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SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE, 2020**

FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2020, the Group recorded the following unaudited results:

- Revenue was approximately RMB12,647.78 million, an increase of approximately 1.0% over the same period last year;
- Profit attributable to the owners of the parent was approximately RMB1,213.08 million, approximately 16.0% lower than that of the same period last year;
- Basic earnings per share attributable to the owners of the parent were approximately RMB9.64 cents, approximately 16.0% lower than that of the same period last year;
- Underlying profit^(Note 1) attributable to the owners of the parent was approximately RMB1,760.69 million, approximately 5.2% higher than that of the same period last year;
- Earnings per share, based on the underlying profit^(Note 1) attributable to the owners of the parent, were approximately RMB13.99 cents, approximately 5.2% higher than that of the same period last year;
- Sales of new products^(Note 2) accounted for approximately 34.8% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2020 was approximately RMB17,090.76 million.

The Board of the Company has declared the payment of a quarterly dividend of HK2 cents per share for the three months ended 30 June, 2020. Together with the first quarterly dividend of HK2 cents per share paid, the total dividend of first two quarters amounted to HK4 cents per share.

Note 1: Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide (net of related deferred tax and non-controlling interests); (ii) unrealized fair value losses (net) on equity investments and financial assets; (iii) fair value loss of Convertible Bond embedded derivative component and (iv) the effective interest expenses from the Convertible Bond debt component. A reconciliation between profit attributable to the owners of the parent and underlying profit has been set out under the section headed “Underlying Profit” of this announcement.

Note 2: Products launched within five years.

CORPORATE PROFILE

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

Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Oncology medicines:	Yinishu (Dasatinib) tablets, Anxian (Lenalidomide) capsules, Qianping (Bortezomib for injections), Shoufu (Capecitabine) tablets, Qingweike (Decitabine for injections)
Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Yigu (Zoledronic Acid) injections
Anti-infectious medicines:	Tiance (Biapenem) injections, Tianjie (Tigecycline for injections), Tianli (Linezolid and Glucose) injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder
Others:	Debaian (Flurbiprofen) Cataplasms, Kaina (Beraprost Sodium) tablets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the review period, the COVID-19 pandemic continued spreading around the world with no apparent turning point for the conditions in the US, India and Brazil. Adversely affected by the pandemic, many countries encountered a severe economic downturn and the global economy slipped into deep recession. Escalating global trade disputes, de-globalization and geopolitical conflicts have exacerbated economic conditions. The central banks of major economies introduced stimulus policies on an unprecedented scale, to rescue their respective economies. However, the recovery of the global economy has proceeded far more slowly than expected.

The Chinese government's proactive and decisive prevention and control initiatives against the pandemic have yielded significant results. Given the continued improvement of the pandemic conditions and the gradual resumption of work, production, business activities and markets, the GDP for the second quarter turned from negative to positive, growth reported at 3.2% year-on-year. The GDP for the first half of 2020 grew at -1.6% when compared with the same period last year. The decline of the enterprises above a designated size narrowed significantly, while the added value of the high-tech manufacturing industry climbed by 4.5% year-on-year. Consequently, the domestic economy underwent a significant steady recovery trend.

During the pandemic, the non-emergency admissions to hospitals dropped notably, and many departments temporarily closed. Constrained by the isolation measures, nearly all on-site academic and physician exchange activities were completely disrupted, resulting in a significant negative impact on drug sales. With the new edition of the National Reimbursement Drug List ("NRDL") based on the post-negotiated pricing system and the implementation of the second centralized drug procurement, the price of newly-included products declined by more than 50% and even as much to 90%, thus the profit of respective products fell substantially. Moreover, the Consistency Evaluation on the quality of injections has commenced. As a result, generic drug enterprises faced greater pressure.

Business Review

Highlights of the results of the Group during the period under review:

- Sino Biopharm ranked 133rd among the Top 500 Chinese Listed Companies in terms of market capitalization in 2020 published by 21 Data News Laboratory in March, up 87 positions when compared to last year.
- According to the index review results announced by the Hang Seng Indexes Company in March, the weighting of Sino Biopharm in the Hang Seng Index increased from 0.88 to 0.96, while the weighting of Sino Biopharm in Hang Seng China Enterprises Index rose from 1.41 to 1.51. The changes took effect after the market close on Friday, 6 March.

