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 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 33.1% or RMB210.7 million to RMB847.0 million for the Reporting Period (six months ended 30 June 2020: RMB636.3 million), among which revenue from sales of Human Albumin Solution increased by approximately RMB302.3 million, while revenue from sales of antibiotics decreased by approximately RMB91.6 million.

- Gross profit of the Group increased by RMB48.9 million to RMB157.5 million for the Reporting Period (six months ended 30 June 2020: RMB108.6 million), and gross profit margin increased from 17.1% to 18.6%. The increase in gross profit was in line with the increase of the revenue.

- During the Reporting Period, the Group recorded net profit of RMB75.3 million (six months ended 30 June 2020: RMB32.5 million), primarily due to the increase in gross profit of the Group and the decrease in operation expenses.

- During the Reporting Period, net profit attributable to owners of the Company amounted to RMB75.3 million (six months ended June 2020: RMB32.5 million), representing an increase in net profit by RMB42.8 million.

- Basic earnings per share amounted to RMB0.044 for the Reporting Period (basic earnings per share for the six months ended 30 June 2020: RMB0.019).

- The Board resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sinco Pharmaceuticals Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2020 and the comparative figures as at 31 December 2020.

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

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**847,044**	636,306
Cost of sales		**(689,517)**	(527,727)
Gross profit		**157,527**	108,579
Other income and gains	*4*	**5,067**	5,785
Selling and distribution expenses		**(34,874)**	(61,329)
Administrative expenses		**(17,426)**	(20,145)
Reversal of impairment losses on trade receivables		**454**	1,819
Reversal of/(provision for) impairment losses on financial assets included in prepayments, other receivables and other assets		**(416)**	438
Other expenses		**(3,823)**	(3,766)
Finance costs	*5*	**(14,825)**	(1,215)
PROFIT BEFORE TAX	*6*	**91,684**	30,166
Income tax (expense)/credit	*7*	**(16,403)**	2,286
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**75,281**	32,452

		For the six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		**75,281**	32,452
Non-controlling interests		**–**	–
		75,281	32,452
Earnings per share attributable to ordinary equity holders of the Company:			
– Basic and diluted (RMB)	*8*	**0.044**	0.019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**185,988**	188,249
Investment property	*9*	**6,589**	6,679
Right-of-use assets	*10(a)*	**49,114**	49,934
Intangible assets	*9*	**10**	22
Payments in advance	*11*	**2,614**	796
Deferred tax assets	*12*	**636**	646
Total non-current assets		**244,951**	246,326
Current assets			
Inventories	*13*	**100,043**	242,561
Trade and bills receivables	*14*	**298,139**	578,687
Prepayments, other receivables and other assets	*11*	**187,569**	40,714
Pledged deposits		**17,615**	–
Cash and cash equivalents		**267,002**	143,765
Total current assets		**870,368**	1,005,727
Current liabilities			
Trade payables	*15*	**314,855**	700,320
Contract liabilities	*16*	**34,836**	27,806
Other payables and accruals	*17*	**130,417**	161,946
Interest-bearing bank and other borrowings	*18*	**199,022**	77,986
Tax payable		**24,152**	21,999
Lease liabilities	*10(b)*	**510**	736
Total current liabilities		**703,792**	990,793

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
NET CURRENT ASSETS		**166,576**	14,934
Total assets less current liabilities		**411,527**	261,260
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*18*	**132,647**	3,042
Other payables	*17*	**39,046**	93,422
Lease liabilities	*10(b)*	**124**	367
Total non-current liabilities		**171,817**	96,831
Net assets		**239,710**	164,429
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*19*	**136**	136
Reserves		**239,574**	165,201
		239,710	165,337
Non-controlling interests		**–**	(908)
Total equity		**239,710**	164,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE AND GROUP INFORMATION

Sinco Pharmaceuticals Holdings Limited is a limited liability company incorporated in the Cayman Islands on 16 March 2015. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is Room 2403, Wing On Centre, 111 Connaught Road Central, Hong Kong with effect from 20 November 2020.

During the six months ended 30 June 2021 (the "**Period**"), the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in marketing, promotion and channel management services for improved human plasma-based pharmaceuticals, antibiotics and other pharmaceuticals focused on therapeutic areas complementary to human plasma-based products and other fast-growing categories in Mainland China. There were no significant changes in the nature of the Group's principal activities during the Period.

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

2.1 BASIS OF PREPARATION

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

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of this unaudited interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the following amendments to a number of International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank borrowings denominated in RMB based on China Loan Prime Rate and Hong Kong dollars based on Hong Kong Interbank Offered Rate as at 30 June 2021. Since the interest rate of these borrowings were not replaced by RFRs during the Period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criteria is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. No reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold.

