四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.
四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHT

	Six months ended 30 June		Year-on-year change
	2021	2020	
	RMB'000	*RMB'000*	
Continuing operations			
Key Income Statement Items			
Revenue	**1,907,219**	1,054,537	**80.9%**
Gross profit	**1,467,123**	786,057	**86.6%**
Research and development expenses	**333,565**	300,850	**10.9%**
Operating profit	**885,960**	315,135	**181.1%**
Profit attributable to owners of the Company	**611,424**	170,491	**258.6%**
Key Financial Indicators			
Gross profit margin	**76.9%**	74.5%	
Net profit margin	**31.2%**	16.0%	
Earnings per share			
— Basic (RMB cents)	**6.46**	1.80	
— Diluted (RMB cents)	**6.42**	1.80	
Trade receivable turnover ratio (days)	**58**	49	
Continuing and discontinued operations			
Profit for the period	**594,218**	144,257	**311.8%**

The board (the "**Board**") of directors (the "**Directors**") of Sihuan Pharmaceutical Holdings Group Ltd. ("**Sihuan Pharmaceutical"** or the **"Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021 (the "**Period**") together with the comparative figures for the six months ended 30 June 2020. These interim results have been reviewed by the external auditors of the Company, Messrs. Ernst & Young, in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the "**Audit Committee**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at	
		30 June 2021	31 December 2020
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*4*	**3,145,614**	3,053,288
Right-of-use assets		**765,272**	787,973
Investment properties		**228,588**	232,173
Goodwill		**44,963**	12,312
Intangible assets		**639,779**	505,621
Investments accounted for using the equity method		**1,123,916**	1,070,387
Deferred tax assets		**312,947**	269,449
Financial assets at fair value through profit or loss	*5*	**273,479**	196,153
Other non-current assets		**459,581**	367,869
Pledged deposits		**144,548**	144,548
Total non-current assets		**7,138,687**	6,639,773
CURRENT ASSETS			
Inventories		**565,711**	495,889
Trade and other receivables	*6*	**1,291,203**	971,540
Financial assets at fair value through profit or loss	*5*	**679,230**	332,683
Cash and cash equivalents		**4,630,850**	4,604,041
Total current assets		**7,166,994**	6,404,153
TOTAL ASSETS		**14,305,681**	13,043,926

	Notes	As at 30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*7*	**78,070**	78,186
Share premium	*7*	**4,055,791**	4,084,846
Other reserves		**918,189**	725,222
Retained earnings		**4,790,732**	4,302,088
		9,842,782	9,190,342
Non-controlling interests		**836,784**	758,383
Total equity		**10,679,566**	9,948,725
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**271,416**	225,688
Interest-bearing bank borrowings	*8*	**665,858**	331,173
Lease liabilities		**1,592**	2,510
Contract liabilities		**8,491**	—
Other non-current liabilities		**71,814**	92,744
Total non-current liabilities		**1,019,171**	652,115
CURRENT LIABILITIES			
Trade and other payables	*9*	**2,098,376**	1,830,161
Interest-bearing bank borrowings	*8*	**146,072**	387,930
Contract liabilities		**156,948**	186,629
Income tax payable		**197,701**	22,445
Lease liabilities		**1,817**	1,441
Other current liabilities		**6,030**	14,480
Total current liabilities		**2,606,944**	2,443,086
TOTAL LIABILITIES		**3,626,115**	3,095,201
TOTAL EQUITY AND LIABILITIES		**14,305,681**	13,043,926

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

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
CONTINUING OPERATIONS			
Revenue	*10*	**1,907,219**	1,054,537
Cost of sales		**(440,096)**	(268,480)
GROSS PROFIT		**1,467,123**	786,057
Other income	*10*	**80,005**	85,831
Other gains – net		**246,507**	103,500
Distribution expenses		**(260,923)**	(136,515)
Administrative expenses		**(278,664)**	(212,158)
Research and development expenses		**(333,565)**	(300,850)
Other expenses		**(34,523)**	(10,730)
OPERATING PROFIT		**885,960**	315,135
Finance expenses		**(15,778)**	(1,586)
Share of profits and losses of investments accounted for using the equity method		**(50,699)**	(11,429)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**819,483**	302,120
Income tax expense	*11*	**(225,265)**	(133,427)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**594,218**	168,693
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		**—**	(24,436)
PROFIT FOR THE PERIOD		**594,218**	144,257
Attributable to:			
Owners of the Company		**611,424**	149,990
Non-controlling interests		**(17,206)**	(5,733)
		594,218	144,257

	Notes	Six months ended 30 June **2021** ***RMB*** **(Unaudited)**	 2020 *RMB* (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*13*		
Basic earnings per share			
For profit for the period		**6.46 cents**	1.58 cents
For profit from continuing operations		**6.46 cents**	1.80 cents
Diluted earnings per share			
For profit for the period		**6.42 cents**	1.58 cents
For profit from continuing operations		**6.42 cents**	1.80 cents
		RMB'000	*RMB'000*
PROFIT FOR THE PERIOD		**594,218**	144,257
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**594,218**	144,257
Attributable to:			
Owners of the Company		**611,424**	149,990
Non-controlling interests		**(17,206)**	(5,733)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**594,218**	144,257

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2020	78,186	4,084,846	192,674	5,250,978	9,606,684	335,510	9,942,194
Profit/(loss) for the period	—	—	—	149,990	149,990	(5,733)	144,257
Total comprehensive income/(loss) for the period	—	—	—	149,990	149,990	(5,733)	144,257
Employee share award scheme: — Value of employee services (Note 14)	—	—	147	—	147	—	147
Dividends paid to non-controlling shareholders	—	—	—	—	—	(24,500)	(24,500)
Final 2019 and special dividend (Note 12)	—	—	—	(1,126,416)	(1,126,416)	—	(1,126,416)
Non-controlling interests arising on business combination	—	—	—	—	—	5,360	5,360
Changes in interests in subsidiaries without change of control	—	—	(6,355)	—	(6,355)	6,366	11
As at 30 June 2020 (unaudited)	78,186	4,084,846	186,466	4,274,552	8,624,050	317,003	8,941,053

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2021	**78,186**	**4,084,846**	**725,222**	**4,302,088**	**9,190,342**	**758,383**	**9,948,725**
Profit/(loss) for the period	**—**	**—**	**—**	**611,424**	**611,424**	**(17,206)**	**594,218**
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**611,424**	**611,424**	**(17,206)**	**594,218**
Employee share award scheme: — Value of employee services (Note 14)	**—**	**—**	**17,169**	**—**	**17,169**	**—**	**17,169**
Dividends paid to non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**(73,500)**	**(73,500)**
Final 2020 dividend (Note 12)	**—**	**—**	**—**	**(123,054)**	**(123,054)**	**—**	**(123,054)**
Repurchase and cancellation of shares (Note 7)	**(116)**	**(29,055)**	**—**	**—**	**(29,171)**	**—**	**(29,171)**
Disposal of a subsidiary	**—**	**—**	**(398)**	**274**	**(124)**	**(171)**	**(295)**
Deemed dilution without change of control	**—**	**—**	**135,310**	**—**	**135,310**	**87,934**	**223,244**
Equity transfer without change of control	**—**	**—**	**41,540**	**—**	**41,540**	**80,690**	**122,230**
Capital contribution of subsidiaries	**—**	**—**	**(654)**	**—**	**(654)**	**654**	**—**
As at 30 June 2021 (unaudited)	**78,070**	**4,055,791**	**918,189**	**4,790,732**	**9,842,782**	**836,784**	**10,679,566**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**695,448**	174,947
Income tax paid		**(80,357)**	(147,854)
Net cash flows from operating activities		**615,091**	27,093
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution to associates		**—**	(98,426)
Capital contribution to a joint venture		**—**	(5,337)
Purchases of items of property, plant and equipment		**(320,033)**	(219,004)
Purchases of intangible assets		**(21,423)**	(74,804)
Purchases of financial assets at fair value through profit or loss		**(9,736,476)**	(6,776,895)
Proceeds from disposal of financial assets at fair value through profit or loss		**9,316,750**	6,505,950
Proceeds from disposal of property, plant and equipment		**445**	2,035
Advances of loans to a third party		**(141)**	(4,928)
Advances of loans to an associate		**(93,021)**	(29,353)
Repayment of loans from associates		**25,000**	—
Repayment of loans from a third party		**762**	1,158
Acquisitions of subsidiaries and a business combination, net of cash acquired	*15*	**(106,300)**	7,501
Interest received		**39,082**	23,005
Net cash flows used in investing activities		**(895,355)**	(669,098)

	Notes	Six months ended 30 June 2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(412,940)**	—
Proceeds from borrowings		**501,767**	587,820
Repurchase and cancellation of shares	*7*	**(29,171)**	—
Principal portion of lease payments		**(893)**	(1,669)
Capital contribution by non-controlling shareholders of a subsidiary		**223,244**	11
Partial disposal of equity interests in subsidiaries without change of control		**113,410**	—
Dividends paid to non-controlling shareholders		**(73,500)**	(24,500)
Interest paid		**(14,844)**	(290)
Net cash flows generated from financing activities		**307,073**	561,372
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**26,809**	(80,633)
Cash and cash equivalents at beginning of the period		**4,604,041**	5,117,143
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**4,630,850**	5,036,510
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,630,850**	4,947,814
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		**4,630,850**	4,947,814
Cash and short term deposits attributable to discontinued operations		**—**	88,696
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		**4,630,850**	5,036,510

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE AND GROUP INFORMATION

Sihuan Pharmaceutical Holdings Group Ltd. was incorporated in Bermuda under the Bermuda Companies Act as an exempted company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are the research and development ("**R&D**"), manufacturing and sale of pharmaceutical and medical aesthetic products in the People's Republic of China (the "**PRC**").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the principal place of business of the Group in Hong Kong is Room 4309, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, and the address of the principal place of business in Beijing is 22/F, Building 4, Zhubang 2000, West Balizhuang, Chaoyang District, Beijing 100025, the PRC.

The Company had its listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 October 2010.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial statements are presented in thousand Renminbi ("**RMB'000**"), unless otherwise stated. The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 31 August 2021.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") 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 the Loan Prime Rate ("**LPR**") as at 30 June 2021. Since the interest rates 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 provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in March 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 that 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 amendment did not have any impact on the financial position and performance of the Group as the Group does not have any lease payments reduced or waived by the lessors.

