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 2016

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 6.5% to RMB569.4 million for the Reporting Period (six months ended 30 June 2015: RMB608.7 million), primarily due to the decrease in sales of Human Albumin Solution of RMB81.4 million, partially offset by the increase in sales of Antibiotics and other products of RMB42.1 million.

- Gross profit of the Group increased by 0.5% to RMB83.1 million for the Reporting Period (six months ended 30 June 2015: RMB82.7 million), mainly due to the decrease in average purchase price of Antibiotics and the increase in sales volume of other products with relatively higher gross profit margin.

- Net profit of the Group decreased by 37.4% to RMB30.5 million for the Reporting Period (six months ended 30 June 2015: RMB48.7 million). Without the impact of listing expenses, the adjusted net profit of the Group decreased by 6.3% to RMB48.0 million for the Reporting Period (six months ended 30 June 2015: RMB51.2 million).

- Profit attributable to owners of the Company decreased by 36.3% to RMB31.0 million for the Reporting Period (six months ended 30 June 2015: RMB48.7 million).

- Basic earnings per share amounted to RMB0.021 for the Reporting Period (six months ended 30 June 2015: RMB0.041).

- The Directors have resolved to declare an interim dividend of HK$0.0033 per share (equivalent to RMB0.0028 per share) for the Reporting Period (six months ended 30 June 2015: not applicable).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sinco Pharmaceuticals Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2015 as follows:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*3*	**569,373**	608,681
Cost of sales		**(486,319)**	(525,976)
Gross profit		**83,054**	82,705
Other income and gains	*4*	**206**	376
Selling and distribution expenses		**(2,060)**	(2,585)
Administrative expenses		**(35,176)**	(13,705)
Other expenses		**(1,867)**	(4,932)
Finance costs	*5*	**(3,741)**	(4,017)
PROFIT BEFORE TAX	*6*	**40,416**	57,842
Income tax expense	*7*	**(9,870)**	(9,143)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**30,546**	48,699
Attributable to:			
Owners of the Company		**31,062**	48,699
Non-controlling interests		**(516)**	–
		30,546	48,699
Earnings per share attributable to ordinary equity holders of the Company:			
–Basic and diluted (RMB)	*8*	**0.021**	0.041

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 *RMB'000* (unaudited)	31 December 2015 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**95,844**	96,922
Intangible assets	*9*	**37,834**	40,378
Payments in advance	*10*	**93,573**	69,427
Goodwill		**35,526**	35,526
Deposit	*10*	**3,000**	3,000
Total non-current assets		**265,777**	245,253
CURRENT ASSETS			
Inventories		**22,506**	46,563
Bills receivable	*11*	**177,285**	77,186
Prepayments, deposits and other receivables	*10*	**23,139**	35,802
Pledged bank balances		**79,582**	22,068
Cash and cash equivalents		**284,661**	38,138
Total current assets		**587,173**	219,757
CURRENT LIABILITIES			
Trade payables	*12*	**112,764**	62,793
Advances from customers		**27,070**	33,707
Other payables		**62,515**	84,132
Interest-bearing bank loans	*13*	**160,000**	81,915
Tax payable		**17,557**	8,909
Total current liabilities		**379,906**	271,456
NET CURRENT ASSETS/(LIABILITIES)		**207,267**	(51,699)
Total assets less current liabilities		**473,044**	193,554
Net assets		**473,044**	193,554
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*14*	**130**	95
Reserves		**473,304**	193,333
		473,434	193,428
Non-controlling interests		**(390)**	126
Total equity		**473,044**	193,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

The Company 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 4408A, 44/F, Cosco Tower, 183 Queen's Road Central, Hong Kong.

During the Reporting Period, the Group were principally engaged in marketing, promotion and channel management services for improved human plasma-based pharmaceutical, 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 Reporting Period.

In the opinion of the Directors, Risun Investments Limited, 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 Reporting Period has been prepared in accordance with International Accounting Standard ("**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 2015.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this 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 2015, 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 financial year beginning 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit are mainly derived from its sales 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 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.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Reporting Period:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sales of goods:				
Human albumin solution	**319,257**	**56.1**	400,679	65.8
Antibiotics (Axetine and Medocef)	**174,673**	**30.7**	173,401	28.5
Others (Taurolite, TAD and Esafosfina)	**75,443**	**13.2**	34,601	5.7
	569,373	**100.0**	608,681	100.0

Geographical information

All external revenue 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.

Information about major customers

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**144,856**	155,851
Customer B	*	103,511
Customer C	*	–
Customer D	*	*
Customer E	*	–

* Less than 10% of total revenue

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**202**	176
Government grants	**–**	200
Others	**4**	–
	206	376

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**3,384**	3,203
Interest on discounted bills receivable	**357**	814
	3,741	4,017

6. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging:

		For the six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**486,319**	525,976
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**3,220**	3,265
Welfare and other benefits		**463**	383
Pension scheme contributions			
– Defined contribution fund		**490**	473
Housing fund			
– Defined contribution fund		**224**	229
Total employee benefit expense		**4,397**	4,350

	Note	For the six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment	*9*	**2,686**	2,515
Amortisation of intangible assets^	*9*	**2,544**	2,522
Research expenses		**2,343**	1,197
Operating lease rentals		**613**	545
Foreign exchange losses, net		**347**	4,031
Auditors' remuneration		**750**	–

^ The amortisation of intangible assets for the Reporting Period and the prior period is included in "Cost of sales" in profit or loss.