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Sale of pharmaceutical products	**847,044**	636,306

Revenue from contracts with customers:

(i) Disaggregated revenue information

	For the six months ended 30 June			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Types of pharmaceutical products:				
Human albumin solution	**805,419**	**95.1**	503,091	79.1
Antibiotics (Axetine and Medocef)	**41,625**	**4.9**	133,215	20.9
Total revenue from contracts with customers	**847,044**	**100.0**	636,306	100.0

Geographical market

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

Timing of revenue recognition

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

Information about major customers

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**325,508**	*

* Less than 10% of the total revenue

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Imputed discount on deposit received	**–**	4,255
Income from logistics services rendered	**4,272**	647
Interest income from financial assets at fair value through profit or loss	**518**	–
Interest income from financial assets measured at amortised cost	**–**	366
Bank interest income	**246**	196
Government grants*	**3**	177
Others	**28**	144
	5,067	5,785

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Unwinding of discount on long-term deposits received	**2,798**	–
Interest on bank and other borrowings	**12,005**	1,147
Interest on lease liabilities *(note 10(b))*	**22**	68
	14,825	1,215

6. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of inventories sold		**689,517**	527,727
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**5,073**	4,761
Welfare and other benefits		**1,643**	3,553
Pension scheme contributions			
– Defined contribution fund		**899**	232
Housing fund			
– Defined contribution fund		**259**	232
Total employee benefit expense		**7,874**	8,778
Depreciation of investment property	*9*	**90**	90
Depreciation of items of property, plant and equipment	*9*	**2,362**	4,632
Depreciation of right-of-use assets	*10*	**820**	505
Amortisation of intangible assets	*9*	**12**	12
Amortisation of decoration cost		**85**	120
Reversal of impairment losses on trade receivables, net	*14*	**(454)**	(1,819)
Provision for/(reversal of) impairment losses on financial assets included in prepayments, other receivables and other assets, net		**416**	(438)
Write-down of inventories to net realisable value		**–**	563
Research expenses		**379**	443
Foreign exchange losses, net		**1,639**	2,398
Lease payments not included in the measurement of lease liabilities	*10(c)*	**342**	129
Auditors' remuneration		**900**	950

7. INCOME TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	**8,416**	2,156
Overprovision in prior years	**–**	(4,999)
Current – Hong Kong	**7,977**	–
Deferred *(note 12)*	**10**	557
Total tax expense/(credit) for the Period	**16,403**	(2,286)

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) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax has been made as the Group's subsidiaries in Hong Kong has accumulated tax losses brought forward which exceed the estimated assessable profit for the six months ended 30 June 2020.

(c) The subsidiaries of the Group located in Mainland China were liable to the People's Republic of China ("**PRC**") corporate income tax ("**CIT**") at a rate of 25% on the assessable profits generated for the six months ended 30 June 2021 and 2020.

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

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the Period of RMB75,281,000 (six months ended 30 June 2020: RMB32,452,000), and the weighted average number of ordinary shares of 1,691,890,585 (six months ended 30 June 2020: 1,691,890,585) in issue during the Period.

For the six months ended 30 June 2021 and 2020, diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of the option was higher than the average market price per share.

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

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

	Investment property *RMB'000*	Other property plant and equipment *RMB'000*	Intangible assets *RMB'000*
Carrying amount at 1 January 2021	6,679	188,249	22
Additions	–	101	–
Depreciation charged for the Period/amortisation for intangible assets for the Period *(note 6)*	(90)	(2,362)	(12)
Carrying amount at 30 June 2021 (unaudited)	6,589	185,988	10

As at 30 June 2021, the Group's buildings with a net carrying amount of RMB68,077,000 (31 December 2020: RMB70,296,000) were pledged to secure its bank loans (note 18).

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

10. LEASES

The Group as a lessee

The Group has lease contracts for office premises and a warehouse used in its operations. The Group entered into certain long-term lease contracts for items of office premises. Lump sum payments were made upfront to acquire the leased land with lease periods of 50 years. Lump sum payments were made yearly upfront to acquire certain leased office premises with lease periods of five years, and no ongoing payments will be made under the terms of the leases after the payments. For other leases, payments were made monthly, quarterly and semi-annually. Leases of office premises have lease terms between 1 and 5 years. Leases of a warehouse have lease terms within five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

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

	Office premises *RMB'000*
As at 1 January 2021	49,934
Depreciation charge *(note 6)*	(820)
As at 30 June 2021 (unaudited)	49,114

(b) ***Lease liabilities***

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

	RMB'000
Carrying amount at 1 January 2021	1,103
Accretion of interest recognised during the period *(note 5)*	22
Payments	(491)
Carrying amount at 30 June 2021 (unaudited)	634
Analysed into:	
Current portion	510
Non-current portion	124

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

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

	Six months ended on 30 June 2021 ***RMB'000*** **(unaudited)**
Interest on lease liabilities *(note 5)*	**22**
Depreciation charge of right-of-use assets *(note 6)*	**820**
Expense relating to short-term leases and the leases with remaining lease terms ended on or before 30 June 2021 (included in administrative expenses) *(note 6)*	**342**
Total amount recognised in profit or loss	**1,184**