- On 23 March, the Hang Seng Indexes Company announced the launch of the Hang Seng Stock Connect Biotech 50 Index. Sino Biopharm has been included in the index and was ranked second among the top 10 weighted constituents on 23 March. The index reflects the overall performance of the 50 largest biotech companies in terms of market capitalization that are listed in Hong Kong or Mainland China and are eligible for trading through the Stock Connect Scheme.
- In May 2020, the China Healthcare Consulting and CITIC Securities jointly issued the “2019 China Healthcare Industry Investment and Financing Honor List”. Sino Biopharm was named as one of Top 10 Best Listed Biopharm Companies in 2019.
- On 8 June, Sino Biopharm was included among the Hang Seng China (Hong Kong-listed) 25 Index, becoming the only pharmaceutical stock selected by the Index.
- On 12 June, *PharmExec*, a pharmaceutical magazine in the US, announced a compilation of the top 50 global biopharm players in 2020. The Group again made the list this year, ranking 42nd with a revenue of US\$3.373 billion.
- The Group’s Budesonide Suspension for Inhalation (brand name: Tianqingsuchang®) has obtained approval and has become the first nebulized budesonide generic drug in China. This product is an inhaled glucocorticoid with strong focal anti-inflammatory effect, given through a nebulizer. It can fight inflammation through various ways, not only countering inflammatory cells, but also suppressing glandular secretion, thus reducing exudation from inflammation and sputum, and boasts excellent clinical efficacy for asthma and chronic respiratory patients. It also has a higher technological entry barrier, which requires huge investments in R&D, testing and equipment. Previously, the market only had the branded product of AstraZeneca. In 2019, a sales amount of approximately RMB6 billion was recorded at the specimen hospitals. With high R&D standards, the quality of Tianqingsuchang is as good as the branded product and with differentiation in areas of safety, speed, efficacy, effective duration, etc. The launch of Tianqingsuchang marks a breakthrough for domestic medicine in a product category with a high entry barrier, and offers a new choice to ease the financial burden of local patients.
- NJCTT has been included in the Top 100 Innovative Patents of Nanjing Companies published by the Nanjing Municipal Intellectual Property Administration. CT Qingjiang has been named as a National IP Exemplary Enterprise by the National Intellectual Property Administration, PRC.

During the period under review, the implementation of the prices in the NRDL after negotiation and the centralized drug procurement policy had a bigger influence on the Group's revenue and profit. The rapid growth of new products became the main drivers: Qingkeshu (Abiraterone Acetate Tablet), Anxian (Lenalidomide Capsules), Tianqingsuchang (Budesonide Suspension for Inhalation), Leweixin (Bendamustine Hydrochloride for Injection), Tianming (Caspofungin Acetate for Injection), Weishou (Azacitidine for Injection), Shanqi (Fosaprepitant Dimeglumine for Injection) and Qingliming (Iodixanol Injection). All of these new products have quickly grown into new business drivers, reflecting the value created by the Group's high R&D investments over the years, and the outstanding abilities of its marketing teams developing new products in different sectors.

The Group capitalized on the success of Anlotinib, a blockbuster innovative oncology medicine, and concentrated its human and financial resources on the oncology sector through creating effective synergies. Apart from the oncology drugs mentioned above, other drugs including Yinishu (Dasatinib Tablets), Qianping (Bortezomib for Injection) and Yijiu (Bortezomib for Injections) also delivered substantial growth. Contributions from the oncology medicines sector to the Group's growth already exceeded that from hepatitis medicines and cardio-cerebral medicines sectors which were previously key revenue contributors of the Group.

Benefitting from the Group's deployment in chronic disease management over the years, respiratory system medicine Tianqingsule (Tiotropium Bromide Powder for Inhalation) showed healthy growth. The brilliant performance of Tianqingsuchang (Budesonide Suspension for Inhalation) after its launch also demonstrated the Group's expertise and competitive strength in respiratory medicines sector. Several subsequent respiratory products of the Group are also in the final stage of clinical trial.

As a result of the increasing use of anti-infectious respiratory medicines during the COVID-19 pandemic and the Group's stronger promotion of its anti-infectious products, antibiotics products including Tianjie (Tigecycline for Injection), Tianli (Linezolid and Glucose Injection) and Fengruineng (Moxifloxacin Hydrochloride and Sodium Chloride Injection) achieved satisfactory growth. During the pandemic, the Group quickly engaged in different modes of effective communications and consultations with doctors and patients and provided information services via various network technology platforms, which brought about positive impact on its sales.

During the second quarter, the Group was granted 6 production approvals for Bortezomib for Injections (additional specification), Emtricitabine and Tenofovir Disoproxil Fumarate Tablets, Clopidogrel Hydrogen Sulphate Tablets, Invert Sugar Injection (two concentrations) and Vildagliptin Tablets. During the review period, it obtained 12 production approvals, Consistency Evaluation approval for 9 products (including those deemed to have passed the Consistency Evaluation) and 22 clinical trial approvals. The Group also submitted 19 production applications, 29 clinical trial applications and 4 applications for Consistency Evaluation.