3. SEGMENT INFORMATION

Six months ended 30 June 2021	Generic medicine *RMB'000* (Unaudited)	Medical aesthetic products *RMB'000* (Unaudited)	Innovative medicine and other medicine *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment Revenue (Note 10)				
Sales to external customers	**1,509,787**	**257,923**	**139,509**	**1,907,219**
Intersegment sales	**—**	**—**	**15,518**	**15,518**
	1,509,787	**257,923**	**155,027**	**1,922,737**
Reconciliation:				
Elimination of intersegment sales				**(15,518)**
Revenue from continuing operations				**1,907,219**
Segment results	**915,280**	**199,047**	**(268,836)**	**845,491**
Reconciliation:				
Unallocated other income				**9,818**
Unallocated other gains — net				**59,314**
Unallocated expenses				**(43,747)**
Unallocated finance expenses				**(694)**
Share of profits and losses of investments accounted for using the equity method				**(50,699)**
Profit before tax from continuing operations				**819,483**

Six months ended 30 June 2020	Generic medicine *RMB'000* (Unaudited)	Medical aesthetic products *RMB'000* (Unaudited)	Innovative medicine and other medicine *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment Revenue (Note 10)				
Sales to external customers	899,144	29,564	125,829	1,054,537
Intersegment sales	—	—	15,051	15,051
	899,144	29,564	140,880	1,069,588
Reconciliation:				
Elimination of intersegment sales				(15,051)
Revenue from continuing operations				1,054,537
Segment results	459,050	25,029	(157,290)	326,789
Reconciliation:				
Unallocated other income				4,583
Unallocated other losses — net				(3,412)
Unallocated expenses				(13,833)
Unallocated finance expenses				(578)
Share of profits and losses of investments accounted for using the equity method				(11,429)
Profit before tax from continuing operations				302,120

The chief operating decision-maker has been identified as the executive directors of the board of the Company. The executive directors of the board review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors of the board of the Company consider the business from the product perspective. Prior to 1 January 2021, the Group was engaged in one business segment. During the six months ended 30 June 2021, the Group has successfully transformed itself into a medical aesthetic and pharmaceutical company. The revenue from medical aesthetic products increased significantly to RMB257,923,000 (six months ended 30 June 2020: RMB29,564,000). The Group has changed the structure of its internal organisation in a manner which resulted in the change in reportable segments into three business segments, being the generic medicine, medical aesthetic products, innovative medicine and other medicine. Accordingly, the corresponding information for the six months ended 30 June 2020 has been restated.

During the six months ended 30 June 2021, all sales were from distributors and there were no distributors of the Group from which the revenue amounted to 10% or more of the Group's revenue (six months ended 30 June 2020: Nil).

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets at a cost of RMB331,137,000 (six months ended 30 June 2020: RMB212,237,000), excluding property, plant and equipment acquired through a business combination disclosed in note 15 to the interim condensed consolidated financial statements.

Assets (other than those pending disposal and classified as held for sale) with a net book value of RMB2,975,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB2,148,000), resulting in a net loss on disposal of RMB2,530,000 (six months ended 30 June 2020: RMB30,000).

No impairment losses were recognised during the six months ended 30 June 2021 and 2020.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Set out below is an overview of financial assets, other than cash and cash equivalents, trade and other receivables, held by the Group as at 30 June 2021 and 31 December 2020:

	Notes	As at **30 June 2021** ***RMB'000*** **(Unaudited)**	 31 December 2020 *RMB'000* (Audited)
Non-current			
Financial assets at fair value through profit or loss ("**FVPL**"):			
Unlisted equity investments, at fair value	*i*	**273,479**	196,153
Current			
Financial assets at FVPL:			
Wealth management products	*ii*	**679,230**	332,683
		952,709	528,836

Notes:

(i) The amount represents equity investments in the unquoted equity shares of KBP Biosciences Holdings Limited, Lindeman Asia No.12 Investment Fund, DJS Antibodies Limited, Ascendum Healthcare Fund, PsiOxus Therapeutics Limited, Shenzhen Step Robotics Technology Co., Ltd. and Beijing Gretson Biopharmaceutical Technology Co., Ltd.. The Group intends to hold these equity shares for the foreseeable future and has not irrevocably elected to classify them as financial assets at fair value through other comprehensive income.

(ii) The amount represents wealth management products issued by certain reputable banks in Mainland China with no fixed interest rate. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

6. TRADE AND OTHER RECEIVABLES

	As at **30 June 2021** ***RMB'000*** **(Unaudited)**	 31 December 2020 *RMB'000* (Audited)
Trade receivables — third parties	**657,001**	272,514
Notes receivable	**201,721**	128,427
Loans to associates	**88,070**	113,445
Prepayments to suppliers	**136,033**	150,618
Amounts due from other related parties	**16,300**	16,300
Amount due from a joint venture	**2,221**	675
Amount due from an associate	**224**	—
Other receivables	**231,249**	316,523
	1,332,819	998,502
Provision of impairment on trade receivables	**(24,050)**	(11,123)
Provision of impairment on other receivables	**(17,566)**	(15,839)
	1,291,203	971,540

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

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**564,811**	225,443
3 to 6 months	**44,850**	22,101
6 to 12 months	**20,646**	8,602
More than 1 year	**2,644**	5,245
	632,951	261,391

7. SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised ordinary shares ***Share'000***	**Number of issued and fully paid ordinary shares** ***Share'000***	**Share capital** ***RMB'000***	**Share premium** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2019 (audited), 30 June 2020 (unaudited) and 31 December 2020 (audited) (Hong Kong dollar ("HK$") 0.01 per share)	**100,000,000**	**9,465,682**	**78,186**	**4,084,846**	**4,163,032**
Movement for the six months ended 30 June 2021:					
Repurchase and cancellation of shares (Note (i))	**—**	**(13,900)**	**(116)**	**(29,055)**	**(29,171)**
As at 30 June 2021 (unaudited) (HK$0.01 per share)	**100,000,000**	**9,451,782**	**78,070**	**4,055,791**	**4,133,861**

Note:

(i) During the six months ended 30 June 2021, the Company repurchased 13,900,000 shares of its own shares on the Stock Exchange at a total consideration, including expenses, of HK$34,897,000 (equivalent to RMB29,171,000). As at 30 June 2021, these repurchased shares were cancelled.

8. INTEREST-BEARING BANK BORROWINGS

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Secured bank borrowings	**86,782**	108,640
Unsecured bank borrowings	**59,290**	279,290
	146,072	387,930
Non-current		
Secured bank borrowings	**665,858**	331,173
	811,930	719,103

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank borrowings:		
Within the first year	**146,072**	387,930
Within the second to fifth years	**327,344**	199,980
Beyond five years	**338,514**	131,193
	811,930	719,103

Notes:

(a) The bank borrowings of the Group are secured by certain assets including leasehold land, property, plant and equipment with an aggregate carrying value of RMB694,724,000 (31 December 2020: RMB397,382,000), the pledge of certain of the Group's time deposits amount to RMB144,548,000 (31 December 2020: RMB144,548,000) and portion of equity interests in a subsidiary.

(b) All bank borrowings are denominated in RMB.

(c) The effective interest rates of the bank borrowings as at 30 June 2021 range from 2.05% to 4.90% (31 December 2020: 2.05% to 6.85%) per annum.

9. TRADE AND OTHER PAYABLES

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accrued reimbursement to distributors	**1,035,404**	914,490
Payable for acquisitions of subsidiaries	**346,500**	346,500
Deposit payables	**198,076**	187,169
Dividends payable	**126,164**	159
Trade payables	**124,315**	106,201
Costs of construction and purchase of equipment payables	**109,955**	105,544
Salaries payable	**38,172**	64,142
Interest payables	**8,388**	7,454
Other payables	**111,402**	98,502
	2,098,376	1,830,161

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**98,287**	83,808
6 months to 1 year	**9,548**	6,805
More than 1 year	**16,480**	15,588
	124,315	106,201

10. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue			
Revenue from contracts with customers:			
Sale of pharmaceutical and medical aesthetic products	*i*	**1,907,219**	1,054,537
Other income			
Interest income		**68,720**	67,211
Gross rental income from investment property operating leases	*ii*	**5,376**	4,473
Sale of distribution rights	*iii*	**3,105**	5,360
R&D income		**160**	—
Others		**2,644**	8,787
		80,005	85,831

Notes:

(i) Total revenue from contracts with customers is derived from the sale of pharmaceutical and medical aesthetic products in Mainland China and is recognised as goods transferred at a point in time.

(ii) The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. An analysis of rental income is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**1,467**	1,323
Hong Kong	**3,909**	3,150
	5,376	4,473

(iii) The geographical market of all the sale of distribution rights is in Mainland China. The performance obligation is satisfied over time as the distributors are granted for the rights to distribute the Group's products for certain period and advances are normally required on the inception of distribution agreement. Contracts for the sale of distribution rights are for periods of five years.

The following table shows the amounts of other income recognised in the current period that were included in the contract liabilities at the beginning of the reporting period:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recognition of other income that was included in contract liabilities at the beginning of the reporting period:		
Sale of distribution rights	**275**	5,360

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2021, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). The PRC subsidiaries of the Group have determined and paid the corporate income tax in accordance with the Corporate Income Tax Law of the PRC at the tax rate of 25% (six months ended 30 June 2020: 25%). Certain PRC subsidiaries of the Group were qualified as high-tech enterprises. Accordingly, those subsidiaries' corporate income tax for the six months ended 30 June 2021 and 2020 was provided for at a preferential tax rate of 15%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The income tax expense of the Group for the six months ended 30 June 2021 and 2020 is analysed as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**223,035**	161,963
Deferred	**2,230**	(28,536)
	225,265	133,427

12. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared:		
Final cash dividend for 2020:		
RMB1.3 cents (2019: RMB1.3 cents) per ordinary share	**123,054**	123,054
Special cash dividend: Nil (2019: RMB10.6 cents per ordinary share)	**—**	1,003,362
	123,054	1,126,416
Dividends on ordinary shares declared:		
Interim cash dividend for 2021: Nil (2020: RMB0.1 cent per ordinary share)	**—**	9,466
Special cash dividend: Nil (2020: RMB3.0 cents per ordinary share)	**—**	283,970
	—	293,436

A final cash dividend of RMB1.3 cents per ordinary share for the year ended 31 December 2020 amounting to RMB123,054,000 was approved by the shareholders at the annual general meeting of the Company held on 30 June 2021. The dividends have not been paid as at 30 June 2021.

On 31 August 2021, the board of directors did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: interim cash dividend of RMB0.1 cent per ordinary share and special cash dividend of RMB3.0 cents per ordinary share, amounting to a total of approximately RMB293,436,000).

13. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of RMB611,424,000 (six months ended 30 June 2020: RMB149,990,000), and the weighted average number of ordinary shares of 9,460,906,000 shares (six months ended 30 June 2020: 9,465,682,000 shares) in issuance during the period, as adjusted to reflect the repurchased shares during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation (RMB'000):		
From continuing operations	**611,424**	170,491
From discontinued operations	**—**	(20,501)
Profit attributable to ordinary equity holders of the Company (RMB'000)	**611,424**	149,990
Shares		
Weighted average number of ordinary shares in issue for basic earnings per share (Share'000)	**9,460,906**	9,465,682
Effect of dilution — weighted average number of ordinary shares:		
Share options (Share'000)	**57,687**	—
	9,518,593	9,465,682
Basic earnings per share (RMB cents)		
For profit for the period	**6.46**	1.58
For profit from continuing operations	**6.46**	1.80
Diluted earnings per share (RMB cents)		
For profit for the period	**6.42**	1.58
For profit from continuing operations	**6.42**	1.80

14. SHARE-BASED PAYMENTS

1. Sihuan Pharmaceutical Holdings Group Ltd. Share Options Plan

(i) Share award schemes

An award scheme for the purpose of incentivising the management of the Group (the "**Employee Share Award Scheme**" or the "**Scheme**") has been adopted by certain shareholders of the Company (namely, Plenty Gold Enterprises Limited ("**Plenty Gold**"), Dr. Che Fengsheng and Dr. Guo Weicheng) since 25 October 2010. On 25 January 2013, another shareholder of the Company (namely, MSPEA Pharma Holdings B.V.) also participated in the Employee Share Award Scheme. Trustee Co (a private trust company established in the British Virgin Islands and wholly owned by Plenty Gold) has been appointed as the trustee to hold the reserved shares under the Employee Share Award Scheme. Plenty Gold, Dr. Che Fengsheng and Dr. Guo Weicheng, as settlors of a trust, have reserved and set aside a total of 33,750,000 shares; and MSPEA Pharma Holdings B.V. has reserved and set aside an additional 3,750,000 shares, all of which are being held by Trustee Co. as trustee for the Employee Share Award Scheme. The Employee Share Award Scheme involves granting existing shares held by Trustee Co., and no new shares will be issued pursuant to the Employee Share Award Scheme.

On 26 August 2020, the Company granted a total of 94,656,000 share options to the eligible participants of the Company to subscribe for a total of 94,656,000 ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 24 October 2017, subject to the acceptance by the grantees.

The Company measures the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the major shareholders. No new shares will be issued by the Company under the Employee Share Award Scheme and there is no dilution impact on the earnings per share calculation as a result of the Employee Share Award Scheme.

Under the Employee Share Award Scheme, awards were granted to the eligible employees of the Group, and are exercisable and converted into shares of the Company of a specific amount, held by Trustee Co., designated in each financial year during the period from the grant date up to the expiry date of the relevant awards granted.

The summary of the share awards granted to certain employees of the Group is as follows:

Grant date	Exercise price in HK$ per share award	Number of awards granted (in thousands)
20 March 2012	**3.19**	**14,150**
27 September 2013	**3.19**	**19,750**
21 October 2013	**0.70**	**2,050**
26 August 2020	**0.97**	**94,656**
		130,606

On 28 June 2016, the Group modified the Employee Share Award Scheme. The remaining 31,448,172 share options, which were granted to but not yet exercised by 234 employees, were replaced by new share awards with an exercise price of HK$1.57 per share award.

(ii) Share award movements

The following share awards were outstanding under the Scheme during the period:

	Average exercise price in HK$ per share award	Awards (in thousands)	
		2021	2020
At 1 January	0.98	**95,620**	964
Exercised during the period	1.57	**(964)**	—
At 30 June	0.97	**94,656**	964

Share awards outstanding have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK$ per share award	Number of outstanding awards granted (in thousands)		Number of outstanding vested and exercisable awards (in thousands)	
		30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
28 June 2021	1.57	**—**	964	**—**	—
25 August 2030	0.97	**94,656**	94,656	**22,169**	—

Out of the 94,656,000 (31 December 2020: 95,620,000) outstanding awards, 22,169,000 (31 December 2020: Nil) awards were exercisable as at 30 June 2021.

For the six months ended 30 June 2021, total expenses amounting to RMB8,266,000 (six months ended 30 June 2020: RMB147,000) were charged to the interim condensed consolidated statement of profit or loss and other comprehensive income for share awards granted to employees with a corresponding change in equity.

(iii) Fair value of share awards

The executive directors of the board of the Company have used the binomial model to determine the fair value of the awards granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as the risk-free rate, dividend yield and expected volatility, is required to be made by the executive directors of the board of the Company in applying the binomial model, of which the inputs are summarised below.

	Share awards granted on 26 August 2020	**Share awards granted on 28 June 2016**
Closing price at the grant date (HK$)	**0.90**	**1.60**
Risk-free rate	**0.44%**	**0.64%**
Dividend yield	**1.71%**	**2.14%**
Expected volatility (i)	**44.81%**	**41.38%**

(i) The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

2. Xuanzhu Biopharmaceutical Co., Ltd. Share Incentive Scheme

(i) Share award scheme

On 26 June 2020, the shareholders' meeting of Xuanzhu Biological Technology Co., Ltd. ("**Xuanzhu**") (an indirect non-wholly-owned subsidiary of the Group) passed a resolution to adopt an employee share award plan ("**Xuanzhu Share Incentive Scheme**") consisting of non-listed restricted shares of Xuanzhu, which does not involve issue of new shares by Xuanzhu. 79,695,000 restricted shares of Xuanzhu were approved for eligible employees to subscribe at the price of RMB1.57 per share and the grant date was 24 August 2020. These granted restricted shares have a contractual term of three years.

(ii) Share award movements

The following share units were granted and outstanding under the Xuanzhu Share Incentive Scheme during the period:

	Subscription price RMB per share	Number of restricted shares (in thousands)	
		2021	2020
At 1 January	1.57	**79,695**	—
Forfeited during the period	1.57	**(14,100)**	—
At 30 June	1.57	**65,595**	—

For the six months ended 30 June 2021, 14,100,000 shares (six months ended 30 June 2020: Nil) has been forfeited.

For the six months ended 30 June 2021, the Group has recorded share-based compensation expenses of RMB2,578,000 (six months ended 30 June 2020: Nil) in relation to the Xuanzhu Share Incentive Scheme.

(iii) Fair value of share awards

The fair value of the restricted shares granted under the Xuanzhu Share Incentive Scheme as at the grant date was determined using the market-value model. The fair value and corresponding inputs into the model were as follows:

	Xuanzhu Share Incentive Scheme
Grant date share price (RMB)	**1.72**
Subscription price (RMB)	**1.57**
Term (Year)	**4.3**
Risk-free rate	**2.93%**
Volatility	**49.93%**

3. Jilin Huisheng Biological Pharmaceutical Co., Ltd. Share Incentive Scheme

(i) Share award scheme

On 13 November 2020, the shareholders' meeting of Jilin Huisheng Biological Pharmaceutical Co., Ltd. ("**Jilin Huisheng**") passed a resolution to adopt an employee share award plan ("**Jilin Huisheng Share Incentive Scheme**") consisting of non-listed restricted shares of Jilin Huisheng, which does not involve issue of new shares by Jilin Huisheng. 27,950,000 restricted shares of Jilin Huisheng were approved for eligible employees to subscribe at the price of RMB1.33 per share and the grant date was on 13 November 2020. These granted restricted shares have a contractual term of four years.

(ii) Share award movements

The following share units were granted and outstanding under the Jilin Huisheng Share Incentive Scheme during the period:

	Subscription price RMB per share	Number of restricted shares (in thousands)	
		2021	2020
At 1 January	1.33	**27,950**	—
At 30 June	1.33	**27,950**	—

For the six months ended 30 June 2021, no share (six months ended 30 June 2020: Nil) has been forfeited.

For the six months ended 30 June 2021, the Group has recorded share-based compensation expenses of RMB6,325,000 (six months ended 30 June 2020: Nil) in relation to the Jilin Huisheng Share Incentive Scheme.

(iii) Fair value of share awards

The fair value of the restricted shares granted under the Jilin Huisheng Share Incentive Scheme as at the grant date was determined using the market-value model. The fair value and corresponding inputs into the model were as follows:

	Jilin Huisheng Share Incentive Scheme
Grant date share price (RMB)	**1.89**
Subscription price (RMB)	**1.33**
Term (Year)	**4.1**
Risk-free rate	**3.04%**
Volatility	**38.12%**

15. BUSINESS COMBINATION

On 2 June 2021, the Group acquired a set of assets, liabilities, employee resources and contract rights from Beijing Combio Pharmaceutical Inc. ("**Combio Pharmaceutical**"), an unlisted company based in Mainland China that is an innovation-driven biological company dedicated to the research and development of multifunctional antibody drugs, at a consideration of RMB131,000,000. The acquisition is to bring a good R&D capability and product pipeline to complement the small molecules innovative drug R&D platform. The consideration of RMB106,300,000 was settled in cash and the remaining RMB24,700,000 was outstanding at 30 June 2021.

The fair values of the identifiable assets and liabilities of Combio Pharmaceutical as at the date of acquisition were as follows:

	Fair value recognised on acquisition ***RMB'000*** **(Unaudited)**
Property, plant and equipment	**2,995**
Intangible assets	**128,850**
Deferred tax liabilities	**(32,578)**
Trade and other payables	**(918)**
Total identifiable net assets at fair value	**98,349**
Goodwill on acquisition	**32,651**
Satisfied by cash	**131,000**

Since the acquisition, Combio Pharmaceutical contributed Nil to the Group's revenue and incurred a loss of RMB712,000 to the consolidated profit for the six months ended 30 June 2021.

Had the acquisition taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the six months ended 30 June 2021 would have been RMB1,907,219,000 and RMB589,135,000, respectively.

Industry Overview

In the first half of 2021, even though the impact of the COVID-19 pandemic remained and social and economic activities were still restricted, all industries have taken challenges constantly in the midst of risks, sought opportunities, broken the limits and opened new chapters of development.

In the first half of 2021, the National Healthcare Security Administration continued to promote a series of policies such as the adjustment of the National Reimbursement Drug List (NRDL) and the new batches of centralised quantity procurement of generic drugs, the pharmaceutical industry continued to adjust, and industrial upgrading and innovation transformation were further promoted. Moreover, with the increasing support of national policies for pharmaceutical innovation, the speed of launching new drugs has been accelerated, further driving the booming development of the innovative drug industry, especially the independent innovation path.

During the Period, the medical aesthetics industry has been attracting attention from the capital market under the guidance of the "beauty economy" and the new investment opportunities in consumption sector, which has led to increased mergers and acquisitions in the industry and a booming market. As the market's attention to the medical aesthetic industry increases, regulators are gradually increasing their supervision to promote the industry's development towards formalisation and standardisation, which will benefit formal and leading companies in the long run.

Under the circumstances, by virtue of its forward-looking layout in the fields of medical aesthetics and innovative pharmaceuticals in the early years, even when the Group's traditional main business has encountered policy and environmental disturbances in recent years, the Group has successfully achieved the transformation into a medical aesthetics and high quality pharmaceutical company. With a decade of sharpening the sword that has resulted in a magnificent transformation, a new chapter of "beauty" has been opened when the hard time is over.

The Group has been adhering to its overall strategic objective of "building a leading medical aesthetics and biopharmaceutical enterprise in China through innovation and promoting a two-wheel strategy of Sihuan medical aesthetics and biopharmaceuticals", and has laid out and meticulously incubated five major R&D, production and marketing platforms in advance. The Group continued to exert its strength in the pharmaceutical business, the innovative drug platform Xuanzhu Biopharmaceutical Co., Ltd. ("**Xuanzhu Biopharm**") ushered in an explosion, and innovation-driven continued to increase; Jilin Huisheng Biopharmaceutical Co., Ltd. ("**Huisheng Biopharmaceutical**"), which focuses on full solutions of diabetes and complications, developed rapidly with core products achieving rapid progress; the generic drug R&D platform continued to promote product cultivation speed, a number of products were approved, evidence-based medicine research continues to advance, helping products return to the NRDL; the comprehensive, professional and efficient academic marketing platform provides strong "monetization" capabilities after new product launch.