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Current portion:		
Prepayments in respect of:		
– consultation service fee	**943**	814
– others	**3,853**	756
Deposit:		
– issuance of letter of credit	**3,748**	24,998
– distribution rights	**129,202**	–
– others	**35,290**	5,272
Value-added tax recoverable	**11,335**	5,818
Amount due from related parties *(note 22 (b))*	**11**	–
Other receivables in respect of:		
– staff advances	**330**	359
– others	**3,793**	3,217
	188,505	41,234
Less: allowance for credit losses	**(936)**	(520)
	187,569	40,714
Non-current portion:		
Prepayments in advance in respect of:		
– prepaid training fee	**308**	457
– prepaid office decoration	**2,306**	339
	2,614	796
	190,183	41,510

12. DEFERRED TAX ASSETS

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

	RMB'000
At 1 January 2021	646
Deferred tax derecognised in Mainland China during the Period *(note 7)*	(10)
At 30 June 2021 (unaudited)	636

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

13. INVENTORIES

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

At 30 June 2021, the Group's inventories with a carrying amount of RMB81,549,000 (31 December 2020: RMB241,577,000) were pledged to secure the Group's other payables (note 17).

14. TRADE AND BILLS RECEIVABLES

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Trade receivables	**289,399**	580,778
Impairment	**(1,637)**	(2,091)
Trade receivables, net of impairment	**287,762**	578,687
Bills receivable*	**10,377**	–
	298,139	578,687

* The above bills receivable at 30 June 2021 were classified as financial assets at fair value through profit or loss as they were held for endorsement or discounting.

The Group grants credit terms ranging from 75 days to 240 days to customers after the delivery of goods, except for certain customers who make payments in advance prior to the delivery of goods. The Group seeks to maintain strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. Trade receivables are non-interest-bearing. As at 30 June 2021, trade receivables of RMB265,277,000 (31 December 2020: RMB567,169,000) were covered by letters of credit.

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the date of revenue recognised and net of loss allowance, is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Within 3 months	**285,984**	576,378
Over 3 months	**1,778**	2,309
	287,762	578,687

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

	RMB'000
As at 1 January 2020	2,441
Reversal of impairment losses, net	(350)
As at 31 December 2020	2,091
As at 1 January 2021	2,091
Reversal of impairment losses, net *(note 6)*	(454)
As at 30 June 2021 (unaudited)	1,637

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

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

As at 30 June 2021

		Past due		
	Current	**1 to 90 days**	**more than 90 days**	**Total**
Expected credit loss rate	**2.12%**	**14.69%**	**100%**	
Gross carrying amount *(RMB'000)*	**286,433**	**2,083**	**883**	**289,399**
Covered by letters of credit *(RMB'000)**	**(265,277)**	**–**	**–**	**(265,277)**
	21,156	**2,083**	**883**	**24,122**
Expected credit losses *(RMB'000)*	**448**	**306**	**883**	**1,637**

As at 31 December 2020

		Past due		
	Current	1 to 90 days	more than 90 days	Total
Expected credit loss rate	1.25%	40.12%	100%	
Gross carrying amount *(RMB'000)*	576,495	3,856	427	580,778
Covered by letters of credit *(RMB'000)**	(567,169)	–	–	(567,169)
	9,326	3,856	427	13,609
Expected credit losses *(RMB'000)*	117	1,547	427	2,091

* Certain trade receivables amounting to RMB265,277,000 were guaranteed by letters of credit issued by reputable banks, which were not past due as at 30 June 2021.

As at 30 June 2021, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain import agents in order to settle other payables, with a carrying amount in aggregate of RMB33,175,000 (31 December 2020: RMB110,097,000) (collectively referred to as the "**Derecognised Bills**"). All the Derecognised Bills had been accepted by Banks which are reputable banks in the PRC and had a maturity of 1 day to two 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 Period, no gains or losses were recognised from the Continuing Involvement, both during the Period or cumulatively. The endorsement has been made evenly throughout the Period.

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting periods, based on the issuance date of the pharmaceuticals' inspection reports, is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Within 3 months	**314,855**	700,320

The trade payables of the Group are non-interest-bearing and are normally settled within 75 to 240 days (31 December 2020: 120 to 240 days).

16. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2020 and 30 June 2021. The balance of contract liabilities is expected to be recovered/settled within one year.

Movements in the contract liabilities balances during the six months ended 30 June 2021 are as follows:

	RMB'000
Carrying amount at 31 December 2020 and 1 January 2021	27,806
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(26,454)
Consideration received from customers, excluding amounts recognised as revenue during the Period	33,484
Carrying amount at 30 June 2021 (unaudited)	34,836

17. OTHER PAYABLES AND ACCRUALS

	Notes	**30 June 2021** ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000*
Current portion:			
Payables related to:			
– Payroll and welfare payable		**664**	1,218
– Deposits received	*(a)*	**45,452**	4,023
– Consultation professional fees		**8,653**	6,433
– Other tax payables		**450**	1,800
– Import agent contracts	*(b)*	**47,902**	117,848
– Interest payable		**2,206**	–
– Others		**25,090**	30,624
		130,417	161,946
Non-current portion:			
Payables related to:			
– Deposits received	*(a)*	**39,046**	93,422
		169,463	255,368

Notes:

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

The balances as at 30 June 2021 mainly represented interest-free deposits totaling RMB85,600,000 received from a distributor for distribution period granted by the Group. The deposit will be refunded by the Group to the distributor by instalments, of which RMB25,600,000, RMB20,000,000 and RMB40,000,000 will be due in July 2021, December 2021 and July 2022, respectively. During the Period, the Group recorded unwinding of discount on deposits of RMB2,798,000 (six months ended 30 June 2020: Nil) (note 5).