During the review period, the Group has also obtained 82 invention patent approvals and has filed 263 new invention patent applications. It also obtained 7 utility model patents and made 3 utility model patent applications.

During the period, the Group recorded revenue of approximately RMB12,647.78 million, representing an increase of approximately 1.0% over the same period last year. Profit attributable to the owners of the parent was approximately RMB1,213.08 million, approximately 16.0% lower than that of the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB9.64 cents, approximately 16.0% lower than that of the same period last year. The slight year-on-year decrease in profit attributable to the owners of the parent and basic earnings per share was mainly due to the impact caused by non-cash fair value loss and effective interest expenses of the EUR750,000,000 zero coupon convertible bonds due 2025 (the “Convertible Bond(s)”) issued by the Company in February 2020. Excluding the impact of amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide (net of related deferred tax and non-controlling interests), the unrealized fair value losses (net) on equity investments and financials assets, as well as fair value loss of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component, underlying profit attributable to the owners of the parent was approximately RMB1,760.69 million, approximately 5.2% higher than that of the same period last year. Based on underlying profit attributable to the owners of the parent, the earnings per share were approximately RMB13.99 cents, approximately 5.2% higher than that of the same period last year. Cash and bank balances totaled approximately RMB17,090.76 million at the period end.

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

Hepatitis medicines

For the six months ended 30 June, 2020, the sales of hepatitis medicines amounted to approximately RMB2,248.64 million, representing approximately 17.8% of the Group’s revenue.

Oncology medicines

For the six months ended 30 June, 2020, the sales of oncology medicines amounted to approximately RMB4,017.56 million, representing approximately 31.8% of the Group’s revenue.

For the six months ended 30 June, 2020, the sales of Anxian capsules amounted to approximately RMB164.43 million, an increase of approximately 69.3% as compared with same period last year. Sales of Yinishu tablets amounted to approximately RMB157.95 million, an increase of approximately 37.5% as compared with same period last year. Sales of Qianping injections amounted to approximately RMB142.80 million, an increase of approximately 84.0% as compared with same period last year. Sales of Shoufu tablets amounted to approximately RMB132.07 million, an increase of approximately 21.7% as compared with same period last year. Sales of Qingweike injections amounted to approximately RMB110.68 million, an increase of approximately 2.7% as compared with same period last year.

Orthopedic medicines

For the six months ended 30 June, 2020, the sales of orthopedic medicines amounted to approximately RMB1,017.97 million, representing approximately 8.0% of the Group's revenue.

For the six months ended 30 June, 2020, sales of Gaisanchun capsules amounted to approximately RMB578.88 million, an increase of approximately 5.8% as compared with same period last year. Sales of Yigu injections amounted to approximately RMB187.57 million, an increase of approximately 21.3% as compared with same period last year.

Anti-infectious medicines

For the six months ended 30 June, 2020, the sales of anti-infectious medicines amounted to approximately RMB753.36 million, representing approximately 6.0% of the Group's revenue.

For the six months ended 30 June, 2020, sales of Tianjie injections amounted to approximately RMB194.75 million, an increase of approximately 12.5% as compared with same period last year. Sales of Tianli injections amounted to approximately RMB75.81 million, an increase of approximately 60.1% as compared with same period last year.

Respiratory system medicines

For the six months ended 30 June, 2020, the sales of respiratory medicines amounted to approximately RMB597.32 million, representing approximately 4.7% of the Group's revenue.

For the six months ended 30 June, 2020, sales of Tianqingsule inhalation powder amounted to approximately RMB396.07 million, an increase of approximately 18.6% as compared with same period last year.

Others

For the six months ended 30 June, 2020, the sales of others amounted to approximately RMB4,012.93 million, representing approximately 31.7% of the Group's revenue.

For the six months ended 30 June, 2020, sales of Debaian cataplasms amounted to approximately RMB458.70 million, an increase of approximately 7.6% as compared with same period last year. Sales of Kaina tablets amounted to approximately RMB236.16 million, a slight decrease of approximately 3.3% as compared with same period last year.

UNDERLYING PROFIT

Addition information is provided below to reconcile profit attributable to the owners of the parent and underlying profit. The reconciling items principally adjust for the impact of amortization expenses of new identifiable intangible assets (net of deferred tax and non-controlling interests) arising from the acquisition of 24% interests of Beijing Tide in 2018^(Note), the unrealized fair value gains and losses of equity investments and financial assets, as well as fair value loss of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component.