7. INCOME TAX

The major components of income tax expense were as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in Mainland China for the period	**6,370**	7,490
Income tax in Hong Kong for the period	**3,500**	1,653
Total tax charge for the period	**9,870**	9,143

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) The subsidiary located in Hong Kong is liable to Hong Kong profits tax at a rate of 16.5% on the assessable profits generated for the Reporting Period.

(c) Sichuan Sinco Pharmaceuticals Co., Ltd. ("**Sichuan Sinco Pharmaceuticals**") is entitled to a preferential tax rate of 15% according to the "Western Development Policy" until 31 December 2020.

From year 2015 to year 2017, the income tax rate of the Tibet Autonomous Region is changed from 15% to 9%. Accordingly, Xizang Linzhi Ziguang Pharmaceutical Co., Ltd. ("**Linzhi Ziguang**") is entitled to the 9% preferential tax rate for the Reporting Period.

Except for Sichuan Sinco Pharmaceuticals and Linzhi Ziguang, the other subsidiaries of the Group located in Mainland China were liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Reporting Period.

(d) The Company incurred transaction costs relating to the Listing of RMB17,493,000 for the Reporting Period, which are not tax deductible.

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 Reporting Period of RMB31,062,000 (six months ended 30 June 2015: RMB48,699,000), and the weighted average number of ordinary shares of 1,455,459,890 (six months ended 30 June 2015: 1,200,000,000) in issue during the Reporting Period.

The weighted average number of shares used to calculate the basic earnings per share for the Reporting Period includes the weighted average number of shares of 1,200,000,000 in issue in 2015, the weighted average number of shares of 248,351,648 issued upon the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 10 March 2016 (the "**Listing**") as referred to in note 14(a) to the interim condensed financial information; and the weighted average number of shares of 7,108,242 issued upon the partial exercise of the over-allotment option as referred to in note 14(b) to the interim condensed financial information.

No adjustment has been made to the basic earnings per share for the Reporting Period and the prior period as no diluting events occurred during the current and prior periods.

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

	Property, plant and equipment *RMB'000* (Unaudited) *(note (a))*	**Intangible assets** *RMB'000* (Unaudited)
Carrying amount at 1 January 2016	96,922	40,378
Additions	1,608	–
Depreciation/amortisation charged for the Reporting Period *(note 6)*	(2,686)	(2,544)
Carrying amount at 30 June 2016	95,844	37,834

Note:

(a) As of 30 June 2016, the Group's buildings with net carrying amounts of approximately RMB10,938,000 (31 December 2015: RMB11,027,000) were erected on the land where the Group is still in the process of applying for a 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 2016.

As of 30 June 2016, the Group's buildings with net carrying amounts of RMB77,194,000 (31 December 2015: RMB77,089,000) were pledged to a bank to secure certain bank loans (note 13 (a)).

As of 30 June 2016, the Group's buildings with net carrying amount of RMB10,938,000 (31 December 2015: RMB11,027,000) were pledged to Sichuan Development Financing Guarantee Co., Ltd. ("**Sichuan Development**"), an independent third party, in order to obtain a guarantee provided by Sichuan Development for certain bank loans (note 13 (c)).

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

	Note	**30 June 2016** ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000*
Current portion:			
Prepayments in respect of:			
– purchase of inventories		**80**	657
– technical service fee		**1,714**	3,429
– deferred listing fee		**–**	3,697
– consultation service fee	*(a)*	**7,601**	4,890
– others		**220**	551
Deposits in respect of:			
– others		**1,375**	1,158
Value-added tax recoverable		**11,821**	21,257
Staff advances		**328**	163
		23,139	35,802
Non-current portion:			
Payments in advance in respect of:			
– prepayment made in relation to the construction of cold chain facility		**93,573**	69,427
Deposit in respect of:			
– construction in progress	*(b)*	**3,000**	3,000
		96,573	72,427
		119,712	108,229

Notes:

(a) The balance as of 30 June 2016 primarily consists of (i) a prepayment of RMB4,000,000 made to an independent third party, in relation to the service for assisting on registration of certain products in the national insurance catalogue, which will be fully refunded if the products failed to be registered in the national insurance catalogue by 31 December 2016; (ii) a prepayment of RMB2,019,000 made to an independent third party, in relation to consultation services on market share expansion of the Group's pharmaceutical products and incorporating the Group's sales centre in Shanghai covering the period from 1 July 2016 to 30 June 2017.

(b) The balance represents a deposit made to an independent third party in respect of the first-stage construction of the Group's cold chain facility.

11. BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on full payment in advance of delivery either in cash or in bills receivable accepted by a bank. The Group maintains strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk.

As of 30 June 2016, the Group discounted certain bills receivable accepted by banks in the PRC, with a carrying amount in aggregate of RMB55,252,000 (31 December 2015: RMB201,301,000) (the "**Derecognised Bills**"). The Derecognised Bills have been accepted by reputable banks in the PRC like China Construction Bank, Industrial and Commercial Bank of China, China Merchants Bank, Bank of Communications, Bank of China and Bank of Chengdu and had a maturity within three months at the end of the Reporting Period. 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 Reporting Period, the Group has recognised interest expense of RMB357,000 (six months ended 30 June 2015: RMB814,000) (note 5) on discounted bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the Reporting Period or cumulatively. The discounting has been made evenly throughout the Reporting Period.