(b) The balance as at 30 June 2021 mainly represented payables to two (31 December 2020: three) independent third parties, which are principally engaged in import agent services, for their settlement of part of the purchase of pharmaceutical products on behalf of the Group together with the service charge for the import and logistics services. Such payables were non-interest-bearing and secured by inventories with a carrying amount of RMB81,549,000 (31 December 2020: RMB241,577,000) (note 13).

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Current portion:			
Bank loans:			
– Secured and guaranteed	*(a)*	**69,000**	69,000
– Guaranteed	*(a)*	**820**	8,986
Other borrowings:			
– Unsecured	*(b)*	**129,202**	–
		199,022	77,986
Non-current portion:			
Bank loans:			
– Guaranteed	*(a)*	**2,647**	3,042
Other borrowings:			
– Unsecured	*(c)*	**130,000**	–
		132,647	3,042
		331,669	81,028

Notes:

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

(i) At 30 June 2021, the bank loan of RMB60,000,000 (31 December 2020: RMB60,000,000) was secured by the Group's certain buildings of RMB58,022,000 (31 December 2020: RMB60,152,000) and guaranteed by Mr. Huang Xiangbin, the Company and Chengdu Sinco Pharmaceutical Technology Co. Ltd..

(ii) At 30 June 2021, the bank loan of RMB9,000,000 (31 December 2020: RMB9,000,000) was secured by the Group's certain buildings of RMB10,055,000 (31 December 2020: RMB10,144,000) and guaranteed by Mr. Huang Xiangbin.

(iii) At 30 June 2021, the bank loan of RMB3,467,000 (31 December 2020: RMB3,872,000) was guaranteed by Mr. Huang Xiangbin.

(iv) At 31 December 2020, the bank loan of RMB8,156,000 was guaranteed by Mr. Huang Xiangbin and Chengdu Sinco Pharmaceutical Technology Co., Ltd.

(b) The balance represented the interest-bearing borrowing amounting to USD20.0 million granted by a third party. During the Period, the third party made a payment of USD20.0 million to the Group's supplier on behalf of the Group as the deposit for the relevant distribution rights granted.

(c) The balance represented the interest-bearing borrowing amounting to RMB130.0 million granted by a third party.

(d) As at the end of the Period, the Group's bank loans amounting to RMB69,000,000 were denominated in RMB, and bank loans amounting to RMB3,467,000 were denominated in HK$.

(e) All of the Group's bank loans and other borrowings as at the end of the Period were interest-bearing at respective fixed rates ranging of from 2.75% to 10.62% (31 December 2020: 2.75% to 6.0%) per annum.

19. SHARE CAPITAL

Shares

	30 June 2021 ***RMB'000*** **(Unaudited)**	31 December 2020 *RMB'000*
Authorised:		
10,000,000,000 (31 December 2020: 10,000,000,000) ordinary shares of HK$0.0001 each	**822**	822
Issued and fully paid:		
1,691,890,585 (31 December 2020: 1,691,890,585) ordinary shares of HK$0.0001 each	**136**	136

20. SHARE OPTION SCHEME

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

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

	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***
As at 1 January	0.568	15,650
Forfeited during the Period	0.568	(2,500)
As at 30 June 2021	**0.568**	**13,150**

During the Period, a total of 2,500,000 share options were forfeited due to the resignation of one grantee. The share options outstanding as 30 June 2021 represented 13,150,000 share options granted by the Company under the Share Option Scheme on 21 September 2016 at an exercise price of HK$0.568 per share to certain eligible participants of the Company in respect of their contributions to the Group's development.

The exercise prices and exercise periods of the share options outstanding as of 30 June 2021 and 31 December 2020 are as follows:

30 June 2021

Number of options *'000*	**Exercise price per share** *HK$*	**Exercise period**
5,260	**0.568**	From 21 September 2017 to 20 September 2022
3,945	**0.568**	From 21 September 2018 to 20 September 2022
3,945	**0.568**	From 21 September 2019 to 20 September 2022
13,150		

31 December 2020

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

The Company recognised a share option expense of Nil during the Period (the six months ended 30 June 2020: Nil).

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

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

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

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

As at 30 June 2021, the Company had 13,150,000 (31 December 2020: 15,650,000) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,150,000 (31 December 2020: 15,650,000) additional ordinary shares of the Company and additional share capital of HK$1,315 (31 December 2020: HK$1,565) and share premium of at least HK$7,467,885 (31 December 2020: HK$8,887,635) (before issue expenses).