Note: Details of the acquisition have been set out in the announcements of the Company dated 5 January, 2018 and 1 March, 2018, respectively, and the circular of the Company dated 26 January, 2018.

	For the six months ended 30 June,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the parent	1,213,079	1,444,349
Adjustment related to the acquisition of 24% interests in Beijing Tide:		
Amortization expenses of new identifiable intangible assets (net of related deferred tax and non-controlling interests)	210,142	210,142
Unrealized fair value losses of equity investments and financial assets, net	18,874	19,888
Fair value loss of Convertible Bond embedded derivative component	278,082	—
Effective interest expenses of Convertible Bond debt component	40,517	—
Underlying profit	<u>1,760,694</u>	<u>1,674,379</u>
Basic earnings per share		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	<u>1,760,694</u>	<u>1,674,379</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (Shares)	<u>12,581,751,487</u>	<u>12,590,041,680</u>
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	<u>13.99</u>	<u>13.30</u>

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), underlying profit is presented in this results announcement as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group’s core operations by excluding certain non-cash items and impact arising from acquisitions. Underlying profit is to be considered in addition to, and not as a substitute for, measures of the Group’s financial performance prepared in accordance with HKFRS.

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

As at 30 June, 2020, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain unlisted equity investments) of approximately RMB1,501.64 million (31 December 2019: approximately RMB1,211.08 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB271.30 million (31 December, 2019: approximately RMB491.36 million).

In addition, as at 30 June, 2020, the Group had the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB1,711.29 million (31 December 2019: approximately RMB1,084.88 million), including the wealth management products of Industrial Bank (approximately RMB450 million), Merchant Bank (approximately RMB300 million), Agricultural Bank of China (approximately RMB210 million), Industrial and Commercial Bank of China (approximately RMB200 million), Beijing Bank (approximately RMB180 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board of the directors (the “Board”) of the Company believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 30 June, 2020, these investments amounted to approximately RMB1,711.29 million in total, representing approximately 2.5% of the total assets of the Group.

For the six months ended 30 June, 2020, the Group recorded the realized gain on the disposal of the equity investment of approximately RMB2.55 million and unrealized fair value loss (net) of the equity investments and financial assets of approximately RMB18.87 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group has continued to focus its R&D efforts on new hepatitis, oncology, respiratory system and cardio-cerebral medicines. During the second quarter, the Group was granted 8 clinical trial approvals, 6 production approvals, and 3 approvals for Consistency Evaluation, and made 20 clinical trial applications, 1 application for Consistency Evaluation and 17 production applications. Cumulatively, a total of 438 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 38 were for hepatitis medicines, 189 for oncology medicines, 22 for respiratory system medicines, 24 for endocrine, 35 for cardio-cerebral medicines and 130 for other medicines.

Over the years, the Group has been placing high importance on R&D and innovation, as well as through collaboration and imitation, to raise both R&D standards and efficiency. Regarding R&D as the lifeblood of the Group's development, the Group continues to devote into more resources. For the six months ended 30 June, 2020, the total R&D expenditure of approximately RMB1,540.57 million, which accounted for approximately 12.2% of the Group's revenue, was charged to the statement of profit or loss and capitalized in the statement of financial position respectively.

The Group also emphasizes on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the second quarter, the Group has received 83 authorized patent notices (61 invention patents, 5 utility model patents and 17 apparel design patents) and filed 150 new patent applications (143 invention patents, 3 utility model patents and 4 apparel design patents). Cumulatively, the Group has obtained 848 invention patent approvals, 30 utility model patents and 109 apparel design patents.

INVESTOR RELATIONS

The Group is committed to maintaining high corporate governance standards to ensure long-term sustainable development of its business, and has been proactive in approaching investors through a variety of channels to ensure that they have thorough understanding of its latest developments and to enhance corporate transparency and exposure. Moreover, the Group gathers valuable opinions from the investors through personal exchanges, aiming to further elevate its corporate governance standards.

Despite the outbreak of COVID-19 pandemic during the period, the Group has resorted to host teleconferences to inform investors of 2019 annual results and its latest business development so as to maintain a high level of transparency. The teleconferences have attracted more than 490 analysts, fund managers and other investors from Hong Kong and Mainland China. What is more, the Group distributed press releases regarding its results to the media so as to keep retail investors well informed of its latest business status and prospects via media coverage.