12. TRADE PAYABLES

An aged analysis of the trade payables as of 30 June 2016 and 31 December 2015, based on the invoice date, is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	
Within 3 months	**112,764**	62,793

Trade payables of the Group are non-interest-bearing and are normally settled within 90 days.

13. INTEREST-BEARING BANK LOANS

	Note	**30 June 2016** ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000*
Bank loans:			
Secured and guaranteed	*(a)*	**–**	15,000
Secured	*(b)*	**30,000**	46,915
Guaranteed	*(c)*	**130,000**	20,000
		160,000	81,915
Analysed into:			
Bank loans repayable:			
Within one year		**160,000**	81,915

Notes:

(a) The balance as of 31 December 2015 represents one-year bank loans granted by Bank of Chengdu to the Group of RMB15,000,000, which bear interest at fixed rates ranging from 6.0% to 7.5% per annum and are guaranteed by Mr. Huang Xiangbin and pledged against the Group's buildings. Such loans are withdrawn from a three-year maximum mortgage and guarantee contract of RMB40,700,000 granted by Bank of Chengdu on 6 January 2014 (the "**Maximum Mortgage & Guarantee Contract**"). Pursuant to the Maximum Mortgage & Guarantee Contract, certain buildings of the Group are pledged to Bank of Chengdu for the period from 6 January 2014 to 5 January 2017 (note 9(a)).

(b) The balance as of 30 June 2016 represents a one-year bank loan of RMB30,000,000 granted by Bank of Shanghai to the Group bearing interest at a fixed rate of 5.22% per annum, which is pledged by the Group's entire equity interest in Linzhi Ziguang.

(c) The balance as of 30 June 2016 consists of (i) a one-year bank loan of RMB100,000,000 granted by Ping An Bank to the Group bearing interest at a fixed rate of 5.22% per annum, which is guaranteed by Sichuan Kelun Pharmaceuticals Trading Co., Ltd (the "**Kelun**"); (ii) a one-year bank loan of RMB20,000,000 granted by Bank of China to the Group, which bears interest at a fixed rate of 5.88% per annum and is guaranteed by Sichuan Development; and (iii) a one-year bank loan of RMB10,000,000 granted by Bank of China to the Group bearing interest at a fixed rate of 6.36% per annum, which is guaranteed by Kelun.

14. SHARE CAPITAL

	30 June 2016 ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000*
Authorised:		
3,800,000,000 (31 December 2015: 3,800,000,000) ordinary shares of HK$0.0001 each	**304**	**304**
Issued and fully paid:		
1,615,220,000 (31 December 2015: 1,200,000,000) ordinary shares of HK$0.0001 each	**130**	**95**

A summary of movements in the Company's share capital is as follows:

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *RMB'000*
At 1 January 2016		1,200,000,000	95
Issuance of new shares	*(a)*	400,000,000	34
Issuance of new shares	*(b)*	15,220,000	1
At 30 June 2016 (unaudited)		1,615,220,000	130

Notes:

(a) In connection with the Listing, 400,000,000 ordinary shares of HK$0.0001 each were issued at a price of HK$0.8 per share for a total cash consideration, before listing expenses, of HK$320,000,000.

(b) On 7 April 2016, 15,220,000 ordinary shares of HK$0.0001 each were issued via the partial exercise of the over-allotment option at a price of HK$0.8 per share for a total consideration of HK$12,176,000.

15. DIVIDENDS

The Directors have resolved to declare an interim dividend of HK$0.0033 per share (equivalent to RMB0.0028 per share) for the Reporting Period (six months ended 30 June 2015: not applicable). The interim dividend will be paid out from the Company's share premium account.

16. COMMITMENTS

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	
Contracted, but not provided for:		
– Construction of a cold chain facility	**28,402**	37,514

17. RELATED PARTY TRANSACTIONS

(a) During the Reporting Period, the Group had no material transactions with related parties.

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank loans guaranteed by		
Mr. Huang Xiangbin	**–**	72,603
Purchases of exclusive distribution rights from		
Vast Surplus Corporation Limited	**–**	45,392

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**667**	222
Pension scheme contributions	**49**	51
	716	273

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's cash deposits and interest-bearing bank loans approximate to their fair values based on the prevailing borrowing rates available for deposits and loans with similar terms and maturities during the Reporting Period.

The carrying amounts of the Group's other financial instruments approximate to their fair values due to the short term maturity at the end of the Reporting Period.

19. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2016, the Group purchased a one-year fund of HK$120,000,000 (equivalent to RMB103,500,000), namely William Merger and Acquisition Fund No. 9 (the "**Fund**"), from Shenzhen City William Financial Holding Limited, an independent third party. The fixed return rate of the Fund is 3.6% per annum based on stable income from investment portfolio including bonds, reverse repurchase bonds, bank deposits, negotiable certificates of deposit, exchange market funds and other financial products which is having low risk profile with high liquidity. The Fund is redeemable at any time after the subscription upon giving a written notice of not less than 5 days in advance of the redemption. The principal amount shall be fully returned upon the Group's redemption request.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board on 29 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Pharmaceutical policies have been extensively promulgated in the first half of 2016, which generated a significant influence towards the pharmaceutical industry in the People's Republic of China ("**China**" or "**the PRC**"). The policies of the tightened medical insurance budgets, establishment of diagnostic and treatment hierarchy and precise medical scheme, along with the implementation of pharmaceutical pricing negotiation system, minimum pricing linkage system and "Two-invoice system", have made the intensive reforms in pharmaceutical industry become prevailing. In long run, the implementation of these policies will further regulate the research and development, production, logistics of pharmaceuticals in pharmaceutical industry, optimize purchasing and selling order of pharmaceuticals and provide a better protection to the quality of pharmaceuticals as well as benefits to patients. Nevertheless, in short run, in order to adapt to the new policies, pharmaceutical enterprises in China will undergo a period of business model transition, during which there will be pressure on sales and production of products and cost of sales. Amidst the slowdown of the overall growth in the domestic pharmaceutical industry, the Group's business has been kept stable during the Reporting Period. During the Reporting Period, the Group's revenue has slightly decreased by 6.5% to RMB569.4 million (for the six months ended 30 June 2015: RMB608.7 million), the gross profit increased by 0.5% to RMB83.1 million (for the six months ended 30 June 2015: RMB82.7 million). In order to stabilise our market share and actively respond to the new policies promulgated, we started to adjust our business model and reinforced our management. Therefore, compared to the corresponding period our overall expenses including the listing expenses increased and consequently our net profit decreased by 37.4% from RMB48.7 million for the six months ended 30 June 2015 to RMB30.5 million for the Reporting Period. If taking out the impact of the one-off listing expenses, the adjusted net profit has only decreased by 6.3% to RMB48.0 million (for the six months ended 30 June 2015: RMB51.2 million).

During the Reporting Period, the Group continued to maintain a stable partnership with Octapharma AG (the "**Octapharma**"), one of the leading global manufacturers of plasma-based pharmaceuticals, to seize the momentum of increasing domestic blood product demands and pricing with flourishing development in the industry, and continued to enhance our capabilities of providing comprehensive marketing, promotion and channel management to small-and-medium-sized overseas pharmaceutical manufacturers, comprehensively optimized the existing structure of distributor network, together with improved and refined marketing strategies.

1. Products Development

The existing product portfolio of the Group includes premium products produced by small-and-medium-sized overseas pharmaceutical manufacturers. The products cannot only compensate for the existing shortage of blood products in domestic markets but also satisfy the significant demands of medical organizations and patients for pharmaceuticals with better clinical outcomes and high quality. As of 30 June 2016, the product portfolio of the Group covers therapeutic areas on cancers, hepatobiliary diseases, gastrointestinal diseases, brain diseases, burns and immune diseases.

During the Reporting Period, the Group has adopted reasonable and efficient marketing strategies to actively encounter with the pharmaceutical policies and changes brought by the market scenario. Meanwhile, by re-adjustment of business structure, a series of moves, such as establishment of the product divisions, have been gradually completed.

The Group has strengthened our professional construction of the internal marketing team and business control towards distributors and precision management, while further optimizing our product marketing network and exploring the products' market potential.

Human Albumin Solution

Human Albumin Solution is manufactured by Octapharma and used to remedy shock caused by hypovolemia, eradicate edema and poisonous substance, and to cure neonatal hyper-bilirubinemia, which is categorized as Part B product of the National Insurance Catalogue. In 2015, the market size of China's blood products market has reached RMB24.5 billion, which became the second largest blood product market in the world with substantial market demands. Along with the relaxation of restriction on the maximum retail price of blood products promulgated by the State on 1 June 2015, both demands and pricing of blood products have stepped into an upward trend. Accordingly, the Group has raised the selling price of Human Albumin Solution during the Reporting Period. However, because of a slight plunge of supply from our supplier in the first half of this year, revenue from sales of Human Albumin Solution amounted to RMB319.3 million, representing a decrease of 20.3% as compared with the corresponding period of 2015.

Axetine (Cefuroxime Sodium for injection)

Axetine is manufactured by Medochemie Ltd. ("**Medochemie**") and used to remedy bacterial infections, including respiratory infections, urinary tract infections, skin and soft tissue infections. The product was included in the National Catalogue of Essential Pharmaceuticals, Part A product of National Insurance Catalogue, which is classified as the second generation of cephalosporin antibiotic. On 24 July 2015, the National Health and Family Planning Commission published the Guiding Principles for the Clinical Application of Antibiotics (2015 version), which stipulated a classified management approach on clinical application of antibiotics, causing a gradual decrease or suspension of intravenous infusion of antibiotics in clinics from every level of hospitals. Antibiotics market recorded an overall slowdown in growth due to the tightening up of policies. As Axetine has advantages of wide antibacterial range, strong antimicrobial ability and fewer allergic reactions, it has become one of the main domestic pharmaceuticals for anti-allergy. After years of brand building and marketing network expansion, Axetine has gained a high reputation and brand recognition in China. As such, during the Reporting Period, the sales of Axetine has still maintained a stable growth with revenue amounting to RMB148.4 million, representing an increase of 4.9% as compared with the corresponding period of 2015.