At the date of approval of this interim condensed financial information, the Company had 13,150,000 share options outstanding under the Share Option Scheme, which represented approximately 0.8% of the Company's shares in issue as of that date.

21. COMMITMENTS

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Contracted, but not provided for:		
– Construction of a warehouse	**83,008**	83,008
– Decoration of a villa	**2,256**	–
	85,264	83,008

22. RELATED PARTY TRANSACTIONS AND BALANCES

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

	For the six months ended 30 June	
	2021 *RMB'000* **(Unaudited)**	2020 *RMB'000* (Unaudited)
Guaranteed by Mr. Huang Xiangbin:		
Interest-bearing bank loan *(note 18 (a))*	**72,467**	17,850

(b) Balances with related parties

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

	Note	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Amount due from Risun	*(i)*	**11**	–

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(unaudited)
Salaries, allowances and benefits in kind	**1,662**	1,374
Pension scheme contributions	**15**	16
	1,677	1,390

23. DIVIDENDS

At a meeting of the Directors held on 30 August 2021, the Directors of the Company resolved not to declare or pay any interim dividends for the Period to shareholders (for the six months ended 30 June 2020: Nil).

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		**Fair values**	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)		**(Unaudited)**	
Financial liabilities				
Non-current portion:				
– interest-bearing bank and other borrowings	**132,647**	3,042	**137,433**	2,834
– other payables	**39,046**	93,422	**38,076**	93,422
	171,693	96,464	**175,509**	96,256

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in the current portion of other payables and accruals, trade payables, and current interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

The fair values of the non-current interest-bearing bank loans, and the non-current other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current financial liabilities as at 30 June 2021 was assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 30 June 2021				
Bills receivable	**–**	**10,377**	**–**	**10,377**

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

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 30 June 2021				
Non-current portion of				
– interest-bearing bank and other borrowings	**–**	**–**	**137,433**	**137,433**
– other payables	**–**	**–**	**38,076**	**38,076**
	–	**–**	**175,509**	**175,509**
As at 31 December 2020				
Non-current portion of				
– interest-bearing bank and other borrowings	–	–	2,834	2,834
– other payables	–	–	93,422	93,422
	–	–	96,256	96,256

25. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 30 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Entering 2021, the COVID-19 pandemic is far from over, and it has had a profound impact on our daily life and economic activities worldwide. However, in mainland China, after a strict lockdown as well as nationwide vaccination, the pandemic has been well controlled and social activities have returned to normal. The pharmaceutical industry, as an essential sector for the fight against the pandemic, was relatively less affected. With the rapid recovery of national pharmaceutical logistic and increase in transportation capacity, the entire pharmaceutical distribution industry also ushered in a quick recovery in the first half of this year.

As an industry with high entry barriers and strong demand, blood products have played an important role in the fight against the COVID-19 pandemic. In the post-pandemic era, some blood products are expected to welcome opportunities and with the help of this pandemic to achieve a new round of growth.

Throughout the Reporting Period, the revenue of Human Albumin Injection was RMB805.4 million, an increase of approximately 60.1% or RMB302.3 million as compared with the same period in 2020. The increase in turnover was mainly due to the fact that the supply of human albumin from the Sweden factory introduced last year have entered a stable phase and a large volume of batch release from the end of last year. In addition, during the pandemic, the Group's sales team continued to expand its sales network and develop hospital access. The coverage of hospitals has increased significantly compared with last year. More optimized sales channels and continuous recovery of market demand have enabled the rapid digestion of product inventory and laid the foundation for the long-term stability of later sales.

With the stabilization of the domestic pandemic, market demand will be further released in the second half of the year. We believe that, given the supply is adequately guaranteed, the Company's distribution business in 2021 will be further improved.

1. Core Products

Human Albumin Solution

Dating back to the early 1940s, blood products have undergone decades of fast development. Such products have grown from Human Albumin at the very beginning to the current more than 20 categories in three series, encompassing such sub-categories as Human Albumin, immune globulin and blood coagulation factors. Given the approval granted to new indications and an improved rate of diagnosis, the Plasma Protein Therapeutics Association (PPTA) predicts that the market demand for blood products will retain a high-speed growth around the global. As the largest sales category in the market of blood products in the PRC, Human Albumin is the only kind of blood product allowed to be imported at present, and its lot release of imported and domestic categories maintains a rapid growth every year. Manufactured by Octapharma, a global leading manufacturer of blood products, and included as a Category B product in the National Reimbursement Drug List (NRDL), the Human Albumin Solution operated by the Group has used to remedy the shock caused by hypovolemia, remove edema and poisonous substances, and treat neonatal hyper-bilirubinemia.