Besides, the management participated in many online investment summits and roadshows during the period hosted by large investment banks and securities companies, including Bank of America Merrill Lynch, HSBC, UBS, Morgan Stanley, Citi, J.P. Morgan, Macquarie, Goldman Sachs, Nomura, CLSA, CCB International and BOC International among others, all in a bid to help investors gain an update on the Group's business development and competitive advantages.

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

All these efforts of the Group are well recognized by the investment community. In the “2020 All-Asia Executive Team survey organized by the authoritative international financial magazine Institutional Investor, the Group again earned the title of “Most Honored Companies”, along with the “Best CEO”, “Best IR Professionals”, “Best IR Team”, “Best IR Program” and “Best ESG” awards in the Healthcare & Pharmaceuticals sector, a reflection of its management team’s unfailing execution capacity and ability, as well as the high recognition for its professional IR management and corporate governance by the capital market.

THE ISSUANCE OF CONVERTIBLE BONDS

On 17 February, 2020, the Company has successfully completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 by way of debt issues to professional investors only. The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Assuming full conversion of the Convertible Bonds at the initial conversion price of HK\$19.09 per share of the Company (“Initial Conversion Price”) and no further issue of shares of the Company (“Shares”), the Convertible Bonds will be convertible into 338,380,041 Shares, representing approximately 2.69 percent. of the issued share capital of the Company as at 17 February, 2020 and approximately 2.62 percent of the issued share capital of the Company as at 17 February, 2020 as enlarged by the issue of the conversion shares upon full conversion of the Convertible Bonds. The conversion shares to be issued upon conversion of the Convertible Bonds will rank pari passu and carry the same rights and privileges in all respects with the Shares then in issue on the relevant registration date.

On 15 July, 2020, the shareholders of the Company approved the bonus issue of shares of the Company on the basis of one new Share for every two existing Shares held by the qualifying shareholders whose names appear on the register of members of the Company on Friday, 24 July 2020 (the “Bonus Issue”).

In accordance with the terms and conditions of the Conversion Bonds, an adjustment has been made to the Initial Conversion Price as a result of the Bonus Issue. The conversion price of the Convertible Bonds has been adjusted from HK\$19.09 to HK\$12.72 per Share (“Adjusted Conversion Price”) with effect from 25 July, 2020. The maximum number of conversion shares issuable upon conversion of all the outstanding Convertible Bonds at the Adjusted Conversion Price is 507,836,084 Shares. For further details, please refer to the announcement made by the Company on 20 July, 2020.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the six months ended 30 June, 2020 except for the deviation from Code Provision E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the “AGM”) by the chairman of the board of directors and Independent Non-Executive Directors (“INED(s)”). The chairman of the board of directors and three INEDs were unable to attend the AGM held on 26 May, 2020 due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, it was confirmed that for the six months ended 30 June, 2020, all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s liquidity remains strong. During the period, the Group’s primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. As at 30 June, 2020, the Group’s cash and bank balances were approximately RMB17,090.76 million (31 December, 2019: approximately RMB11,911.21 million).

CAPITAL STRUCTURE

As at 30 June, 2020, the Group had short term loans of approximately RMB307.58 million (31 December, 2019: approximately RMB666.75 million) and had long term loans of approximately RMB8,123.82 million (31 December, 2019: approximately RMB7,884.80 million).

CHARGE ON ASSETS

As at 30 June, 2020, the Group had charge on assets of approximately RMB669.39 million (31 December, 2019: approximately RMB830.00 million), excluding the amount of bills receivable discounted at banks of approximately RMB122.70 million (31 December, 2019: approximately RMB598.99 million).

CONTINGENT LIABILITIES

As at 30 June, 2020, the Group and the Company had no material contingent liabilities (31 December, 2019: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2020, the total assets of the Group amounted to approximately RMB68,348.34 million (31 December, 2019: approximately RMB58,299.25 million) whereas the total liabilities amounted to approximately RMB26,845.49 million (31 December, 2019: approximately RMB18,014.68 million). The gearing ratio (total liabilities over total assets) was approximately 39.3% (31 December, 2019: approximately 30.9%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 23,515 employees as at 30 June, 2020 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) in selling and distribution costs and administrative expenses for the period was approximately RMB1,634,763,000 (2019: approximately RMB1,402,994,000).