Medocef (Cefoperazone Sodium for injection)

Medocef is manufactured by Medochemie and used to remedy bacterial infections caused by sensitive lactamase, including respiratory infections, urinary tract infections, biliary tract infections, abdominal infections, skin and soft tissue infections, pelvic infections and septicemia, as well as favorable for brain infections caused by influenza and meningococcal disease. Medocef is classified as the third generation of cephalosporin antibiotic. Since the third generation of cephalosporin antibiotic is characterized as highly effective and fewer side effects, it is well received by clinical patients and its consumption is mainly focused on the 3A-grade hospitals in large cities. However, due

to the tightening up of policies, during the Reporting Period, revenue from the sales of Medocef amounted to RMB26.2 million (six months ended 30 June 2015: RMB32.0 million), representing a decrease of 17.9% as compared with the corresponding period of 2015.

Taurolite (Tauroursodeoxycholic acid capsule)

Taurolite is another core product of the Group, which has recorded a stable growth during the Reporting Period. Taurolite, which is used to dissolve cholelithiasis, is manufactured by Bruschettini S.r.l. from Italy. Overseas clinical tests revealed that Taurolite is also favorable for treating cholestasis liver disease and primary biliary cholangitis and prevention of relapsing after surgery for cholelithiasis. Taurolite is the third generation of exclusive generic name oral cholic acid drugs in China's market, which has a higher water binding capacity, higher safety, higher bioavailability, better solubility and highly effective. The product is also one of the substitute soluble stone drugs for ursodeoxycholic acid. Continuous marketing development and brand promotion have been the main areas of work of the Group during the Reporting Period. Through product academic value promotion and branding education, continuous exploration and nurturing of product selling hotspots, and developments of clinical scientific research and doctor education, we aim to improve doctors' recognition of the product and strive to expand the product coverage in hospitals, as well as further boost the product developments. During the Reporting Period, revenue from sales of Taurolite amounted to RMB66.1 million (six months ended 30 June 2015: RMB26.5 million), representing an increase of 149.4% as compared with the corresponding period of 2015.

Esafosfina (Fructose 1, 6-diphosphate for injection)

Esafosfina, manufactured by Biomedica Foscama Group S.p.A. from Italy, is used to treat hypophosphatemia and chronic diseases, including alcohol intoxication, malnutrition and hypophosphatemic respiratory failure, and as a supplemental therapeutic drug for angina, heart failure, heart attack and interventional cardiovascular, which contributes to the treatment of heart diseases. The product is categorized as Part B product of the National Insurance Catalogue. Fructose diphosphate is categorized as one of the top three categories of cardiovascular drugs, while Esafosfina is the only imported drugs in the domestic market. The Group has regulated the academic information of the product, optimized the promotional focus of the product and distinguished the difference in quality between Esafosfina and domestic products through academic researches. In addition, the Group has enhanced the close partnership with end-users, expanded the coverage to the markets and increased the sales to private hospitals. During the Reporting Period, revenue from sales of Esafosfina amounted to RMB9.3 million, representing an increase of RMB6.1 million as compared with the corresponding period of 2015 (six months ended 30 June 2015: RMB3.2 million).

TAD (Reduced Glutathione for injection)

TAD is manufactured by Biomedica Foscama Group S.p.A. from Italy, and used to remedy and prevent from intoxications, cell damage and liver damage caused by virus, cytotoxic drugs, alcoholic intoxication and intoxication from other chemical substances. It is included in Part B product of the National Insurance Catalogue. TAD is effective in improving liver's functionality, facilitating bile acid metabolism, protecting the composition of livers and detoxification and reducing hormone activity, which has fewer side effects and commonly used for clinical protection of livers. China Food and Drug Administration is currently conducting the technical evaluation of TAD and issued the Supplemental Information Notice (Yao Shen Bu Zi [2015] No. 1379, 1380)《補充資料通知》(藥審補字[2015]第1379號、1380號) on 25 November 2015, which stipulated that relevant information shall be supplemented to optimize the content in relation to safety, effectiveness or/and quality control. Pursuant to the Notice, we were required to submit the relevant supplementary information to the Center for Drug Evaluation of China Food and Drug Administration by 9 April 2016. As of 30 June 2016, the Group has not yet received further notice regarding the supplemental information from the Center for Drug Evaluation. We expect to receive the renewed imported drug registration of TAD by the end of the third quarter of 2016. Since the imported drug registration of the product is under renewal, no sale was made by the Group during the Reporting Period.

2. Development of our marketing network

The Group is committed to explore the marketing network continuously and strengthen the management of distributors as one of the key development strategies of the Group. In order to ensure the efficiency and quality of the marketing network, the Group established marketing and promotion strategies and provided management, appointment, training and support and supervision to distributors, as well as launched product learning campaigns through our internal marketing team, and authorized the distributors to undertake the responsibilities of marketing and promotion of the Group's products over the country. This model can effectively expand the coverage of the Group's business. By leveraging on the regional marketing and promotional experiences of distributors, we not only can maintain a flexible operation but efficiently reduce the overall marketing and promotional costs of the Group as well.