Axetine (Cefuroxime Sodium for injection)

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

Medocef (Cefoperazone Sodium for injection)

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

2. Marketing Network Development

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

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

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

3. Cold Chain Storage Facility

Considering the future demand for business expansion and the significant demand for pharmaceutical cold chains in the storage and delivery of blood products and bio-products, the Group has constructed a cold chain storage facility in Shuangliu District, Chengdu, Sichuan Province. The Group has completed the first phase of its cold chain storage facility (15,000 square meters), which can satisfy the Group's storage demand and provide better control for the quality and safety of the blood products in our product portfolio. In addition, we will be able to provide third parties with high quality pharmaceutical cold-chain storage services upon completing the second-phase construction, which will be a new business unit of the Group. Currently, the Group has applied to Shuangliu District Government for land transfer, with its procedures well under way.

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

4. Research and Development

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

FUTURE AND OUTLOOK

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

At present, the world's plasma collection volume exceeds 50,000 tons, and the United States accounts for approximately 80% of the total volume. The plasma used for human albumin products imported by China also comes from the United States. Although the global pandemic will inevitably have a negative impact on the global volume of plasma collection, considering time needed for the blood collection, testing, production, batch release and transportation, the imported human albumin products supplied in the Chinese market this year will be the batches manufactured before the outbreak of COVID-19. We expect that the supply and release of imported human albumin products will remain stable in 2021, and the impact of the pandemic on the supply of blood products may gradually be reflected in the first half of 2022.

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

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

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB847.0 million for the Reporting Period, representing an increase of RMB210.7 million or 33.1% as compared to RMB636.3 million in the corresponding period of 2020. The increase could be further analyzed as follows:

		For the six months ended 30 June			
		2021		2020	
		RMB million	***% of revenue***	*RMB million*	*% of revenue*
Human Albumin Solution	*1)*	**805.4**	**95.1**	503.1	79.1
Antibiotics	*2)*	**41.6**	**4.9**	133.2	20.9
Total		**847.0**	**100.0**	636.3	100.0

1) Throughout the reporting period, revenue of Human Albumin Solution of the Group amounted to RMB805.4 million, representing an increase of approximately 60.1% or RMB302.3 million as compared to the first half of 2020. Such increase in distribution volume is caused by the increase in the supply volume and the sales volume of human albumin.

2) During the Reporting Period, revenue from sales of antibiotics decreased by RMB91.6 million as compared with the corresponding period in 2020. The decrease was mainly because the implementation of the drug volume-based purchasing policy which caused the sales volume in some provinces continuingly declined.

Cost of sales

The Group recorded cost of sales of RMB689.5 million for the Reporting Period, representing an increase of RMB161.8 million or 30.7% as compared with RMB527.7 million in the corresponding period of 2020, which was in line with the increase in sales revenue.

Gross profit and gross profit margin

During the Reporting Period, the Group recorded gross profit of RMB157.5 million, representing an increase of RMB48.9 million as compared with RMB108.6 million in the corresponding period of 2020, in which the gross profit of the human albumin increased by RMB88.3 million and was partially offset by the decrease of the gross profit of antibiotics by RMB39.4 million.

As compared with the corresponding period of 2020, the gross profit margin increased from 17.1% to 18.6% for the Reporting Period. The increase in profit margin was mainly due to the increase of sales of human albumin which in general has higher profit margin than that of antibiotics.

Other income and gains

During the Reporting Period, other income and gains of the Group amounted to RMB5.1 million, representing a decrease of RMB0.7 million as compared with the corresponding period of 2020. Other income and gains for the Reporting Period mainly represented (i) logistics service income of RMB4.3 million; (ii) interest income of RMB0.5 million from bank's wealth management products; and (iii) bank interest income of RMB0.3 million.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB34.9 million, representing a decrease of RMB26.4 million as compared with the corresponding period of 2020. The decrease was mainly due to the decrease of the marketing promotion expenses which was caused by the decrease in sales of antibiotics.

Administrative expenses

During the Reporting Period, the Group recorded administrative expenses of RMB17.4 million, representing a decrease of RMB2.7 million as compared with the corresponding period of 2020. The administrative expenses mainly included staff cost of RMB5.1 million, intermediary service fees of RMB4.4 million, tax charges of RMB2.7 million, depreciation of RMB1.4 million and other miscellaneous expenses.

Other expenses

During the Reporting Period, the Group recorded other expenses of RMB3.8 million, which was similar to that of the corresponding period of 2020.

Finance costs

During the Reporting Period, the Group recorded finance costs of RMB14.8 million, representing an increase of RMB13.6 million as compared with the corresponding period of 2020, which was mainly due to the increase in the interest on bank and other borrowings of RMB10.9 million as compared with the previous period, and unwinding of discount on long-term deposit of RMB2.8 million.

Income tax expense

During the Reporting Period, the Group recorded income tax expense of RMB16.4 million, representing an increase of RMB18.7 million as compared with the corresponding period of 2020, which was mainly due to the growth of profit during the period.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded the net profit of RMB75.3 million, representing an increase of RMB42.8 million as compared with the corresponding period of 2020.

