin antibiotics. The product is used to remedy bacterial infections caused by sensitive lactamase, including respiratory infection, urinary tract infection, biliary tract infection, abdominal infection, skin and soft tissue infection, pelvic infection and septicemia. The product is also effective in treating the brain infections caused by influenza and meningococcus.

2. Marketing Network Development

The Group provides its marketing service through its internal teams and their cooperation with third-party promoters. Hence, one of the Group's key development strategies is to continuously expand the marketing network and enhance distributor and promotor management. During the Reporting Period, the Group took "Flexible, Professional and Efficient" as its objective, and strove to develop its marketing team in respect of the ability of quickly responding to market environment changes and executing operational plans with high efficiency. Furthermore, the Group sorted out its human resources in each division. The marketing team had its structure streamlined and its performance management further refined, with optimized allocation of sales resources that are invested in each product and higher efficiency of business operation.

At the same time, the implementation of "Two-Invoice System" took place at a faster pace in each province. To positively respond to such implementation, the existing structure of distributor network was comprehensively sorted out. Based on sufficient communication with its distributors, the Group has further extended its sales channels to end markets through the collaboration between its internal sales team and local distributors. Originally, promoters were allocated by region. Now, the promoters are matched with each hospital of the region concerned, which enables the Group's sales network to reach the end market. Besides, the coverage of the network has also been extended from large top Tier-III hospitals to provincial, municipal and county Tier-I hospitals, to keep improving market penetration, thereby establishing a precision management system that each hospital will have its respective promoters.

In addition, the Group has further improved the direct participation of its internal marketing team in product marketing activities. In this regard, approaches include regularly training third-party promoters on product knowledge, hosting or taking part in medical or pharmaceutical conferences, symposiums and product seminars to directly partake in the academic promotion activities of products, and extend the opinion leadership network for the main therapeutic areas of products. All the approaches serve to ensure accurate and timely delivery of product information to doctors. In addition to product promotion, the Group has taken the initiative to invite third party promoters from across the country to discuss and interpret the major impact of national policies, to increase the added value and attraction of the Group's training.

3. Cold Chain Storage Facility

Considering the future demand for business expansion and the significant demand for pharmaceutical cold chains in the storage and delivery of blood products and bio-products, the Group has constructed a cold chain storage facility in Shuangliu District, Chengdu, Sichuan Province. The Group has complete the first phase of its cold chain storage facility (15,000 square meters), which can satisfy the Group's storage demand and provide better control for the quality and safety of the blood products in our product portfolio. Currently, the Group has applied to Shuangliu District Government for land transfer, with its procedures well under way.

Save as mentioned above, the Company did not hold any material investments, and there was no material acquisition or disposal of its subsidiaries, associates or joint ventures during the Reporting Period.

4. Research and Development

The Group has entered into a collaboration agreement with the China Academy of Chinese Medical Sciences to develop "Sinco I", a new realgar-based chemical medicine for treating acute promyelocytic leukemia. The collaboration aims for the upstream extension of the Group's business and the future provision of a new medicine for patients in the therapeutic area. The Group is currently making efforts in designing and building a pilot plant for pilot experiments. During the Reporting Period, the Group incurred RMB0.4 million as the research and development expenses for developing Sinco I.

FUTURE AND OUTLOOK

The COVID-19 pandemic has had a huge impact on society in the short term. Some of which are one-off impacts, and some areas may usher in tremendous changes. Historically, major epidemics such as SARS have promoted and improved China's disease prevention and control system, and have continued to profoundly affect the pharmaceutical industry after the epidemic. Given the current COVID-19 pandemic is still raging, we believe the country's medical reform will be bound to accelerate and the pharmaceutical industry will speed up its development accordingly. The long-term changes in the post-pandemic era may be more worthy of attention than the short-term impact.

The outbreak of COVID-19 pandemic has not only stimulated the performance of the blood products industry in the short term, it has also promoted the popularization and promotion of blood products in the clinic. The outbreak of COVID-19 pandemic has also promoted the clinical use of human albumin and immunoglobulin products. The effect of this promotion is not only reflected in the rapid recovery of the industry and its resistance to the impact, but will also contribute to the development of the blood product market in the long run.