In addition, a number of high-quality new businesses carefully incubated by the Group will simultaneously lead in multiple fields. The blockbuster product exclusively distributed by the Group's medical aesthetic platform Beijing MeiYan KongJian Biology Medicine Co., Ltd.

("**MeiYan KongJian**"), the South Korea's No. 1 botulinum toxin product "Letybo®", was officially approved for launch in China at the end of 2020. Sihuan medical aesthetic platform has thus become one of the first-tier medical aesthetic platform in China. Subsidiary Jilin Kangtong Pharmaceutical Group Limited ("**Jilin Kangtong**"), an active pharmaceutical ingredients ("**APIs**") platform, will give full play to Sihuan Pharmaceutical's advantages in the entire chemical generic drug industry chain and the integrated strategy of "APIs + contract development and manufacturing organization ("**CDMO**") + formulation", and is committed to becoming a pharmaceutical intermediate and an integrated CDMO leader in the fields of APIs and high-end preparations. Subsidiary Jilin Sihuan Aokang Pharmaceutical Co., Ltd. ("**Aokang Yaoye**") has obtained the only high-content cannabidiol ("**CBD**") scientific research planting qualification for industrial hemp in Jilin Province, and will continue to make efforts in the field of high-quality modern Chinese medicine.

Group Performance

In the first half of 2021, the Group advanced its two-wheel strategy of promoting Sihuan medical aesthetics and biopharmaceuticals at full speed, continued to increase investment in R&D, actively promoted the pace of product introduction, continued to improve the industrial layout, improved the business and product structure, and optimized the level of corporate operation and control. After the operation and implementation of various tasks in the first half of the year, the two-wheel drive strategy delivered excellent results: in the medical aesthetics business, the botulinum toxin product, Letybo®, has been officially launched and sold in February this year which has not only been widely recognized by the market for its cost effectiveness and high quality, but also brought positive contribution to the Group's results; in the innovative drugs and biosimilars segment, a number of products have achieved positive clinical progress breakthroughs, further ensuring the pace of product launches. The generic business continued its high-efficiency and high-quality research and development rhythm, and a number of products were approved, which continued to drive the Group's business development into an upward cycle and further implemented the Group's strategic goal of building a leading medical aesthetic and biopharmaceutical company in China driven by innovation.

For the six months ended 30 June 2021 (the "**Period**"), the Group recorded a total revenue of RMB1,907.2 million, representing an increase of 80.9% over the total revenue of RMB1,054.5 million for the same period in 2020. This increment was mainly due to the Group's new business segment, the medical aesthetic medicine segment, which started selling Letybo®, the number one selling botulinum toxin product in South Korea for five consecutive years, after the AI launch conference of Letybo® in February 2021 and contributed to the Group's overall results. During the Period, the medical aesthetic medicine segment recorded a revenue of RMB257.9 million. In addition, the Group's generic medicine segment recorded a revenue of RMB1,190.7 million from products not included in the National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products) ("**non-Key Monitoring List Products**"), representing a year-on-year increase of 122.0% over the same period in 2020 and accounting for 78.9% of the total revenue of the generic medicine segment during the Period, a significant increase of 19.2 percentage points over the 59.6% in the same period in 2020. It once again confirms that the Group's non-Key Monitoring List Products which accounted for a relatively high proportion of the Group's revenue achieved high growth, and the Group has entered the turning point of its performance results in pharmaceutical sales.

During the Period, the Group achieved a gross profit of RMB1,467.1 million, representing an increase of 86.6% over the gross profit of RMB786.1 million for the corresponding period in 2020, mainly due to the significant growth in the revenue side.

During the Period, the Group achieved a profit for the Period from continuing operations of RMB594.2 million, representing an increase of 252.2% as compared to the profit for the same period in 2020 from continuing operations of RMB168.7 million; the overall net profit margin was 31.2%, representing an increase as compared to the net profit margin of 16.0% for the same period in 2020, mainly due to the significant growth of the Group's revenue and gross profit, and the lower growth rate of R&D expenses and administrative expenses as compared to the growth rate of total revenue in the Period.

During the Period, the Group's R&D expenses amounted to RMB333.6 million, representing an increase of 10.9% as compared to the R&D expenses of RMB300.9 million for the same period in 2020, mainly due to the increasing R&D expenses year by year as a number of products in the pharmaceuticals segment entered phase II and phase III clinical trials. Among them, the Group's oncology innovative drug R&D platform, Xuanzhu Biopharm, spent RMB98.9 million on R&D during the Period, of which Anarazol sodium for the treatment of peptic ulcer has completed phase III clinical trials and is under preparation for new drug application ("**NDA**") filing, and Birociclib, a CDK4/6 inhibitor for the treatment of advanced breast cancer is conducting single-agent registrational clinical trials. The Group's diabetes and complications drug platform, Huisheng Biopharmaceutical, spent RMB105.4 million on R&D during the Period. The new Class 1.1 drug, Janagliflozin has completed phase III clinical trials, the fourth-generation insulin degludec injection is conducting phase III clinical trials, and the insulin aspart injection, the insulin aspart 30 injection and insulin aspart 50 injection have finished phase III clinical trials. It is expected that Xuanzhu Biopharm and Huisheng Biopharmaceutical will have a number of products available for NDA filing and market launching in the next two to three years.

During the Period, the Group achieved a profit attributable to owners of the Company of RMB611.4 million, representing a significant increase of over 307.6% over the profit attributable to owners of the Company of RMB150.0 million for the same period in 2020, mainly due to the combination factors of significant increase in profit from the substantial increase in revenue (which included the new profit contribution from the new medical aesthetics business), the one-off income of RMB59.2 million during the Period, and the fact that the growth rate of R&D expenses and administrative expenses for the Period was significantly lower than the growth rate of total revenue. During the Period, basic earnings per share were RMB6.46 cents (compared to earnings per share of RMB1.58 cents for the same period in 2020).

As of 30 June 2021, the Group's cash and cash equivalents plus wealth management products amounted to approximately RMB5,310.1 million, and the total amount of cash and cash equivalents plus wealth management products, net of interest-bearing bank borrowings and other borrowings, was approximately RMB4,470.2 million. The Group's debt to capital ratio (i.e. a percentage of borrowings divided by equity attributable to owners of the Company) was 8.5%, which remained low. The Group's financial position is very solid.

Business Review

1. Sihuan Medical Aesthetics: Dedicating to Build China's Leading Medical Aesthetics Company

With the rise of the "beauty economy" in recent years comes the release of demand for medical aesthetics, China's medical aesthetics market reached nearly RMB200 billion in 2020, and the proportion of non- or minimally-invasive medical aesthetics will continue to rise. Botulinum toxin has become one of the most popular non- or minimally-invasive medical aesthetics products among consumers in China due to its effectiveness in wrinkle reduction, sculpting and lifting. And due to the scarcity of botulinum toxin products in the domestic market, with only four officially approved products, botulinum toxin has a good market competitive pattern in China and is expected to maintain high growth.

In October 2020, Letybo® 100U (trade name: Letybo®), an injectable type A botulinum toxin manufactured by Hugel, a South Korean biopharmaceutical company, and which is exclusively distributed by the Group, was officially approved by the NMPA. This product becomes the fourth type A botulinum toxin approved in China and the first of its kind from South Korea. In February 2021, the Group held the China AI launch conference of Letybo® and commenced sales in Mainland China. The AI launch conference of Letybo® was simultaneously live broadcast on seven major platforms, namely SoYoung, Yizhibo, Guang, MEVOUS, Futu, WIND and Gelonghui, with more than 5 million online viewers and over 600 investors' continuous attention. At the same time, more than 3,000 medical aesthetics institutions in 31 provinces and cities in Mainland China participated in the online interaction, and more than 1,000 institutions reached purchase intentions during the live broadcast of AI launch conference, completing a 10-year market development path for similar imported products, with unprecedented presence and laid a broad and good foundation for subsequent sales. During the Period, Letybo® has achieved a revenue of approximately RMB257.9 million. As of the end of July, Letybo® has achieved a coverage of over 1,800 medical aesthetics institutions, of which nearly 400 are among the top 500 medical aesthetics institutions. The Group is confident that it will achieve its target of covering 3,000 medical aesthetics institutions by the end of the year and achieve its goal of capturing 30% market share of the botulinum toxin market in China within three years.

In the sales and marketing of Letybo®, the Group has been actively working on a number of initiatives. Targeting the Z-era consumers between the ages of 18 and 30, which is currently the largest consumer group in Chinese medical aesthetics market, Letybo® is positioned at young, fashionable and affordable luxury to further meet consumer needs and gain market recognition for its superb value for money. At the same time, to consumer side, the Group continues to cultivate on various new media and channel platforms to reach consumers and assist medical aesthetics institutions in attracting traffic, so as to efficiently enhance brand volume; to business side, the Group continues to conduct activities such as training conferences to doctors and distribution agents. Moreover, through the online mini-app, Le Yan Academy, the Group breaks the time and geographical barriers to facilitate real-time communication, sharing and learning among medical aesthetics institution operators, consultants and doctors. With the two-pronged approach of online and offline, the Group not only has effectively promoted the Letybo® product, but also "To C" with medical aesthetics institutions and empowered them to co-operate in the beauty economy ecosystem.

According to industry data, the market size of botulinum toxin products in China was approximately US$600 million (approximately RMB4 billion) in 2019, with a penetration rate of less than 2% of the overall medical aesthetics market in China, and there is still a large unmet demand in the market. However, as the number of beauty lovers in China continues to increase and consumers' spending power and willingness to spend continues to rise, there is a high level of acceptance of foreign, especially South Korean medical aesthetic technologies and products, representing huge market potential. In terms of global medical aesthetics, especially in countries and regions where medical aesthetics is more developed and well established, non- or minimally-invasive medical aesthetic is gradually becoming the mainstream choice in the medical aesthetics sector, with botulinum toxin being the most popular among consumers. In the long run, although the current medical aesthetics market in China is still dominated by surgery, the development trend of medical aesthetics in China is in line with other medical aesthetics markets, that with the rapid development of non- or minimally-invasive medical aesthetics in China and the trend of younger consumers, as well as the gradual implementation of consumer education, it is believed that the botulinum toxin market in China will grow rapidly. According to market forecasts, by 2025, the market size of botulinum toxin in China will surpass that of hyaluronic acid, reaching a scale of more than RMB12.5 billion.