Along with the promulgation of new industry regulatory policies, Good Supply Practise ("**GSP**") unannounced inspection, coordination of pharmaceutical circulation by pharmaceutical supervisory authorities and the implementation of "Two Invoice System", these accelerated the acquisition and merger in pharmaceutical industry. In May 2016, China Food and Drug Administration issued the Announcement on Drug Wholesale Self-Inspection (藥品批發企業自查公告). In response to the requirements of the state policy, the Group aggressively undertook self-inspection on connection and illegal operation of existing distributors, actively accepted market supervision, strengthened the supervision on the comprehensive capabilities of the existing distributors, resolutely resisted incompliance, implemented precision management and actively advanced the professionalism of our internal marketing team.

In order to expedite the business model transformation, we strengthened the professional marketing capabilities of our internal sales team via business structure reconstruction by undertaking a series of measures such as establishing the product division and enriched the marketing team through internal coordination and recruitment of external talents. A controller is assigned to each product division as division leader. Each division is equipped with professional sales, marketing and commercial, customer servicing and financial talents, who undertake the promotional and sales campaigns of our products. Meanwhile, we strived to launch the product learning and promotional works for the purpose of providing high quality academic assistance for product promotion. We also enhanced our handling capability in terms of government affairs and effectively establish the price filing and tendering works. As of 30 June 2016, the Group had over 75 internal marketing staff.

Implementation of precision management towards distributors implies that the Group has a detailed management on distributors and marketing. Each product division has overhauled the structure of existing distributor network of our product and initiatively phased out distributors that cannot adapt to the development strategy of the Company. In order to ensure the efficiency and quality of our marketing network, the Company proactively optimized its sales channels by exploring more good regional distributors which have close relationships with hospitals and other medical institutional customers and continuously expanded its marketing network towards terminal markets. Meanwhile, the Group has streamlined the management of distributors and sales performance, enhanced the training and support towards distributors and made use of the regional marketing and promotion experience of distributors to ensure that any gaps in the market identified are effectively filled and products' potential are fully realized. During the Reporting Period, the Group's mature products, such as Axetine, increased its market coverage by over 162 new hospitals and medical institutions, and our products with huge market potential such as Taurolite, increased its market coverage by over 74 new hospitals and medical institutions.

As of 30 June 2016, the Group sold its products through 231 distributors from its nationwide network across 31 provinces, municipalities and autonomous regions, covering 930 Class III hospitals, 1,340 Class II hospitals, 434 Class I hospitals and over 700 pharmacies and other medical institutions.

3. The Cold Chain Storage Facility

In consideration of future needs of business expansion of the Group and material need of pharmaceutical cold chain facility regarding blood products and biological products in processes of storage and delivery, the Group has accelerated the construction of cold chain facility and research and development base in Shuangliu District, Chengdu, Sichuan Province. Following the Shandong vaccine case in April 2016, the State Council promulgated a newly amended Regulation on the Administration of Circulation and Injection of Vaccines (《疫苗流通和預防接種管理條例》) and China Food and Drug Administration and the National Health and Family Planning Commission have jointly issued a notice in June 2016, which stipulated that the whole delivery process of vaccines shall not be separate with the control of cold chain, regular check, temperature recording and quality warranty of vaccines. The new policy has underlined the determination of regulating the pharmaceutical industry of the State and implied that the medical cold chain industry in China has entered into an era of rapid growth. The Group is currently constructing the first phase of the cold chain facility (15,000 square meters), which can satisfy the storage need of the Company and help the Group better control the quality and safety of the blood products in our product portfolio. As of 30 June 2016, the Group has proceeded with the land transfer procedures with the government of Shuangliu District. We expect to obtain the land use rights certificate by the end of the second half of 2016.

4. Research and Development

In order to further expand our product portfolio, the Group has engaged Institute of Chinese Medical Sciences to develop "Sinco I", a realgarbased chemical medicine intended to treat acute promyelocytic leukaemia. Sinco I is classified as a Class I chemical medicine, a category of new medicine which has never been launched in China or other countries. The approval process of a Class I chemical medicine usually takes a longer time of more than eight years, involving investigational new drug application and multiple phases of clinical studies before commercial launch. We expect that the pilot phase for the pharmaceutical raw materials of Sinco I will be completed by December 2016. During the Reporting Period, the Group achieved progress on the research and development of Sinco I and is currently designing the construction of pilot plant for pilot experiments. As of 30 June 2016, the Group incurred research and development expenses to develop Sinco I of RMB2.3 million.

FUTURE AND OUTLOOK

While the environment of pharmaceutical market in China is experiencing enormous changes, the industry also exposes to unprecedented opportunities and challenges. The Group firmly believes that the foundation of the pharmaceutical market in China remains strong, given the ever-increasing development rate and market demand. Along with the revolution and development trend of the pharmaceutical industry, the Group seizes the opportunity for development in order to maintain a sustainable growth and realizes the enhancement of corporate value through making full use of its competitive advantage in marketing, promotion and channel management services for blood products.

The Group will continuously strengthen its close relationships with suppliers such as Octapharma so as to reinforce our position as the largest marketing, promotion and channel management services provider for imported blood products in China. Meanwhile, we will proactively investigate and seek for products portfolio with high growth potential in the domestic pharmaceutical market. In particular, we intend to focus on blood products and therapeutic areas targeting patients who use blood products to achieve economies of scale. Apart from entering into exclusive distribution agreements with suppliers, the Group will seek for opportunities to introduce more premium imported pharmaceutical products by way of strategic investment or equity acquisition in order to enrich our product portfolio.