The Group will continue to pursue its corporate development strategies in optimizing its marketing network and product portfolio, and maintaining the business of blood products and antibiotics as core therapeutic areas. By concentrating its advantageous resources, the Group spares no effort in reaching a speedy completion of the adjustment on sales pattern under the new policies for stabilizing its business. In respect of expanding its marketing network, the Group will strengthen the control over its sales team, improve its incentive mechanism, continuously promote presence in the downstream of marketing network channels, and extend it to the end market by establishing multi-mode cooperation with hospitals and pharmacies, all in a bid to contribute higher profit to the Group, develop core marketing capabilities and build a quality terminal promotion network to accommodate more products.

Apart from the above, the Group will continue to enhance the development of its internal control system and risk management, pay much attention to and fulfill its corporate social responsibilities throughout the Group's governance. The Group will offer its staff a great platform for career development, and keep working to create a greater value for the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB636.3 million for the Reporting Period, representing an increase of RMB100.9 million, or 18.8% as compared to RMB535.4 million in the corresponding period of 2019. The increase could be further analyzed as follows:

		For the six months ended 30 June			
		2020		2019	
	Notes	***RMB million***	***% of revenue***	*RMB million*	*% of revenue*
Human Albumin Solution	*1)*	**503.1**	**79.1**	361.5	67.5
Antibiotics	*2)*	**133.2**	**20.9**	171.9	32.1
Other products		**–**	**–**	2.0	0.4
Total		**636.3**	**100.0**	535.4	100.0

1) Throughout the Reporting Period, revenue of human albumin solution stood at RMB503.1 million, representing an increase of approximately 39.2% or RMB141.6 million as compared with the corresponding period in 2019. Such increase in revenue is caused by the increase in the supply volume and the sales volume of human albumin.

2) During the Reporting Period, revenue from sales of antibiotics decreased by RMB38.7 million as compared with the corresponding period in 2019. The decrease was mainly caused by the outbreak of the new coronavirus COVID-19 which caused the drop in the number of hospital inpatients and as a result, the usage of antibiotics decreased correspondingly.

Cost of sales

The Group recorded cost of sales of RMB527.7 million for the Reporting Period, representing an increase of RMB83.2 million, or 18.7% as compared with RMB444.5 million in the corresponding period in 2019, which was in line with the increase in sales.

Gross profit and gross profit margin

During the Reporting Period, the Group recorded gross profit of RMB108.6 million, representing an increase of RMB17.7 million as compared with RMB90.9 million in the corresponding period of 2019; while gross profit margin increased from 17.0% to 17.1% for the Reporting Period as compared with the corresponding period of 2019.

Other income and gains

During the Reporting Period, other income and gains of the Group amounted to RMB5.8 million, representing a decrease of RMB7.5 million as compared with the corresponding period of 2019, which was mainly caused by the decrease of the delivery service income.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB61.3 million, representing an increase of RMB16.8 million as compared with the corresponding period of 2019. The increase was mainly due to the increase of the marketing promotion expenses which was in line with the increase of the sales.

Administrative expenses

During the Reporting Period, the Group recorded administrative expenses of RMB20.1 million, which was similar to that of the corresponding period of 2019. The administrative expenses mainly included staff cost of RMB4.2 million, intermediary service fee of RMB3.6 million, tax charges of RMB2.5 million, depreciation of RMB3.8 million and other miscellaneous expenses.

Other expenses

During the Reporting Period, the Group recorded other expenses of RMB3.8 million, representing an increase of RMB2.7 million as compared with the corresponding period of 2019, which was mainly due to the increase in foreign exchange loss.

Finance costs

During the Reporting Period, the Group recorded finance costs of RMB1.2 million, representing a decrease of RMB9.0 million as compared with the corresponding period of 2019, which was mainly due to the repayment of the other interest-bearing loans by the Group in January 2020 and accordingly the relevant interest expense decreased by RMB9.0 million.