The Group adopted the Share Option Scheme on 28 May, 2013 (the "2013 Share Option Scheme") and the Share Award Scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. As of 30 June, 2020, (i) no option in respect of the Shares had been granted under the 2013 Share Option Scheme; and (ii) 47,667,000 Shares were held on trust under the 2018 Share Award Scheme and no Shares had been granted to any selected participant yet.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars and HK dollars. In the PRC, foreign investment enterprises are authorized to convert Renminbi to foreign currency in respect of current account items (including payment of dividend and profit to the foreign joint venture partner). The exchange rate of HK dollars and US dollars is pegged under the fixed linked system over a long period of time. The Directors consider that the Group is not significantly exposed to foreign currency risk and no hedging or other alternatives have been implemented.

PROSPECTS

The main purpose of the government's efforts to deepen medical insurance reform is to maintain fundamental benefits and expand coverage. Going forward, adjustments to the categories and prices in the NRDL and Essential Drug List are expected to cover drugs in all categories, and reducing the price of medicines through centralized drug procurement will become a normal practice. The launch of the total amount control payment policy such as payment categorized under Diagnosis-Related Groups ("DRG") and the medical representative registration system will further increase the difficulty of marketing in the pharmaceutical industry. The Consistency Evaluation of injections will accelerate the elimination of uncompetitive generic drugs manufacturers and drive the transformation of generic drug manufacturers boasting R&D capability to develop new medicines. The new drug evaluation and approval mechanism encourages innovation and speeds up the introduction of new medicines. Enterprises with strong innovation and R&D capabilities and diversified market operation models will be able to enjoy greater advantages.

Observing the government's active promotion of the "Internet + healthcare" policy, the trial launch of initial medical consultation via the Internet in some of the provinces and cities and medical insurance payment relating to Internet healthcare, the Group will pay close attention to the impact of these initiatives on the medical model and modes of marketing in the pharmaceutical industry, as well as explore related opportunities.

APPRECIATION

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

RESULTS

The Board of the Company announces the unaudited consolidated results of the Group for the six months ended 30 June, 2020 together with the comparative consolidated results for 2019 as follows:

Consolidated Statement of Profit or Loss

		For the six months ended 30 June,	
		2020	2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	12,647,775	12,527,309
Cost of sales		<u>(2,792,044)</u>	<u>(2,452,146)</u>
Gross profit		9,855,731	10,075,163
Other income and gains	3	352,279	271,574
Selling and distribution costs		(4,612,527)	(4,934,258)
Administrative expenses		(1,109,878)	(1,038,588)
Other expenses		(1,715,877)	(1,661,883)
<i>Including: Research and development costs</i>		<i>(1,540,569)</i>	<i>(1,625,550)</i>
Finance costs	4	(174,323)	(86,230)
Share of profits and losses of associates		<u>(41,188)</u>	<u>7,670</u>
PROFIT BEFORE TAX	5	2,554,217	2,633,448
Income tax expense	6	<u>(537,890)</u>	<u>(449,647)</u>
PROFIT FOR THE PERIOD		<u>2,016,327</u>	<u>2,183,801</u>
Profit attributable to:			
Owners of the parent		1,213,079	1,444,349
Non-controlling interests		<u>803,248</u>	<u>739,452</u>
		<u>2,016,327</u>	<u>2,183,801</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		<u>RMB9.64 cents</u>	<u>RMB11.47 cents</u>

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

Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>2,016,327</u>	<u>2,183,801</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>50,830</u>	<u>(3,548)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>50830</u>	<u>(3,548)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>2,067,157</u>	<u>2,180,253</u>
Attributable to:		
Owners of the parent	<u>1,260,556</u>	<u>1,442,076</u>
Non-controlling interests	<u>806,601</u>	<u>738,177</u>
	<u>2,067,157</u>	<u>2,180,253</u>

Consolidated Statement of Financial Position

		30 June, 2020	31 December, 2019
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		7,244,380	6,913,728
Investment properties		560,915	563,395
Right-of-use assets		1,328,352	1,293,478
Goodwill		13,896,976	13,896,976
Intangible assets		7,435,984	7,703,642
Investments in associates		946,145	808,443
Equity investments designated at fair value through other comprehensive income		1,501,639	1,211,084
Deferred tax assets		501,342	580,944
Prepayments		531,519	414,466
Total non-current assets		33,947,252	33,386,156
CURRENT ASSETS			
Inventories		1,802,666	1,658,597
Trade and bills receivables	9	4,329,135	2,712,209
Prepayment, deposit and other receivables		9,051,188	6,903,251
Amount due from related party		144,747	151,588
Equity investments designated at fair value through profit or loss		271,299	491,357
Financial assets at fair value through profit or loss		1,711,292	1,084,883
Cash and bank balances	10	17,090,761	11,911,210
Total current assets		34,401,088	24,913,095
CURRENT LIABILITIES			
Trade and bills payables	11	2,801,554	1,809,445
Tax payable		132,426	189,873
Other payables and accruals		7,256,336	5,433,879
Interest-bearing bank borrowings		307,575	666,749
Lease liabilities		37,011	23,079
Total current liabilities		10,534,902	8,123,025
NET CURRENT ASSETS		23,866,186	16,790,070