Hugel is a well-known and leading manufacturer of anti-aging products in South Korea and Asia, with a high reputation in South Korean non- or minimally-invasive medical aesthetics sector. Letybo®, as Hugel's leading product, has been the No. 1 in sales in the South Korean botulinum toxin market for 5 consecutive years from 2016 to 2020, with a market share of approximately 50%. In October 2020, Letybo® (Letybo® 100U) was officially approved by the NMPA. It became the fourth type A botulinum toxin to be approved in China, and the first of its kind from South Korea. Since its launch in China, Letybo® has been rapidly expanding in brand volume and has gained high market recognition and attention. Its high quality, high effectiveness and high safety features have been recognised by the industry and doctors. Through strict quality control, Letybo® maintains a stable and long-lasting potency in each product and is characterised by high purity, containing 99.5% of 900kDa active protein, which is much higher than the industry's purity requirement, guaranteeing clinical efficacy and low antibody production rate. In addition, in the multicentre randomised double-blind phase III clinical trials comparing to Botox led by Professor Li Qingfeng of Shanghai Ninth People's Hospital, Letybo® was proven to be non-inferior to Botox, i.e. Letybo® has the same clinical efficacy, maintenance time, safety and efficacy as the approved Botox. At the same time, the short injection time, painless injection procedure, rapid effect and short minimally-invasive wound recovery period of Letybo® products do not affect the daily work and life of consumers, thus to quickly gain recognition from the pharmaceutical industry and consumers.

With the gradual expansion of the market scale of medical aesthetic products in China, Sihuan's medical aesthetic platform will also lay out medical aesthetic products in multiple areas to create a complete product matrix, and combine Sihuan's global resources and top products to provide professional anti-aging services and treatment programs to cover the whole life cycle needs of beauty lovers. In the future, the Group will build up a product line with a focus on anti-ageing non- or minimally-invasive medical aesthetic products, such as hyaluronic acid, PLLA injections, PCL injections and lipolysis drugs, and introduce in and combine with overseas approved products and high-end products from our partners, such as optoelectronic devices, lifting lines and other devices.

During the Period, the Group has entered into an exclusive distribution agreement to introduce two types of products, namely absorbable suture and incontinence sling kit, of Dongbang Medical Co., Ltd. of South Korea to China. Both products have been approved in the PRC and are ready for sale. The inclusion of these two types of products into the Group's medical aesthetic platform not only enriches and expands the product portfolio, but also demonstrates the Group's product layout strategy towards diversification and internationalisation. The Group is expected to expand the market recognition of its products and brands through the implementation of marketing and also through reasonable pricing.

According to market research data, currently in the Chinese market, the number of cases of liposuction, body fat transplantation and facial fat filling is approximately 2 million cases per year, of which liposuction accounts for more than 60% and fat transplantation and filling accounts for approximately 40%, and is growing at a rate of more than 20% per year. It is expected that the China body contouring market is expected to exceed RMB100 billion by 2030. During the Period, Meiyen Laboratory Inc, an American subsidiary of the Group, has entered into a strategic cooperation with the American company Genesis Biosystems recently, and obtained the exclusive distribution right for its LipiVage® fat collection system in Greater China (mainland China, Hong Kong, Macau, Taiwan) and South Korea. The LipiVage® fat collection system is an innovative product with independent and ready-to-use two-step fat collecting, cleaning and transferal system, which is easy to operate and has mild effects. It is safe and convenient as an equipment with aseptic packaging, and is the improved version of the conventional negative pressure liposuction technology. Under the extraction with low negative pressure, the fat tissue is extracted into the vacuum pipe, and the fat cells, tumescent fluid and lipids are separated directly through the defecator in the pipe. In such manner, the fat cells can be obtained in an enclosed and aseptic environment, while the time for processing the fat tissue can be reduced. The fat cells are under protection by avoiding destructive gravity effects of centrifugation, and the fat cells so collected can be transferred and injected immediately, which saves a lot of time. Besides, LipiVage® provides a cleaning option. By putting the collection cannula into the selected washing solution and turning on the aspirator, the solution will wash the fat, leave the defecator and then enter the waste solution tank, with washed fat in the defecator ready for injection. This technology improves the survival rate of fat transplantation to 80% to 90%. This strategic cooperation between the Group and the American company Genesis Biosystems on LipiVage® fat collection system is expected to help the Group further expand its pipeline for medical aesthetic products, improve the Group's comprehensive strength in the surgical medical aesthetic field, and greatly enhance the Group's core competitiveness.

Apart from distributing botulinum toxin Letybo® and a number of overseas medical aesthetic products, the Group places great emphasis on product R&D and transformation. The Group has set up a medical aesthetic product research institute in Southern California, USA to research and develop new overseas medical aesthetic technologies with high technical barriers and manufacture them domestically to fully utilise the synergies of combining international technology and local manufacturing to create Sihuan Medical Aesthetic's own quality medical aesthetic product pipeline. In addition, the Group is also conducting independent research and development of medical aesthetic products in China. Currently, there are more than 10 products under development, including PLLA injections, PCL injections, collagen-based products and lipolysis products, etc. All of the above distributed and self-developed medical aesthetic products are expected to be approved and launched in the next 3 to 4 years, and together with botulinum toxin Letybo®, they will form a medical aesthetic product matrix to better serve institutions and consumers.

2. Pharmaceutical business: Adhering to innovation to lead the strategic transformation to an international biopharmaceutical leader

With the pharmaceutical business segment as the cornerstone of our corporate value, the Group has been striving to transform into an international biopharmaceutical leader by leveraging on our technological reserves, R&D platform, channels and brands, and insisting on innovation as our leader. The Group has established an innovative drug R&D platform represented by Xuanzhu Biopharm, a biosimilar R&D platform represented by Huisheng Biopharmaceutical, and a high-end generic drug R&D platform represented by Aohe Research Institute, and continues to enrich its pipeline of quality self-developed products to achieve full coverage in a number of major therapeutic areas.

With the Group's own highly efficient R&D, production and marketing platforms, the Group has formed strong synergies within several platforms. The Group has the ability to monetise new product and drive rapid penetration of existing products by leveraging on a production platform with high efficiency, low cost and full coverage of various dosage forms and a comprehensive, professional and efficient academic marketing platform.

2.1 Xuanzhu Biopharm: Building an international biopharmaceutical company by insisting on independent innovative drug development, from fast follower to first-in-class

Innovation-driven, transformation and upgrading is one of the Group's most important development drivers. Unlike other emerging biotechnology and pharmaceutical companies, the Group's innovative drug R&D platform Xuanzhu Biopharm owns abundant and leading independent R&D and continuous innovation capabilities. Xuanzhu Biopharm has always adhered to the development strategy of independent innovation and R&D and continuously increased project introduction and export in its establishment and development over the past 10 years. The company has grown into a domestic first-in-class innovative drug R&D company with two platforms for small molecules and large molecules with independent R&D capabilities, further achieving the strategic goal of building an international biopharmaceutical company.

Xuanzhu Biopharm has always adhered to its own R&D path and has the ability to continuously innovate. Its two R&D platforms, namely small molecule and large molecule, have complete R&D capabilities from pre-clinical development to clinical development, industrialisation and commercialisation. Its products are basically self-developed and do not rely on license-in or contract research organisations (CRO), which gives it the ability for continuous innovation and production.

At present, Xuanzhu Biopharm has an extensive product pipeline with over 25 products under development, focusing on a number of therapeutic areas such as oncology, metabolism, anti-infection and digestion, and is committed to the development of Class 1.1 innovative drugs, among its pipeline, 2 products will soon be filed for NDA, and 11 products have entered the clinical phase I to III, with a balanced layout and coverage of long, medium and short pipelines.

In the oncology field, Xuanzhu Biopharm focuses on two major diseases: breast cancer and lung cancer. In breast cancer, Xuanzhu Biopharm has made a comprehensive layout for the main targets of breast cancer, and is the most comprehensive company in the breast cancer track in China. Its flagship product, Birociclib, is an independently developed CDK4/6 inhibitor for advanced breast cancer, and is the first CDK4/6 inhibitor to conduct a single drug end-line registrational clinical trial in China. Xuanzhu Biopharm's Birociclib follows the product which has the best efficacy among the 3 major CDK4/6 species currently sold overseas. It is effective as a single agent, and can be administered continuously and can cross the blood-brain barrier, and is expected to be the only single agent effective for hormone receptor-positive (HR+) end-line patients in China after its launch. During the Period, Birociclib is in the single-agent registrational clinical trial, and its concurrent clinical studies of 2nd and 1st line therapy in combination with fulvestrant and AI have completed phase I clinical trials, the 2nd line therapy in combination with fulvestrant has entered phase III clinical trials. In addition, to accompany Birociclib, Xuanzhu Biopharm has introduced in the Chinese rights of fulvestrant, and is expected to proceed with an abbreviated new drug application (ANDA) in 2022, with an overall progress among the top three in China. In addition, for HER2+ patients, Xuanzhu Biopharm also has three large molecule biologic drugs in its pipeline, two of which are highly innovative and are the next-generation innovative drugs for HER2 targets, namely KM257, an HER2 bispecific antibody targeting high HER2 expression, and KM254, an HER2 bispecific antibody-drug ADC targeting low HER2 expression. Among them, KM254 is the leading bispecific antibody drug conjugates ("**ADC**") in China and the first patent-pending bispecific ADC in China, which has the potential to be a first-in-class drug. In addition, Xuanzhu Biopharm is also preparing to introduce a pipeline for triple negative breast cancer.

In non-small cell lung (NSCL) cancer, Xuanzhu Biopharm covers the major targets of EGFR, ALK/ROS1 and NTRK/ROS1. XZP-3621, a dual-targeted ALK/ROS1 inhibitor, has entered the single-agent registrational clinical trials for the end-line indication, and will commence phase III clinical trial for the first line indication; XZP-5955, a new class I drug self-developed by Xuanzhu Biopharm for the treatment of ROS1 fusion and mutation NSCL cancer and NTRK fusion and mutation locally advanced/metastatic solid tumours, has received the notice for drug clinical trial approvals and entered into phase I clinical trials during the Period. The product is expected to become the core product of a second-generation dual-targeted tyrosine kinase inhibitor of NTRK and ROS1 with independent property rights in China.

In solid tumours, Xuanzhu Biopharm also has a dozen undisclosed large and small molecule products in pipeline, including very innovative preclinical assets with first-in-class potential such as protein degradation, which are progressing steadily according to plan.

In addition, in the field of digestion, Xuanzhu Biopharm' self-developed Anaprazole sodium has completed phase III clinical trial and is ready to apply for NDA. Anaprazole sodium is the only self-developed proton-pump inhibitor (PPI) in China, and its safety and symptom relief are better than those of similar products. In the field of anti-infection, China's first independent innovative carbapenem antibiotic, Benapenem, has completed clinical phase II and is ready to enter clinical phase III. Benapenem is independently developed by Xuanzhu Biopharm and possesses fully independent intellectual property rights. In the field of metabolism, Xuanzhu Biopharm's self-developed new class I FXR inhibitor XZP-5610 for the treatment of non-alcoholic steatohepatitis (NASH) has received the notice for drug clinical trial approvals and entered into clinical phase I during the Period.