Inventories

Inventory balances amounted to RMB100.0 million as of 30 June 2021 (31 December 2020: RMB242.6 million), representing a decrease of RMB142.6 million as compared with the year-end balance of 2020. Such decrease was due to the decrease in the inventory balance of Human Albumin Solution.

Due to the recovery of the sales volume during the Reporting Period, the Group's average inventory turnover days decreased by 45 days from 90 days for the corresponding period of 2020 to 45 days for the Reporting Period.

Trade and bills receivables

The balance of trade receivables amounted to RMB287.8 million as of 30 June 2021 (31 December 2020: RMB578.7 million), representing a decrease of RMB290.9 million as compared with the year-end balance of 2020. The decrease was mainly due to the decrease in the balance of trade receivables of Human Albumin Solution.

The balance of bills receivable as of 30 June 2021 was RMB10.3 million (31 December 2020: nil).

Prepayments, deposits and other receivables

As of 30 June 2021, the current portion of prepayments, deposits and other receivables amounted to RMB187.6 million (31 December 2020: RMB40.7 million), representing an increase of RMB146.9 million as compared with the year-end balance of 2020, mainly due to (i) the increase of RMB129.2 million in the deposit paid for securing the distribution right of Human Albumin Solution; and (ii) the increase in other prepayment of deposits of RMB30.0 million. This increase was partially offset by a decrease of RMB21.2 million in prepayment of deposits for issuance of letter of credit.

Trade and bills payables

As of 30 June 2021, trade and bills payables amounted to RMB314.9 million (31 December 2020: RMB700.3 million), representing a decrease of RMB385.4 million as compared with the year-end balance of 2020, among which payables for the purchase of Human Albumin Solution decreased by RMB392.6 million, and payables for the purchase of antibiotics increased by RMB7.2 million. The balance of trade payables was in line with the decrease in inventory of Human Albumin Solution.

Other payables and accruals (current portion)

As of 30 June 2021, other payables and accruals amounted to RMB130.4 million (31 December 2020: RMB161.9 million), representing a decrease of RMB31.5 million as compared with the year-end balance of 2020. The decrease was mainly due to the decrease of payables in relation to the import agent contracts of RMB69.9 million. The decrease was partially offset by the increase in deposits received from distributors of RMB41.5 million.

Other payables and accruals (non-current portion)

As of 30 June 2021, non-current portion of other payables and accruals amounted to RMB39.0 million (31 December 2020: RMB93.4 million), representing a decrease of RMB54.4 million as compared with the year-end balance of 2020. The decrease was mainly due to reclassification of some long-term deposits received from distributors into the current portion of other payables and accruals as the maturity date approached.

Borrowings

As of 30 June 2021, the Group has borrowings of RMB331.6 million in total, with details set out below:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Current:		
Interest-bearing bank loans	**69,820**	77,986
Interest-bearing other borrowings	**129,202**	–
Non-current:		
Interest-bearing bank loans	**2,647**	3,042
Interest-bearing other borrowings	**130,000**	–
	331,669	81,028

Gearing ratio

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Interest-bearing bank and other borrowings	**331,669**	81,028
Trade and bills payables	**314,855**	700,320
Other payables	**169,463**	255,368
Lease liabilities	**634**	1,103
Tax payables	**24,152**	21,999
Less: Cash and cash equivalents	**(267,002)**	(143,765)
Less: Pledged bank balances	**(17,615)**	–
Net debt(a)	**556,156**	916,053
Equity	**239,710**	164,429
Equity and net debt(b)	**795,866**	1,080,482
Gearing ratio(a/b)	**69.9%**	84.8%

Liquidity and capital resources

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

		For the six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Net cash from/(used in) operating activities	*1)*	**81,673**	(88,725)
Net cash from/(used in) investing activities	*2)*	**(1,635)**	2,347
Net cash from/(used in) financing activities	*3)*	**44,825**	(52,224)
Net increase/(decrease) in cash and cash equivalents		**124,863**	(138,602)
Effect of foreign exchange rate changes, net		**(1,626)**	(150)
Cash and cash equivalents at beginning of the period	*4)*	**143,765**	224,756
Cash and cash equivalents at end of the period	*4)*	**267,002**	86,004

Notes:

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

During the Reporting Period, the Group's net cash inflow from operating activities amounted to approximately RMB81.7 million (six months ended 30 June 2020: net cash outflow of RMB88.7 million), which was mainly due to the increase in cash from sales during the Reporting Period as compared with the corresponding period of prior year.

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

The Group did not incur significant capital expenditure during the Reporting Period, and net cash outflow generated from investing activities amounted RMB1.7 million (six months ended 30 June 2020: net cash inflow of RMB2.3 million).

3) Net cash from/(used in)financing activities

During the Reporting Period, the Group's net cash inflow from financing activities amounted to approximately RMB44.8 million (six months ended 30 June 2020: net cash outflow of RMB52.2 million), mainly including (i) net proceeds from bank and other borrowings of RMB170.0 million; and (ii) the recovery of prepayment of deposits for issuance of letter of credit of RMB21.2 million. The cash inflow was partially offset by (i) repayment of the interest-bearing loan of RMB48.6 million; (ii) payment of interests of RMB9.8 million; (iii) pledge of deposits for letter of credit to a bank of RMB17.6 million; and (iv) net payment of other payables and accruals of RMB69.9 million in relation to import agency contracts.