		30 June, 2020	31 December, 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		57,813,438	50,176,226
NON-CURRENT LIABILITIES			
Deferred government grants		312,927	480,652
Interest-bearing bank borrowings		8,123,820	7,884,802
Convertible bonds		6,255,315	—
Lease liabilities		41,395	41,270
Deferred tax liabilities		1,577,128	1,484,934
Total non-current liabilities		16,310,585	9,891,658
Net assets		41,502,853	40,284,568
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	278,301	278,451
Treasury shares		(412,837)	(412,837)
Reserves		31,648,529	31,246,044
Non-controlling interests		31,513,993	31,111,658
		9,988,860	9,172,910
Total equity		41,502,853	40,284,568

1. BASIS OF PREPARATION

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

The unaudited consolidated financial information should be read in conjunction with 2019 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2019.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

The segment results for the six months ended 30 June, 2020

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	<u>12,400,813</u>	<u>2,416</u>	<u>244,546</u>	<u>12,647,775</u>
Segment results	<u>3,219,909</u>	<u>(531,551)</u>	<u>(22,203)</u>	<u>2,666,155</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				152,769
Share of profits and losses of associates				(41,188)
Unallocated expenses				<u>(223,519)</u>
Profit before tax				2,554,217
Income tax expense				<u>(537,890)</u>
Profit for the period				<u>2,016,327</u>
Assets and liabilities				
Segment assets	48,826,840	16,473,031	1,600,982	66,900,853
<i>Reconciliation:</i>				
Investments in associates				946,145
Other unallocated assets				<u>501,342</u>
Total assets				<u>68,348,340</u>
Segment liabilities	9,280,649	15,153,554	701,730	25,135,933
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>1,709,554</u>
Total liabilities				<u>26,845,487</u>
Other segment information:				
Depreciation and amortisation	<u>690,965</u>	<u>13,380</u>	<u>16,934</u>	<u>721,279</u>
Capital expenditure	<u>504,930</u>	<u>103</u>	<u>100,499</u>	<u>605,532</u>
Other non-cash expenses	<u>117</u>	<u>–</u>	<u>–</u>	<u>117</u>

The segment results for the six months ended 30 June, 2019

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	<u>12,246,829</u>	<u>2,369</u>	<u>278,111</u>	<u>12,527,309</u>
Segment results	<u>2,849,325</u>	<u>(103,177)</u>	<u>710</u>	<u>2,746,858</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				94,804
Share of profits and losses of associates				7,670
Unallocated expenses				<u>(215,884)</u>
Profit before tax				2,633,418
Income tax expense				<u>(449,647)</u>
Profit for the period				<u>2,183,801</u>
Assets and liabilities				
Segment assets	46,692,692	4,705,654	1,263,527	52,661,873
<i>Reconciliation:</i>				
Investments in associates				331,760
Other unallocated assets				<u>477,554</u>
Total assets				<u>53,471,187</u>
Segment liabilities	8,661,709	3,785,234	442,231	12,889,174
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>1,770,648</u>
Total liabilities				<u>14,659,822</u>
Other segment information:				
Depreciation and amortisation	<u>678,384</u>	<u>12,967</u>	<u>12,671</u>	<u>704,022</u>
Capital expenditure	<u>620,957</u>	<u>94</u>	<u>140,736</u>	<u>761,787</u>
Other non-cash expenses	<u>966</u>	<u>415</u>	<u>—</u>	<u>1,381</u>

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	2,888,336	454,597
Mainland China	28,844,955	29,765,413
Others	210,980	28,286
	<u>31,944,271</u>	<u>30,248,296</u>

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

Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2020 and 2019.