Behind such an extensive product pipeline and strong independent R&D capabilities, Xuanzhu Biopharm has a wealth of hardware and a first-class international team. Xuanzhu Biopharm's team of scientists is made up of first-class international returnee scientists, with core R&D staff having worked for internationally renowned multinational pharmaceutical companies, with an average of over 20 to 30 years of industry experience in new drug development. Its team includes nearly 400 R&D staff, of whom over 50% are PhDs, Masters and returnees, covering all key aspects from clinical development to new drug registration.

During the Period, Xuanzhu Biopharm successfully introduced two promising self-developed antibody technology platforms, fully expanding the depth and breadth of the Company's innovative drug product pipeline and further enhancing its innovation drive. In early 2021, Xuanzhu Biopharm completed the acquisition of Beijing Combio Pharmaceutical Inc. ("**Combio Pharmaceutical**"). Combio Pharmaceutical is an innovation-driven biological company dedicated to the R&D of multifunctional antibody drugs such as innovative bispecific antibodies and bispecific ADC. The company has two antibody technology platforms, "Mab Edit" (antibody editing) and "Mebs-Ig" (antibody editing bispecific antibodies), focusing on the R&D of innovative antibody drugs for diseases such as major malignant tumors, immune system diseases, and infectious diseases, which can carry out the R&D of bispecific antibodies, ADC and other multifunctional antibody drugs simultaneously.

Riding on the Mab Edit and Mebs-Ig platforms, Combio Pharmaceutical owns 12 products at different R&D stages in its pipeline, mainly including KM257, a bispecific antibody drug targeting bile duct cancer, breast cancer and gastroesophageal cancer, and KM254-ADC, a broad-spectrum anti-tumour antibody drug targeting breast, gastric, colorectal and lung cancers with low to moderate HER2 expression. Among them, KM254 is the leading bispecific ADC in China and the first patent-pending bispecific ADC in China, which has the potential to be the first-in-class.

Combio Pharmaceutical's management team and R&D team have extensive biopharmaceutical development experience. Members of its technical management team have more than 15 to 20 years of biopharmaceutical development experience, and the projects participated and presided over have obtained more than 15 clinical approvals, including Nimotuzumab and the bispecific antibody Blinatumomab injection, which have been launched both domestically and internationally.

Xuanzhu Biopharm is the core of Sihuan Pharmaceutical's innovation-driven, transformation and upgrading, and is one of the few innovative drug companies among large pharmaceutical companies that can realise the potential of spin-off. In the future, as Xuanzhu Biopharm further enriches its product pipeline and advances in product research and development, it will become a leading biopharmaceutical company in China with comprehensive innovative drug self-development capabilities in both small and large molecule areas, and the capability to conduct independent R&D on both bispecific antibody and bispecific ADC drugs.

2.2 Huisheng Biopharmaceutical: Focusing on comprehensive solutions for diabetes and complications, one of the few biopharmaceutical leaders in China to have achieved full product coverage for diabetes and complications

Huisheng Biopharmaceutical is a biopharmaceutical platform focusing on solutions for diabetes and complications, which was meticulously incubated under the Group. Since its incubation in 2014, after years of rapid development, Huisheng Biopharmaceutical now owns a rich product pipeline and a strong production, marketing and R&D system, and is one of the few leading companies in China that has achieved full product coverage for diabetes and complications.

China is the world's leading diabetes market, with the highest number of diabetics patients in the world, and the number continues to increase. According to market data, based on factors such as the incidence of diabetes and the characteristics of its treatment, the domestic diabetes market will continue to grow at an average rate of 8% over the next 10 years, reaching a market size of RMB120 billion in 2030.

Bullish on China's vast future in diabetes market, Huisheng Biopharmaceutical focuses on the R&D, production and sales of diabetes and complications drugs, including insulin and its analogues, GLP-1 analogues, oral hypoglycemic drugs, and has a multi-mechanism and multi-species product line developed in the field of diabetes treatment, including 15 oral hypoglycemic drugs led by Janagliflozin, SGLT-2, DPP-4, glinides, biguanides and other mechanisms. The new class 1.1 drug Janagliflozin has completed phase III clinical trials, and is now under preparation for NDA filing.

Huisheng Biopharmaceutical also owns 15 insulins and co-formulants represented by insulin degludec injection, covering second to fourth generation basic and fast-acting products. Among these products, the hit product, the fourth generation insulin degludec injection is conducting phase III clinical trials. Blockbuster product insulin degludec and insulin aspart injection has successfully obtained the approval for the conduction of clinical trials from the NMPA, with its research and development progress being the first with respect to biosimilar in China. Apart from Novo Nordisk's already marketed original product Ryzodeg, no other product from other companies has been approved for clinical trials in China. The company's self-developed biosimilars insulin aspart injection, insulin aspart 30 injection and insulin aspart 50 injection have completed phase III clinical trials and are preparing for NDA filing.

Huisheng Biopharmaceutical also owns novel long-acting and oral GLP-1 analogues represented by liraglutide and sermaglutide. Among them, liraglutide, developed for the treatment of type 2 diabetes and obesity, has completed its phase I clinical study and obtained preliminary bioequivalence results on pharmacokinetics and pharmacodynamics. The Group is currently in communication with the phase III development programme for obesity which is expected to enter phase III clinical trial soon. Currently, only Victoza (liraglutide) developed by Novo Nordisk is available for sale in China and has significantly increased in volume after entering the NRDL in 2017, with revenue reaching RMB926 million in 2019, representing a year-on-year increase of 70%. The market for liraglutide in China is expected to be huge in the future.

Currently, Huisheng Biopharmaceutical has a number of products in its pipeline that have entered phase I to phase III clinical trials. With the successive launch of blockbuster products in the next three years and the continued growth of the diabetes market in China, it targets to become a company with sales of over RMB10 billion in the future.

Underpinning such an extensive R&D pipeline is a management and R&D team in Huisheng Biopharmaceutical with a strong background in production, marketing and R&D, and a deep understanding of the diabetes field. Its strong R&D and clinical development team of over 200 people has extensive and successful industry experience, covering the entire process from early stage research to late stage clinical development. Its core members have over 10 to 20 years of experience in multinational pharmaceutical companies or local leading diabetes companies, and have led more than 20 projects in the diabetes field, and successfully developed innovative drugs such as Janagliflozin, insulin degludec, insulin aspart and other blockbuster diabetes drugs.

Huisheng Biopharmaceutical has also prioritised a strong production capacity in the diabetes field, which took the lead in China, and has invested nearly RMB700 million to build advanced biological facilities. The entire production facility is planned in two phases, with phase I capacity already in place and phase II capacity expected to be fully in operation by 2024, achieving an annual production capacity of 150 million units and the planned production capacity can support an output value of RMB15 billion. In addition, its biologics manufacturing process is leading and stable, and is in line with domestic GMP, EU and FDA standards. Its advanced equipment and high degree of automation control allow for fully automated production.

Relying on the system of Sihuan Pharmaceutical, Huisheng Biopharmaceutical will establish a direct sales + distribution and offline + online sales marketing network to fully cover over 10,000 hospitals nationwide; and actively explore online/retail terminals to gain a broader market. The company will have over 900 sales managers and over 100 marketing and academic promotion managers in the future, while the company will establish cooperation with over 10,000 quality distributors, thus ensuring that the commercial value of the company's products will be maximised once they are launched. In addition, the company will use a direct sales model for innovative drugs such as Janagliflozin, the insulin degludec series and the insulin aspart series, and will use a distribution model for a variety of other oral hypoglycemic drugs and complication drugs. Past performance has proved that such a unique marketing model is very successful and efficient.

During the Period, Huisheng Biopharmaceutical entered into a strategic cooperation agreement with Porton Pharma Solutions Ltd. ("**Porton Pharma**") on 27 April 2021. Pursuant to the strategic cooperation agreement, Huisheng Biopharmaceutical and Porton Pharma will strategically cooperate in the therapeutic areas of diabetes and related complications in relation to the development and supply of APIs and the co-development and launch of related preparations. In this strategic cooperation, Porton Pharma will provide comprehensive services for the development of APIs and preparations for Huisheng Biopharmaceutical, and will also actively explore cooperation models in the strategic supply of APIs as well as in the development of preparation technique and process in the future. It is believed that both parties will give full play to their advantages in pharmaceutical production, sales, R&D and services, to enhance the competitiveness in the pharmaceutical market of both Huisheng Biopharmaceutical and Porton Pharma, and to achieve advantage complement, mutual benefit and joint development.

2.3 Generic drugs: Non-Key Monitoring List Products continued to grow in volume and generic drug business has become an important "cash flow" for the Group

In addition to further promoting the development of innovative drugs, the Group also continues to advance the R&D progress of generic drugs. The Group's generic drug R&D platform has over 100 products under development, including 53 high-end generic drugs with high technical barriers. The Group continues to accelerate the pace of product cultivation on this platform, which not only enriches the existing product pipeline, but also ensures that a certain number of products will be approved for production and launch to market each year, supporting the Group's future revenue and profit growth and sustainable development, which is an important "cash cow" business for the Group.

During the Period, the Group promoted the sales of non-Key Monitoring List Products and achieved revenue of RMB1,190.7 million, representing a significant increase of 122.0% year-on-year and increasing its proportion to 78.9% over total revenue of generic medicine segment. Among them, key products such as nicotinamide injection, monoammonium glycyrrhizinate and cysteine and sodium chloride injection (Huineng®) and niacin injection (Shucheng®) achieved high revenue growth.

The key core product, Cinepazide maleate injection (Kelinao®), was approved for a new indication for the treatment of acute ischemic stroke in late 2020. The product was previously approved for a new indication through a large-scale evidence-based clinical study with 1,301 cases, demonstrating its clinical value in treatment for cerebrovascular disease and is the only approved drug in the field of stroke treatment since post-marketing clinical studies were conducted in China. The Group is expected to continue to get Kelinao back to NDRL through evidence-based medicine and achieve a resurgence in sales.

The high technology barrier products non-PVC solid-liquid double-chamber infusion soft bag (the "**non-PVC solid-liquid double chamber bag**"), which include "non-PVC solid-liquid double chamber bag for cefuroxime sodium/sodium chloride injection", "non-PVC solid-liquid double chamber bag for ceftazidime/sodium chloride injection" and "non-PVC solid-liquid double chamber bag for cefodizime sodium/sodium chloride injection", as well as "non-PVC solid-liquid double chamber bag for cefodizime sodium/5% glucose injection", have obtained drug registration approval in 2020, and will be launched to market for sale this year. The non-PVC solid-liquid double chamber bag is a ready-to-mix infusion containing the drug and the solvent for injection in two chambers of the same bag, which can be gently squeezed before infusion to open the partition between the two preparation chambers to achieve mixing of the drug. This dosage form avoids secondary contamination during the dispensing process and eliminates potential hazards to healthcare workers caused by highly allergenic drugs during the preparation of the infusion, etc. This product type has a high R&D technology barrier and a long development period. The company is the first and only company in China to obtain the registration approval for this ready-to-mix infusion product, which has a great policy advantage and is expected to achieve rapid growth after its official launch.