The Group will continuously promote our marketing network towards terminal markets. We plan to expand our products in the domestic pharmaceutical market through various marketing means. In line with policies in the pharmaceutical industry and a closer ties with our distributors, the Group will continue to refine our management of distributors to maximize the benefit of economies of scale of the distributor network. A direct sales team targeting hospitals and other medical institutions will be formed to build up a marketing network with comprehensive coverage and higher density so as to generate more profit for the Group and handle more products.

FINANCIAL REVIEW

Revenue

Revenue decreased by 6.5% to RMB569.4 million for the Reporting Period from RMB608.7 million for the corresponding period of 2015, primarily due to a decrease in sales of Human Albumin Solution of RMB81.4 million, partially offset by an increase in sales of antibiotics and other products of RMB42.1 million. Please refer to "Business Review" for detail analysis of the revenue by products.

Cost of sales

Cost of sales decreased by 7.5% to RMB486.3 million for the Reporting Period from RMB526.0 million for the corresponding period of 2015, which was largely in line with changes in sales volume.

Gross profit and gross profit margin

Gross profit increased slightly by 0.5% to RMB83.1 million for the Reporting Period from RMB82.7 million for the corresponding period of 2015. Average gross profit margin increased to 14.6% for the Reporting Period from 13.6% for the six months ended 30 June 2015.

Human Albumin Solution

During the Reporting Period, the unit cost of sales increased by 7.1%, mainly due to the depreciation of RMB against USD. In response to the foreign exchange rate fluctuations, the Group raised average selling price by 5.4%. As a result, the gross profit margin on the sales of Human Albumin Solution decreased to 11.9% for the Reporting Period from 13.2% for the corresponding period of 2015.

Antibiotics

Effective from November 2015, the Group lowered purchase prices of Axetine and Medocef, which overweighed the impact of RMB depreciation against USD during the Reporting Period. As a result, the gross profit margin on sales of antibiotics increased to 14.6% for the Reporting Period from 12.0% for the corresponding period of 2015.

Other products

The average gross profit margin of other products remained stable because the Group managed to settle transactions in USD to avoid impact of foreign exchange fluctuations.

Other income and gains

Other income and gains decreased to RMB0.2 million for the Reporting Period from RMB0.4 million for the corresponding period of 2015, primarily due to a decrease in government grants of RMB0.2 million.

Selling and distribution expenses

Selling and distribution expenses decreased by 19.2% to RMB2.1 million for the Reporting Period from RMB2.6 million for the corresponding period of 2015, primarily due to a decrease in performance bonus of RMB0.5 million.

Administrative expenses

Administrative expenses increased by 156.9% to RMB35.2 million for the Reporting Period from RMB13.7 million for the corresponding period of 2015, primarily due to increase in (i) listing expenses of RMB15.0 million; (ii) professional consultation fee of RMB3.1 million; (iii) research and development expenses of RMB1.1 million; (iv) directors' remuneration and staff costs of RMB0.6 million; and (v) entertainment fee of RMB0.6 million.

Other expenses

Other expenses decreased to RMB1.9 million for the Reporting Period from RMB4.9 million for the corresponding period of 2015, primarily due to a decrease in exchange losses of RMB3.7 million, partially offset by an increase in bank charges of RMB0.6 million.

Finance costs

Finance costs decreased slightly to RMB3.7 million for the Reporting Period from RMB4.0 million for the corresponding period of 2015, primarily because interest on discounted bills receivable decreased by RMB0.5 million, while interest on bank loans increased by RMB0.2 million.

Income tax expenses

Income tax expenses increased by 8.8% to RMB9.9 million for the Reporting Period from RMB9.1 million for the corresponding period of 2015, with effective income tax rate increased from 15.8% to 24.4%, primarily due to an increase in non-deductible listing expenses of RMB15.0 million.

Profit for the Reporting Period

As a result of the forgoing, the Group's net profit decreased by 37.4% to RMB30.5 million for the Reporting Period from RMB48.7 million for the corresponding period of 2015. Net profit margin decreased to 5.4% for the Reporting Period from 8.0% for the corresponding period of 2015, which was primarily due to an increase in the one-off listing expenses of RMB15.0 million recognised during the Reporting Period.

Inventories

Inventory balances decreased to RMB22.5 million as of 30 June 2016 from RMB46.6 million as of 31 December 2015, primarily due to an increase in market demand for our products, Human Albumin Solution in particular, and an decrease in inventory turnover days.

Bills receivable

Bills receivable increased to RMB177.3 million as of 30 June 2016 from RMB77.2 million as of 31 December 2015, primarily due to an increase in the sales of Human Albumin Solution in the second quarter of 2016, and a decrease in bills discounting. To maintain a healthy cash flow and improve our management, we require full prepayment from our customers before goods delivery. Prepayment includes cash deposits and 60-day bank's acceptance bills in relation to sales of Human Albumin Solution.