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	12,407,014	12,246,829
Others	240,761	280,480
	<u>12,647,775</u>	<u>12,527,309</u>

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Other income		
Bank interest income	152,769	94,804
Dividend income	903	4,064
Government grants	20,286	23,070
Sale of scrap materials	1,036	347
Investment income	122,754	90,723
Gross rental income	4,291	2,627
Others	47,340	39,456
	<u>349,379</u>	<u>255,091</u>
Gains		
Gain on disposal of items of property, plant and equipment	354	–
Gain on disposal of equity investment designated at fair value through profit or loss	2,546	16,483
	<u>2,900</u>	<u>16,483</u>
Total other income and gains	<u><u>352,279</u></u>	<u><u>271,574</u></u>

4. FINANCE COSTS

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Interest on bank borrowings	133,806	86,230
Effective interest expense of convertible bonds	40,517	–
	<u>174,323</u>	<u>86,230</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of sales	2,792,044	2,452,146
Depreciation of property, plant and equipment	266,306	249,021
Depreciation of investment properties	11,792	11,258
Recognition of right-of-use assets	1,441	2,001
Amortization of other intangible assets	441,740	441,742
Research and development costs	1,540,569	1,625,550
Gain on disposal of items of property, plant and equipment	(354)	–
Loss on disposal of items of property, plant and equipment	117	1,381
Share of profits and losses of associates	41,188	(7,670)
Bank interest income	(152,769)	(94,804)
Dividend income	(903)	(4,064)
Investment income	(122,754)	(90,723)
Fair value losses, net:		
Equity investments at fair value through profit or loss	18,874	19,888
Fair value gain of convertible bond embedded derivative component	278,082	–
Auditors' remuneration	2,407	2,396
Staff cost (including directors' remuneration)		
Wages and salaries	1,391,315	1,131,419
Pension contributions	243,448	271,575
	1,634,763	1,402,994
Foreign exchange differences, net	39,149	(1,583)

6. INCOME TAX EXPENSE

	For the six months ended 30 June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	539,978	452,920
Deferred tax	(2,088)	(3,273)
	<u>537,890</u>	<u>449,647</u>
Total tax charge for the period	<u>537,890</u>	<u>449,647</u>

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

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

Hong Kong profits tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

During the six months ended 30 June, 2020, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, CP Qingdao, LYG Runzhong and Shanghai Tongyong were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2020.

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

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of a quarterly dividend of HK2 cents per ordinary share for the three months ended 30 June, 2020 (2019: HK2 cents). The second quarterly dividend will be paid to shareholders on Wednesday, 30 September, 2020 whose names appear on the register of members of the Company on Thursday, 17 September, 2020. For the purpose of determining shareholders who are qualified for the second quarterly dividend, the register of members of the Company will be closed from Wednesday, 16 September, 2020 to Thursday, 17 September, 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second quarterly dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Tuesday, 15 September, 2020.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the period of approximately RMB1,213,079,000 (2019: approximately RMB1,444,349,000), and the weighted average number of ordinary shares of 12,581,751,487 (2019: 12,591,798,176) in issue during the period.

9. TRADE AND BILL RECEIVABLES

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

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

	30 June, 2020 RMB'000 (Unaudited)	31 December, 2019 RMB'000 (Audited)
Current to 90 days	4,015,408	2,188,169
91 days to 180 days	208,215	440,407
Over 180 days	105,512	83,633
	<u>4,329,135</u>	<u>2,712,209</u>

10. CASH AND BANK BALANCES

	30 June, 2020 RMB'000 (Unaudited)	31 December, 2019 RMB'000 (Audited)
Cash and bank balances, unrestricted	9,027,425	4,340,181
Time deposits with original maturity of less than three months	6,639,177	6,291,029
Time deposits with original maturity of more than three months	1,424,159	1,280,000
	<u>17,090,761</u>	<u>11,911,210</u>

11. TRADE AND BILLS PAYABLES

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

	30 June, 2020 <i>RMB'000</i> (Unaudited)	31 December, 2019 <i>RMB'000</i> (Audited)
Current to 90 days	2,422,446	1,219,488
91 days to 180 days	191,640	549,226
Over 180 days	187,468	40,731
	<u>2,801,554</u>	<u>1,809,445</u>

12. SHARE CAPITAL

	30 June, 2020 <i>RMB'000</i> (Unaudited)	31 December, 2019 <i>RMB'000</i> (Audited)
<i>Issued and fully paid:</i>		
12,581,751,487 ordinary shares of HK\$0.025 each (2019: 12,588,304,487 ordinary shares of HK\$0.025 each)	<u>278,301</u>	<u>278,451</u>

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

During the period ended 30 June, 2020, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the INED and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including two with financial management expertise. Details of their biographies have been set out in the 2019 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the six months ended 30 June, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 June, 2020, the Company bought back 6,553,000 Shares on the Stock Exchange at a consideration of HK\$66,585,880 before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share		Consideration paid HK\$
		Highest HK\$	Lowest HK\$	
March	5,979,000	10.22	9.76	60,700,000
April	574,000	10.28	10.22	5,885,880

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

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

Hong Kong, 28 August, 2020

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