During the Period, a number of the Group's products obtained approvals from the NMPA, including octreotide acetate injection (1ml: 0.05mg and 1ml: 0.1mg), which restrains the function of growth hormone, a new oral anticoagulant drug rivaroxaban tablet (10mg and 15mg), a new generation of mucolytic drug ambroxol hydrochloride injection (2ml: 15mg), caspofungin acetate for injection (50mg), a first-line drug for the treatment of systemic fungal infections, and pantoprazole sodium injection (40mg/unit), a drug for the digestive system. In addition, Hainan Sihuan Pharmaceutical Co., Ltd., a subsidiary of the Group, entered into a general marketing services agreement with Pharmadax (Foshan) Co., Ltd. for exclusive marketing rights for the products relating to the Metoprolol Succinate Sustained-release Tablets (23.75mg/47.5mg/95mg/190mg) in mainland China.

The Group believes that with the continued growth in sales of products not included in the Key Monitoring List and the continued increase in its proportion over total revenue, and with the 53 high-end generic drugs with high technical barriers in the R&D pipeline continued to complete clinical trials and started to be submitted for approval, and to be launched for sale in the future, the current sales growth momentum will continue, and the generic drugs business segment has entered the turning point of sales and will continue to grow, bringing the Group a strong and continuous cash flow in order to support sustainable development of the Group's overall business.

2.4 Sales: A comprehensive, professional and efficient academic marketing platform with a strong "monetization" ability of new products on the market

After years of development, the Group already has a strong sales team and a unique and excellent marketing model to facilitate the commercialization of products. Relying on a professional, experienced and high-performing sales team and a market network covering a wide range of hospitals, the Group has a strong "monetization" ability for new products to be launched.

During the Period, the Group has a professional marketing team of more than 1,000 people, more than 3,000 distributors and more than 20,000 sales managers, nearly 40% of whom are solely responsible for selling Sihuan products. The Group's sales network covers 14,460 hospitals, including 2,000 Class III hospitals, 5,941 Class II hospitals, and 6,969 hospitals below Class II. The breadth and depth of coverage are in line with the Group's international positioning. The proportion of provinces being covered is 100%.

The sales staff of the Group are highly specialized, and most of the relevant practitioners have a master's degree or above in medicine. Through the division of labor and collaboration between the marketing team, distributors and sales managers, the marketing network operates efficiently with high output and cost efficiency, and can promote innovative products, rapidly expand and penetrate into the market through the establishment of a dedicated and large direct sales team.

3. New business incubation to drive new growth momentum in the future

3.1 Creating a northern hub for R&D, production and marketing of industrial hemp

As one of the largest integrated pharmaceutical R&D, production and marketing enterprises in Jilin Province, the Group has seized the development opportunity and prioritised a comprehensive layout in the field of industrial hemp with the launch of the plan for industrialization development of industrial hemp business in Jilin Province since 2018. Aiming at the R&D and industrialization of high-content CBD medicinal and medical materials, the Group's subsidiary Aokang Yaoye in Jilin explores the entire industrial chain from upstream cultivation, extraction and processing to downstream application, and is committed to building a R&D, production and marketing center of industrial hemp in north China.

Aokang Yaoye is currently the only enterprise in Jilin Province that has obtained the qualification to grow industrial hemp with high CBD content. In addition, Aokang Yaoye also reached strategic cooperation with the Institute of Bast Fibre Crops of the Chinese Academy of Agricultural Sciences ("**IBFC-CAAS**"), and jointly established the "Northern Industrial Hemp Research Center". The center will leverage on IBFC-CAAS's full range of seed resources and technical support, as well as Aokang Yaoye's professional and modernized capabilities in Chinese medicine extraction, production, processing, inspection and testing, and high standard quality management system to enter into full cooperation and to increase R&D investment in areas of pharmaceutical, medical aesthetic and foods for special medical purpose. In addition, Aokang Yaoye has also collaborated with 7 domestic and international R&D institutions to further develop R&D projects for the extraction and downstream application of industrial hemp.

In addition, Aokang Yaoye also has 164 production varieties with approval numbers, of which 128 varieties are national medical insurance varieties, and 4 are national exclusive varieties ("Haitianyishen Capsule", "Niuhuang Qingnao Kaiqiao Pills", "Caoxian Hepatitis B Capsule" and "Gandan Shuangqing Granules").

3.2 Implementing an integrated "API + CDMO + formulation" strategy to gain new growth momentum

At present, the competition among domestic pharmaceutical enterprises is fierce, so the capacity optimisation, industry integration and structural upgrading of Chinese pharmaceutical enterprises will become increasingly important. Benefited from global capacity transfer and domestic policy dividends, China's CDMO market is expected to reach US$52.6 billion in 2024, and is expected to reach US$100 billion in the future.

In 2020, the Group revitalised its redundant API production resources and production capacity from its subsidiaries, integrated the business of some of these subsidiaries and established Jilin Kangtong. Relying on the Group's strengths in R&D and industrialisation of pharmaceutical intermediates and APIs, leveraging on the advantages of the whole industrial chain of chemical generics and implementing the integrated strategy of "API + CDMO + formulation", and leveraging on the R&D capabilities of the Group's Aohe R&D platform, the Group is committed to the strategic deployment of the whole industry chain of APIs and the construction of a CDMO/CMO platform to obtain new growth

momentum, aiming to become a leading integrated CDMO company in the field of pharmaceutical intermediates and APIs. Jilin Kangtong currently has over 100 overseas customers, of which 50% are from Japan and South Korea, 20% from Europe, and 20% from India, including Kaneka, the largest generic drug company in Japan, Hanmi and Dong-A, which are among the top three generic drug companies in South Korea, and more than half of the top 20 factories of companies in India, which all maintained long-term and friendly partnership with Jilin Kangtong. It also has nearly 50 customers in China, including Hengrui Pharmaceutical, Chia Tai Tianqing Pharmaceutical, Yangtze River Pharmaceutical, and Kelun Pharmaceutical, etc.

In addition, the Group has completed the equity acquisition of Jilin Aotong Chemical Co., Ltd. and Jilin Jiahui Chemical Co., Ltd. through Jilin Shengtong, a subsidiary of the Company during the Period. Upon completion of the acquisition, the Group shall hold 100% equity interest in Jilin Aotong and 60% equity interest in Jilin Jiahui, respectively. The acquisition will be taken as the key link in Group's entire industry chain layout.

Prospects and Future Growth Strategies

A multi-dimensional growth logic under innovative transformation

From the perspective of the Group's development strategy, the Group's future growth logic after innovation transformation is very clear, no matter whether it is the pharmaceutical business segment that adheres to innovation-led and generic, or the new business segment that is being incubated and will become a performance accelerator of the Group. Each sector not only has its own growth logic and momentum, but can also complement and connect with each other to support the sustainable growth of the Group.

This year, in the pharmaceutical business, it is expected that a number of key generic drugs will successively be approved by the NMPA to be launched or pass consistency evaluations to improve the Group's product pipeline in the high-growth therapeutic areas, and to deliver sustained year-on-year revenue growth of over 20% for the Group's pharmaceutical business. As for the medical aesthetics business, the sales of botulinum toxin Letybo® progressed well, as the fourth domestically approved and internationally competitive blockbuster medical aesthetic product, it is expected to rapidly increase its sales with the help of the professional and strong medical aesthetics sales team of MeiYan KongJian, in order to bring a double-digit growth in revenue and profit for the Group's annual results.

In the medium to long term, in the innovative drugs segment, Xuanzhu Biopharm's blockbuster product Anaprozole Sodium and its blockbuster product Birociclib are expected to be launched and achieve sales growth within two to three years; Huisheng Biopharmaceutical has achieved full product coverage in the field of diabetes and complications, and the new class 1.1 drug Janagliflozin, the biosimilar insulin aspart 30 injection and insulin aspart 50 injection are planned to be launched gradually by the end of 2022; blockbuster biosimilars such as the fourth generation insulin degludec injection will also be launched gradually and bring great revenue growth. In the medical aesthetics segment, it is expected that the sales of botulinum toxin Letybo® will continue to grow rapidly. The Group's subsequent launch of products such as hyaluronic acid, PLLA gel, PLLA injection, PCL injection, as well as the overseas mid-to-high-end medical aesthetic products it distributes, will further form a strong medical aesthetic product matrix, bringing

strong growth momentum and guaranteed valuation to the Group's medical aesthetic business; the Group's incubated industrial hemp business and CDMO business will also enter a period of rapid development, achieving value amplification and revenue growth contribution, making more contribution to the Group's corporate value enhancement.

Conclusion

The Group believes that 2021 will be the first year in which the Group officially enters the 2.0 version of the two-wheel drive strategy focusing on medical aesthetics and biopharmaceuticals, and also the year in which the Group enters the turning point into rapid growth. Remaining true to its original aspiration, the Group will continue to be a friend of time, build up its product pipeline in a gradual and high-quality manner, and carefully nurture and incubate its five major R&D, production and marketing and sales platforms. The Group's two-wheel strategy of "medical aesthetics and pharmaceuticals" will be implemented with high efficiency to build a leading medical aesthetics and biopharmaceutical company in China.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Period increased by 80.9% to approximately RMB1,907.2 million (six months ended 30 June 2020: RMB1,054.5 million). Among it, income from sales of generic medicine, which contributed to 79.2% of total revenue, was approximately RMB1,509.8 million (six months ended 30 June 2020: RMB899.1 million). It increased by 67.9%, approximately RMB610.7 million. In addition, the revenue from medical aesthetic products increased significantly by 771.3% to approximately RMB257.9 million (six months ended 30 June 2020: RMB29.6 million), whereas the remaining revenue from innovative medicine and other medicine increased by 10.9% to approximately RMB139.5 million (six months ended 30 June 2020: RMB125.8 million).

The sales of generic medicine increased because the Group put in its resources for non-Key Monitoring List Products and hospital coverage of the drugs continued to increase due to strong sales platform. Furthermore, there was a blockbuster medical aesthetic product launched in early 2021 which increased substantially the relevant revenue.

Cost of sales

Cost of sales of the Group for the Period amounted to approximately RMB440.1 million (six months ended 30 June 2020: RMB268.5 million), accounting for approximately 23.1% of the total revenue.

Gross profit

Gross profit for the Period amounted to approximately RMB1,467.1 million (six months ended 30 June 2020: RMB786.1 million) with an increase of approximately RMB681.0 million, mainly due to the significant growth in the revenue side. Overall gross profit margin increased from 74.5% for the corresponding period of last year to 76.9% for the Period. The higher gross profit margin was resulted from increased sales of products which had better profit margins.

Other gains — net

Other gains — net for the Period increased by approximately RMB143.0 million to approximately RMB246.5 million (six months ended 30 June 2020: RMB103.5 million). It was mainly due to an increase in government grants compared with the corresponding period of last year and a one-off gain on deemed dilution.

Distribution expenses

Distribution expenses for the Period amounted to approximately RMB260.9 million (six months ended 30 June 2020: RMB136.5 million). The increase of approximately RMB124.4 million compared with the corresponding period of last year was mainly due to continuing efforts in expanding and developing the market share.