Prepayment, deposits and other receivables

Prepayment, deposits and other receivables decreased to RMB23.1 million as of 30 June 2016 from RMB35.8 million as of 31 December 2015, primarily due to (i) a decrease in prepaid value-added tax of RMB9.4 million; and (ii) a decrease in prepaid listing fee and technical service fee of RMB5.4 million, partially offset by an increase in prepaid consultation service fee of RMB2.7 million.

Trade payables

Trade payables increased to RMB112.8 million as of 30 June 2016 from RMB62.8 million as of 31 December 2015. The increase in trade payables was mainly due to the increased un-due letters of credit resulted from the increased purchase in the second quarter of 2016. Trade payables turnover days increased to 33 days for the Reporting Period from 16 days for the year ended 31 December 2015, primarily due to the increase of balance of trade payables as of 30 June 2016.

Other payables

Other payables decreased to RMB62.5 million as of 30 June 2016 from RMB84.1 million as of 31 December 2015, primarily due to (i) decrease in deposits of RMB14.3 million; and (ii) payment of RMB9.5 million in respect of the acquisition of a 100% equity interest in Linzhi Ziguang Group, partially offset by the (i) increase in consulting and professional fee payable of RMB1.6 million; and (ii) increase in transportation fee payable of RMB0.7 million.

Bank borrowings and gearing ratio

As of 30 June 2016, the Group's interest-bearing bank loans amounted to RMB160.0 million (31 December 2015: RMB81.9 million), all of which were repayable within one year. The Group's gearing ratio is calculated as net debt divided by the sum of total equity and net debt, with net debt equal to interest-bearing bank loans minus cash equivalents. As of 30 June 2016, the Group's cash and cash equivalents exceeded the total interest-bearing bank loans, so no gearing ratio was presented (31 December 2015: 18.4%).

Liquidity and capital resources

The Group's primary uses of cash are to fund working capital, payment for the purchase of property, plant and equipment and other recurring expenses and to service indebtedness. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operations and funds raised from global offerings and bank borrowings.

The following table is a condensed summary of our consolidated statements of cash flows for the periods indicated and analysis of balances of cash and cash equivalents as of the dates indicated:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**8,666**	37,754
Net cash used in investing activities	**(35,254)**	(25,745)
Net cash from/(used in) financing activities	**327,014**	(6,266)
Net increase in cash and cash equivalents	**300,426**	5,743
Effect of foreign exchange rate changes	**3,611**	155
Cash and cash equivalents at beginning of the period	**60,206**	70,216
Cash and cash equivalents at end of the period	**364,243**	76,114

Capital expenditure

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Purchases of property, plant and equipment and intangible assets	**25,754**	6,745
Acquisition of subsidiaries	**9,500**	5,000
Acquisition of non-controlling interests of a subsidiary from then shareholders	**–**	14,000
	35,254	25,745

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2016, the Group had a total of 110 employees. For the Reporting Period, the total staff cost of the Group was RMB4.4 million as compared to RMB4.4 million for the six months ended 30 June 2015.

The Group's employee remuneration policy is determined by 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. Annual bonuses of the Group's employees are determined based on 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 continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. 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.

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the Listing of the Company (after deducting underwriting fee and relevant expenses) amounted to approximately HK$260.0 million (equivalent to approximately RMB217.2 million). As at 30 June 2016, RMB78.1 million had been utilized in the manner consistent with the allocation set out in the prospectus of the Company dated 29 February 2016.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK$0.0033 per share (equivalent to RMB0.0028 per share) for the Reporting Period (six months ended 30 June 2015: not applicable), payable on or around 18 October 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016. The interim dividend will be paid out from the Company's share premium account. As at 30 June 2016, the Company's share premium account was approximately HK$308,238,000. After the payment of the interim dividend, assuming there are no other changes to the share premium account, the Company's share premium account is expected to be reduced to approximately HK$302,908,000.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from Tuesday, 13 September 2016 to Thursday, 15 September 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 12 September 2016 for registration.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Hong Kong Stock Exchange as its own code of corporate governance.

From 10 March 2016 (the "**Listing Date**") to 30 June 2016, the Company has complied with all the code provisions of the CG Code and adopted most of the 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 Xiangbin was the Chairman of the Board and the chief executive officer. With Mr. Huang's extensive experience in the pharmaceutical 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 calibre individuals.

Following the appointment of Mr. Hao Jinghui as the co-chief executive officer of the Company with effect from 16 August 2016, Mr. Huang Xiangbin acts as the co-chief executive officer of the Company. Mr. Huang and Mr. Hao are responsible together for the Group's overall business development, operation and management.

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 period from the Listing Date to 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Chow Siu Lui (Chairman), Mr. Wang Qing and Mr. Liu Wenfang. The primary duties of the Audit Committee include reviewing and supervising the Group's financial reporting process, internal control and risk management systems, preparing 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, has reviewed the unaudited condensed interim results of the Group for the Reporting Period.

PUBLICATION OF THE INTERIM RESULTS AND 2016 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 Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sinco-pharm.com), and the 2016 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 Hong Kong 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, 29 August 2016

As at the date of this announcement, the executive Directors are Mr. Huang Xiangbin and Ms. Zhang Zhijie; and the independent non-executive Directors are Mr. Chow Siu Lui, Mr. Wang Qing and Mr. Liu Wenfang.