Income tax credits

During the Reporting Period, the Group recorded income tax credit of RMB2.3 million, representing a decrease of RMB8.9 million as compared with the corresponding period of 2019, which was mainly due to the adjustment of the difference between tax provision and tax filing results.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded net profit of RMB32.5 million, representing an increase of RMB17.3 million as compared with the corresponding period of 2019.

Inventories

Inventory balances amounted to RMB268.2 million as of 30 June 2020 (31 December 2019: RMB259.3 million), representing an increase of RMB8.9 million as compared with the year-end balance of 2019. Such increase was due to the increase in the inventory balance of human albumin solution.

During the Reporting Period, the Group's average inventory turnover days were 90 days. In 2019 the average inventory turnover days were 96 days.

Trade and bills receivables

The balance of trade receivables amounted to RMB54.3 million as of 30 June 2020 (31 December 2019: RMB26.0 million). The main reason for the increase of RMB28.3 million as compared with the year-end balance of 2019 was the increase in the trade receivables balance of antibiotics.

The balance of bills receivable as of 30 June 2020 was RMB42.5 million (31 December 2019: RMB4.7 million) representing an increase of RMB37.8 million as compared with the year-end balance of 2019. The increase was primarily resulted from the increase in sales of human albumin solution.

Prepayments, deposits and other receivables

As of 30 June 2020, the current portion of prepayments, deposits and other receivables amounted to RMB12.4 million (31 December 2019: RMB109.2 million), representing a decrease of RMB96.8 million as compared with the year-end balance of 2019. The decrease was mainly caused by the drop of prepayment of deposits for issuance of letter of credit by RMB63.4 million and the drop of other receivables of value-added tax recoverable by RMB22.8 million..

Trade payables

As of 30 June 2020, trade payables amounted to RMB163.0 million (31 December 2019: RMB300.5 million), representing a decrease of RMB137.5 million as compared with the year-end balance of 2019, among which payables for the purchase of human albumin solution decreased by RMB171.2 million, which was mainly caused by the fact that payment terms granted under letters of credit issued for a majority of purchases of human albumin solution during the second half of 2019 were longer than those granted during the Reporting Period, and payables for the purchase of antibiotics and other products increased by RMB33.7 million, which was mainly caused by the fact that purchases of antibiotics during the Reporting Period had longer credit terms as compared with those during the prior period.

Other payables and accruals

As of 30 June 2020, other payables and accruals amounted to RMB244.7 million (31 December 2019: RMB116.9 million), representing an increase of RMB127.8 million as compared with the year-end balance of 2019. The increase was mainly due to the increase of payables in relation to the import agent contract by RMB170.1 million. The increase was partially offset by the decrease of (i) the payables in relation to marketing, promotion and consulting service by RMB18.2 million; (ii) the deposits received from distributors by RMB3.4 million; and (iii) the interest payable on other interest-bearing loans by RMB23.2 million.

Other payables (non-current portion)

As of 30 June 2020, non-current portion of other payables amounted to RMB45.7 million (31 December 2019: RMB130.1 million), representing a decrease of RMB84.4 million as compared with the year-end balance of 2019. The decrease was mainly due to the decrease of payables in relation to the import agent contracts by RMB130.1 million which was partially offset by the increase in payables in relation to the long-term deposits received from distributors.

Borrowings

As of 30 June 2020, the Group has borrowings of RMB94.0 million in total and repayable within one year, with details set out below:

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000*
Interest-bearing bank loans	**93,984**	47,484
Other interest-bearing loans	**–**	140,000
Total	**93,984**	187,484

The other interest-bearing loan referred to above relates to a loan agreement entered into on 23 April 2018 (as supplemented by a supplemental agreement dated 27 March 2019) (collectively, the "**Loan Agreement**") among the Company as the borrower, Mr. Gui Guoping as the lender, Risun Investment Limited as the chargor and Mr. Huang Xiangbin ("**Mr. Huang**") as the guarantor for a loan of RMB140.0 million (the "**Loan**") with an interest rate of 13.2% per annum. The Company has arranged for the repayment of the Loan together with relevant interest amounts under the Loan Agreement on 3 January 2020. In such connection, Mr. Gui Guoping released the 1,049,999 Shares that were charged and placed in a custodian account pursuant to the Loan Agreement and the guarantee provided by Mr. Huang in connection with the Loan on 11 March 2020. For more details, please refer to the Company's announcements dated 23 April 2018, 27 March 2019, 9 April 2019 and 3 January 2020.