Administrative expenses

Administrative expenses for the Period increased by 31.3% to approximately RMB278.7 million (six months ended 30 June 2020: RMB212.2 million) as a result of an increase in overheads and activities of the Group.

R&D expenses

R&D expenses for the Period amounted to approximately RMB333.6 million (six months ended 30 June 2020: RMB300.9 million) which represented an increase of 10.9%. It was mainly attributable to more efforts in R&D activities.

Other expenses

Other expenses for the Period amounted to approximately RMB34.5 million (six months ended 30 June 2020: RMB10.7 million).

Profit before tax from continuing operations

Profit before tax from continuing operations of the Group for the Period amounted to approximately RMB819.5 million (six months ended 30 June 2020: RMB302.1 million).

Income tax expense

Income tax expense of the Group for the Period increased by 68.9% to approximately RMB225.3 million (six months ended 30 June 2020: RMB133.4 million). The significant increase was mainly attributable to higher profits generated compared with the corresponding period of last year.

Profit for the Period

Due to the aforesaid, profit for the Period amounted to approximately RMB594.2 million (six months ended 30 June 2020: RMB144.3 million).

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period amounted to approximately RMB611.4 million (six months ended 30 June 2020: RMB150.0 million).

Loss attributable to non-controlling interests

Loss attributable to non-controlling interests for the Period amounted to approximately RMB17.2 million (six months ended 30 June 2020: RMB5.7 million).

Liquidity and financial resources

The Group maintained strong financial position. As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB4,630.9 million (31 December 2020: RMB4,604.0 million). As at the same date, bank borrowings of the Group amounted to approximately RMB811.9 million (31 December 2020: RMB719.1 million) and borrowings from non-controlling shareholders of a subsidiary of the Group amounted to approximately RMB28.0 million (31 December 2020: RMB32.0 million). Accordingly, the Group maintained net cash of over approximately RMB3,791.0 million (31 December 2020: RMB3,852.9 million). The Group's debt-to-equity ratio, expressed as a percentage of borrowings over equity attributable to owners of the Company, was 8.5%.

In general, the Group places its excess cash into interest-bearing bank accounts. The Group may use extra cash for short-term investments for higher returns. Thus, the Group has entered into agreements with certain banks for surplus fund investment. According to the terms of the agreements signed, the total amount of investment conducted by the Group for the Period was approximately RMB9,736.5 million. The investments made by the Group were short-term in nature and mainly consisted of financial planning products purchased from certain state-owned banks. At their discretion, issuing banks for the above-mentioned financial planning products may invest in financial instruments such as government bonds, discounted bank acceptance bills and commercial acceptance bills and bank deposits. As at 30 June 2021, the Group recognised total financial assets at fair value through profit or loss of approximately RMB679.2 million, comprising principal of investment of approximately RMB672.4 million and approximately RMB6.8 million of interest income, in the consolidated statement of financial position. As at the date of this announcement, total amount of sold/redeemed investment principal amounted to approximately RMB412.4 million.

The Group had sufficient cash as at 30 June 2021. The Directors are of the opinion that the Group does not have any significant capital risk.

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**4,630,850**	4,604,041

Inventories

As at 30 June 2021, inventories amounted to approximately RMB565.7 million (31 December 2020: RMB495.9 million). The inventory turnover period for the Period was 217 days (six months ended 30 June 2020: 285 days). The increase in inventories was attributable to more pharmaceutical ingredients kept for internal production demand.

Trade and other receivables

The Group's trade receivables and notes receivable include credit sales of its products to be paid by its distributors. Other receivables of the Group mainly consist of prepayments to suppliers and amounts due from related parties. As at 30 June 2021, the Group's trade and other receivables were approximately RMB1,291.2 million (31 December 2020: RMB971.5 million). The increase was mainly due to amounts due from third parties.

Property, plant and equipment

The Group's property, plant and equipment include buildings, production and electronic equipment, vehicles and construction in progress. As at 30 June 2021, the net book value of the property, plant and equipment was approximately RMB3,145.6 million (31 December 2020: RMB3,053.3 million). The increase during the Period was mainly attributable to factory construction and purchase of new equipment.

Goodwill

The Group's goodwill arose from the acquisition of subsidiaries and business combinations. As at 30 June 2021, the net carrying amount of goodwill was approximately RMB45.0 million (31 December 2020: RMB12.3 million).

Intangible assets

The Group's intangible assets mainly comprise customer relationships, deferred development costs, product development in progress and trademark and software. The deferred development costs and product development in progress mainly related to the acquisition of several drug R&D projects and its R&D projects featuring independent development. As at 30 June 2021, net intangible assets amounted to approximately RMB639.8 million (31 December 2020: RMB505.6 million).

Trade and other payables

The Group's trade and other payables mainly consist of trade payables, deposit payables, accrued expenses and dividends payable. As at 30 June 2021, trade and other payables amounted to approximately RMB2,098.4 million (31 December 2020: RMB1,830.2 million). The increase of approximately RMB268.2 million was mainly attributable to the increase in accrued reimbursement to distributors and dividends payable.

Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Off-balance sheet commitments and arrangements

As at 30 June 2021, the Group had neither entered into any off-balance sheet arrangements nor commitments to provide guarantees for any payment obligations with any third party. The Group did not have any variable interests in any unconsolidated entities which provide financing or liquidity funding, or generate market risk or provide credit support, or engage in the provision of leasing and lending or hedging or R&D services to the Group.

Capital commitment

As at 30 June 2021, the Group's total capital commitment was approximately RMB366.3 million. It was mainly set aside for purchase of property, plant and equipment and intangible assets.

Credit risk

Credit risk arises from cash and cash equivalents, trade receivables and other receivables.

All the cash equivalents and bank deposits are placed in certain PRC reputable financial institutions and high-quality international financial institutions outside Mainland China. All those irrevocable bank bills, classified as notes receivable, are issued by banks in the PRC with high credit rating. There was no recent history of default of cash equivalents and bank deposits in relation to these financial institutions.

In relation to trade receivables, the Group has no significant concentrations of credit risk and has policies in place to ensure that certain cash advance has been received upon the agreement of the related sales orders with customers. For those with credit periods granted, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. It also undertakes certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. The Group regularly performs ageing analysis, assesses credit risks and estimates the recoverability of groups of trade receivables bearing similar credit risk based on historical data and cash collection history.

In relation to other receivables, the credit quality of the debtors is assessed by taking into account their financial position, relationship with the Group, credit history and other factors. Management will also regularly review the recoverability of these other receivables and follow up the disputes or amounts overdue, if any. The executive Directors are of the opinion that the default by counterparties is low.

No other financial assets bear a significant exposure to credit risk.

Foreign exchange risk

The Group's functional currency is RMB and financial instruments are mainly denominated in RMB. The Group has some cash balances denominated in United States Dollar, Euro and Hong Kong dollar ("**HK$**"). It is expected that any fluctuation of these foreign currencies' exchange rates would not have material effect on the operation of the Group. In addition, dividend payment in foreign currencies converted from RMB is subject to foreign exchange rules and regulations promulgated by the PRC government. The Group would closely monitor this risk exposure from time to time.

During the Period, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Treasury policy

The Group finances its ordinary operations mainly with internally generated resources. The principal objective of the Group's capital management is to sustain its ability to continue as a going concern. The Group regularly reviews its capital structure to ensure that the Group has sufficient financial resources to support its business operations.

Capital expenditure

The Group's capital expenditure mainly includes purchase of property, plant and equipment, prepaid land lease payments and intangible assets. For the Period, the Group's capital expenditure amounted to approximately RMB341.4 million, of which approximately RMB320.0 million and RMB21.4 million were spent on purchase of property, plant and equipment and purchase of or self-development of intangible assets, respectively. For the Period, the Group's investment in capital expenditure for R&D amounted to approximately RMB89.3 million, of which approximately RMB75.9 million was spent on property, plant and equipment. The remaining approximately RMB13.4 million related to, the purchase of, and self-development of intangible assets.

Material acquisition and disposal

During the Period, the Group acquired a set of assets, liabilities, employee resource and contract rights from Beijing Combio Pharmaceutical Inc. ("**Combio Pharmaceutical**"), at a consideration of RMB131,000,000. For further details, please refer to note 15 to the interim condensed consolidated financial statements.

Pledge of assets

As at 30 June 2021, the Group pledged certain assets to secure banking facilities granted to subsidiaries. For further details, please refer to note 8 to the interim condensed consolidated financial statements.

Events after the reporting period

The Group had no significant events after the reporting period up to the date of the approval of the unaudited interim condensed consolidated financial statements.

Human resources and remuneration of employees

Talents are an indispensable asset to the Group's success in a competitive environment. The Group is committed to providing competitive remuneration packages to all the employees and regularly reviewing human resources policies, to encourage employees to work towards enhancing the value of the Company and promoting the sustainable growth of the Company. As at 30 June 2021, the Group had 4,223 employees. For the Period, the Group's total salary and related costs was approximately RMB342.6 million (six months ended 30 June 2020: RMB309.5 million).

CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Period, the Company has, at all times, complied with the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) and one of them should have appropriate professional qualifications or accounting or related financial management expertise.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors (Mr. Patrick Sun, Mr. Tsang Wah Kwong and Dr. Zhu Xun), and is chaired by Mr. Patrick Sun who has a professional qualification in accountancy. The chairman of the Audit Committee has the appropriate professional qualification and experience in financial matters. The Audit Committee has reviewed the Group's interim unaudited condensed consolidated financial statements for the Period.

REVIEW OF ACCOUNTS

Messrs. Ernst & Young, the Company's external auditors, have reviewed the Company's interim financial information for the six months ended 30 June 2021 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company repurchased 13,900,000 Shares through the Stock Exchange at a total consideration, before expenses, of approximately HK$34.8 million. Such Shares have been cancelled as at the date of this announcement. Details of repurchase are as follows:

	Number of Shares repurchased	Repurchasing price for each Share		Aggregate consideration paid	
		Highest HK$	Lowest HK$	HK$ million	Equivalent to RMB million
9 April 2021	3,900,000	2.09	2.06	8.1	6.9
7 May 2021	10,000,000	2.70	2.63	26.7	22.2
Total:	**13,900,000**			**34.8**	**29.1**

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 six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2020: interim cash dividend of RMB0.1 cent per share and special cash dividend of RMB3.0 cents per share).

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.sihuanpharm.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Period will be dispatched to Shareholders and available on the above websites in due course.

Shareholders are encouraged to elect to receive shareholder documents electronically. You may at any time send written notice to the Company c/o the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via email at sihuanpharm-ecom@hk.tricorglobal.com specifying your name, address and request to change your choice of language or means of receipt of all shareholder documents.

By order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Dr. Che Fengsheng
Chairman and Executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, the executive Directors are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer), Dr. Zhang Jionglong, Mr. Choi Yiau Chong and Ms. Chen Yanling; and the independent non-executive Directors are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Dr. Zhu Xun.