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000*
Denominated in RMB	**146,741**	102,572
Denominated in US$	**117,555**	37,263
Denominated in HK$	**818**	3,835
Denominated in S$	**1,847**	55
Denominated in C$	**41**	40
	267,002	143,765

Treasury policies

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

Foreign currency risk

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

- Certain bank balances are denominated in US$, HK$, S$ and C$; and

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

The Group does not manage the potential fluctuation in foreign currencies by foreign currency forward and option contracts, and does not enter into any hedging transactions.

Capital expenditure

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchase of property, plant and equipment	**2,153**	9
	2,153	9

Contingent liabilities

The Group had no material contingent liabilities as of 30 June 2021.

Pledge of assets

As of 30 June 2021, the carrying amounts of the Group's pledged assets were set out as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	
For obtaining bank and other borrowings		
– Buildings	**68,077**	70,296
– Inventories	**81,549**	241,577
For issuance of letters of credit		
– Bank balances	**17,615**	–

Dividend

The Directors resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2021, the Group had a total of 108 employees. For the Reporting Period, the total staff cost of the Group were RMB7.9 million (six months ended 30 June 2020: RMB8.8 million).

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. The Group considered the employee's annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

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

In addition, the Company adopted a share option scheme to recognise the contribution by certain employees of the Group, and to provide them with incentives in order to retain them for their continuing support in the operation and development of the Group.

RISK MANAGEMENT

The principal risks and uncertainties identified by the Company which may have material and adverse impact on our performance or operation are summarized below. There may be other principal risks and uncertainties in addition to those set out below which are not known to the Company or which may not be material now but could turn out to be material in the future.

- Failure to maintain relationships with existing suppliers – The Group currently sources all the products in portfolio form limited suppliers, either directly or indirectly through their sales agents.

- Exchange rate fluctuation – The Group's purchase of products from overseas suppliers is denominated in US$, and certain items of bank balances, other receivables, bank borrowings and bonds are denominated in US$ and HK$.

- Decrease in gross profits due to increase in cost and competition.

- Experience prolonged delays or significant disruptions to the supply of the products.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure existing in the Group's business, and participates in formulating appropriate risk management and internal control measures, and to ensure such measures are properly implemented in daily operational management.

RELATIONSHIP WITH KEY SHAREHOLDERS

Human resource is one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers, either directly or indirectly through their sales agents, and generate revenue by on-selling them to hospital and pharmacies through distributors and deliverers. Our suppliers or their sales agents have granted us the rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long-term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group directly sells pharmaceutical products to hospital and pharmacies or sells to distributors, who on-sell the products to hospital and pharmacies. The Group maintains stable and long-term relationship with its distributors and delivers by providing them guidance, training and support to carry out more targeted field marketing and promotion activities.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's principal business and operations are subject to relevant laws and regulations of the PRC. During the Reporting Period, we have complied with all relevant material laws and regulations of the PRC which would have significant impact on daily operation of the Group.

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 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

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

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organization structure of the Company, Mr. Huang Xiangbin ("**Mr. Huang**") is the Chairman of the Board. Further, Mr. Huang and Mr. Jin Min jointly serve as the co-chief executive officers of the Company, sharing the responsibility of the Group's overall business development, operation, and management work. With Mr. Huang's extensive experience in the pharmaceutical industry, the Board considers that vesting the roles of chairman and co-chief executive officer in Mr. Huang is beneficial to the business prospects and management of the Group. The check and balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Reporting Period (for the six months ended 30 June 2020: Nil).

EVENT AFTER THE END OF THE REPORTING PERIOD

Share subscription of New Shares under General Mandate

On 23 July 2021, the Company entered into subscription agreements with subscribers of Shares, pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 169,000,000 Shares at a subscription price of HK$0.5 per Share (the "**Subscription**").

As at the date of this announcement, the Subscription has not yet been completed pending fulfillment of certain conditions precedent. The net proceeds from the Subscription after deduction of the related professional fees and other related expenses are estimated to be HK$84.06 million. The Group intends to use the entire net proceeds for arising from the Subscription for general working capital purposes, of which, approximately 70% of the net proceeds, or approximately HK$58.84 million, to be used for the settlement of cost arising from procurement of pharmaceutical products; and approximately 30% of the net proceeds, or approximately HK$25.2 million, to be used for the deposit of issuance of the letter of credit for purchasing pharmaceutical products from the overseas suppliers by the Group.

Details of the Subscription were set out in the announcements made by the Company dated 23 July 2021 and dated 27 July 2021.

AUDIT COMMITTEE

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

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinco-pharm.com), and the 2021 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Sichuan, the PRC, 30 August 2021

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