Gearing ratio

At the end of the Reporting Period, the Group's gearing ratio was calculated as follows:

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (restated)
Interest-bearing bank and other loans	**93,984**	187,484
Trade payables	**163,025**	300,466
Other payables	**290,488**	246,983
Lease liabilities	**767**	1,176
Tax payables	**2,384**	11,361
Less: Cash and cash equivalents	**(86,004)**	(219,755)
Less: Pledged bank balances	**(37,274)**	(5,001)
Net debt[(a)]	**427,370**	522,714
Equity	**78,744**	46,292
Equity and net debt[(b)]	**506,114**	569,006
Gearing ratio[(a/b)]	**84.4%**	91.9%

Liquidity and capital resources

The following table sets out a condensed summary of the Group's consolidated cash flows during the Reporting Period:

		For the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Net cash from/(used in) operating activities	*1)*	**(88,725)**	119,103
Net cash from/(used in) investing activities	*2)*	**2,347**	(187)
Net cash used in financing activities	*3)*	**(52,224)**	(167,804)
Net decrease in cash and cash equivalents		**(138,602)**	(48,888)
Effect of foreign exchange rate changes, net		**(150)**	48
Cash and cash equivalents at beginning of the period	*4)*	**224,756**	80,343
Cash and cash equivalents at end of the period	*4)*	**86,004**	31,503

1) Net cash from/(used in) operating activities

During the Reporting Period, the Group's net cash outflow from operating activities amounted to approximately RMB88.7 million (for the six months ended 30 June 2019: net cash inflow of RMB119.1 million), which was mainly due to an increase in cash outflow for trade payable to suppliers and the movement of inventory. Such increase in cash outflow was partially offset by the increase in cash inflow from the long-term deposits and prepayment made by distributors as compared with the corresponding period of prior year.

2) Net cash from/(used in) investing activities

The Group did not incur significant capital expenditure during the Reporting Period, and net cash inflow generated from investing activities amounted RMB2.3 million (net cash outflow for the six months ended 30 June 2019: RMB0.2 million), which was mainly due to the redemption of wealth management products issued by banks.

3) Net cash used in financing activities

During the Reporting Period, the Group's net cash outflow from financing activities amounted to approximately RMB52.2 million (for the six months ended 30 June 2019: net cash outflow of RMB167.8 million), which mainly include (i) repayment of the interest-bearing loan of RMB140.0 million; (ii) payment of interests of RMB23.5 million; (iii) payment of pledged bank deposit of RMB37.3 million for obtaining bank loans; and (iv) payment of non-current other payables of RMB130.1 million in relation to import agent contracts. The cash outflow was partially offset by (i) net proceeds from bank and other loans of RMB45.6 million; (ii) proceeds from deposits of issuance of letters of credit of RMB63.4 million; and (iii) proceeds from import agents of RMB170.1 million in relation to import agent contracts.

4) The following table sets out the Group's cash and cash equivalents and pledged bank balances at the end of the Reporting Period:

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000*
Denominated in RMB	**121,140**	211,624
Denominated in US$	**1,800**	12,770
Denominated in HK$	**280**	301
Denominated in Singapore dollars	**58**	61
	123,278	224,756

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in Mainland China. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group are mainly denominated in RMB.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in RMB, except for certain items below:

- Certain bank balances are denominated in US$, HK$ and Singapore dollars.

- Certain sales of products to distributors and relevant trade receivables are denominated in US$.

- Certain purchase of products from overseas suppliers and relevant trade payables are denominated in US$.

- Certain bank loans are denominated in US$.

The Group does not enter into any hedging transactions.

Capital expenditure

The following table sets out the Group's capital expenditure for the periods indicated:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchase of property, plant and equipment	**9**	101
	9	101

Contingent liabilities

The Group had no material contingent liabilities as of 30 June 2020.

Pledge of assets

As of 30 June 2020, the carrying amounts of the Group's pledged assets were set out as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	
For obtaining bank and other loans		
– Buildings	**71,398**	72,730
– Bank balances	**37,274**	–
For securing the Group's other payables		
– Inventories	**264,613**	224,916
For issuance of letters of credit and billings		
– Bank balances	**–**	5,001

Dividend

The Directors resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2019: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2020, the Group had a total of 104 employees. For the Reporting Period, the total staff cost of the Group were RMB8.8 million (for the six months ended 30 June 2019: RMB5.7 million).

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group considered the employees' annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continues learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service quality. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute during the Reporting Period.

In addition, the Company adopted a share option scheme to recognise the contribution by certain employees of the Group, and to provide them with incentives in order to retain them for their continuing support in the operation and development of the Group. As of 30 June 2020, there were 15,650,000 outstanding share options granted under the share option scheme.

PRIOR YEAR ADJUSTMENTS

Prior year adjustments have been made by the Company due to correction of prior period errors. Details of which are set out in note 2.3 to the condensed consolidated financial statements of the Group in this announcement.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Company has complied with all applicable code provisions under the CG Code and adopted certain best practices set out therein except for the following provision:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organization structure of the Company, Mr. Huang is the Chairman of the Board and the chief executive officer of the Company. With Mr. Huang's extensive experience in the pharmaceuticals industry, the Board considered that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CHANGE OF AUDITORS

Crowe (HK) CPA Limited ("**Crowe**") resigned as auditor of the Company with effect from 8 July 2020 after taking into account various factors, including the professional risk associated with the audit, the level of audit fees and the availability of its internal resources in light of its current work flows. Crowe had confirmed in writing that there are no matters in connection with its resignation that need to be brought to the attention of the shareholders of the Company.

Ernst & Young was appointed as auditor of the Company to fill the causal vacancy following the resignation of Crowe with effect from 20 July 2020 and hold office until the conclusion of the next annual general meeting of the Company.

LAPSE OF A MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POSSIBLE ACQUISITION DURING THE REPORTING PERIOD

On 6 December 2019, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with Ms. Pan Wen, Mr. Gong Tao and Ms. Xu Jie (the "**Vendors**") in relation to a possible acquisition by the Company (or its wholly owned subsidiary), of the entire equity interest in Zhongshan Sinobioway Hygiene Biomedicine Co., Ltd* (中山未名海濟生物醫藥有限公司) ("**Sinobioway Acquisition**"). Pursuant to the terms of the MOU, the Company and the Vendors shall proceed to the negotiation for a formal and binding agreement for the Sinobioway Acquisition ("**Formal Agreement**") during the period of 6 months from the date of the MOU (or such period as the parties may otherwise agree) (the "**Validity Period**") and failing which the MOU shall lapse. Details of the Sinobioway Acquisition were set out in the Company's announcement dated 6 December 2019.

The Company and the Vendors did not come to an agreement on the terms of the Formal Agreement during the Validity Period and did not agree to extend the Validity Period, accordingly, the MOU lapsed on 5 June 2020 and the Sinobioway Acquisition did not proceed. The Directors are of the view that the lapse of the MOU does not have any material adverse impact on the business operation and financial position of the Group.

* *for identification purpose only*

EVENTS AFTER THE END OF THE REPORTING PERIOD

No events after the reporting period need to be brought to the attention of the shareholders of the Company.

AUDIT COMMITTEE

The principal duties of the Audit Committee of the Board include the review and supervision of the Group's financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

The Audit Committee, together with management and external auditor of the Company, have reviewed the unaudited condensed interim results of the Group for the Reporting Period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2020 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinco-pharm.com), and the 2020 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Sinco Pharmaceuticals Holdings Limited
Huang Xiangbin
Chairman and Executive Director

Sichuan, the PRC, 28 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Huang Xiangbin and Ms. Zhang Zhijie; and the independent non-executive directors of the Company are Mr. Lau Ying Kit, Mr. Wang Qing and Mr. Liu Wenfang.