



**SINO BIOPHARMACEUTICAL LIMITED**

**中國生物製藥有限公司**

*(Incorporated in the Cayman Islands with Limited Liability)*

(Stock Code: 1177)



**2015**  
**Interim Report**

## CORPORATE INFORMATION

### LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

### STOCK CODE

1177

### COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

### PLACE OF INCORPORATION

Cayman Islands

### DATE OF LISTING ON MAIN BOARD

8 December, 2003

### DATE OF LISTING ON GEM BOARD

29 September, 2000

### DIRECTORS

#### Executive Directors

Miss Tse, Theresa Y Y (*Chairman*)

Mr. Tse Ping

Mr. Xu Xiaoyang (*Chief Executive Officer*)

Ms. Cheng Cheung Ling

Mr. Tse Hsin

Mr. Wang Shanchun

Mr. Tian Zhoushan

Ms. Li Mingqin

#### Independent Non-executive Directors

Mr. Lu Zhengfei

Mr. Li Dakui

Ms. Lu Hong

Mr. Zhang Lu Fu

#### Executive Board Committee

Miss Tse, Theresa Y Y (*Chairman*)

Mr. Tse Ping

Mr. Xu Xiaoyang

Ms. Cheng Cheung Ling

Mr. Tse Hsin

### AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)

Mr. Li Dakui

Ms. Lu Hong

### REMUNERATION COMMITTEE

Mr. Zhang Lu Fu (*Chairman*)

Mr. Lu Zhengfei

Ms. Lu Hong

### NOMINATION COMMITTEE

Miss Tse, Theresa Y Y (*Chairman*)

Mr. Tse Ping

Mr. Lu Zhengfei

Ms. Lu Hong

Mr. Zhang Lu Fu

### COMPANY SECRETARY

Mr. Chan Oi Nin Derek

### QUALIFIED ACCOUNTANT

Ms. Yu Chau Ling, FCCA, CPA

### AUTHORISED REPRESENTATIVES

Mr. Tse Ping

Mr. Chan Oi Nin Derek

### AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

### PRINCIPAL BANKERS

China CITIC Bank International Limited

166 Hennessy Road

Wanchai

Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

## CORPORATE INFORMATION

Agricultural Bank of China, Lianyungang Branch  
No. 43 North Tong-guan Road  
Xinpu, Lianyungang  
Jiangsu Province  
PRC

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Codan Trust Company (Cayman) Limited  
Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower  
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Wanchai  
Hong Kong

## LEGAL ADVISERS

*As to Hong Kong Law:*  
Sidley Austin  
39/F, Two International Finance Centre  
Central  
Hong Kong

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Century Yard  
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P.O. Box 2681GT  
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Grand Cayman  
British West Indies

*As to PRC Law:*  
Navigator Law Office  
308A, Tower C2  
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Dong Cheng District  
Beijing  
PRC

## AUDITORS

Ernst & Young  
*Certified Public Accountants*  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

## INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited  
Unit A, 29th Floor  
Admiralty Centre I  
18 Harcourt Road  
Hong Kong

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2015, the Group recorded the following operational results:

- Turnover was approximately HK\$7,442.91 million, an increase of approximately 25.9% over the same period last year;
- Before and after accounted for unrealized fair value (gains)/losses of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$832.66 million and approximately HK\$928.18 million, respectively, approximately 31.2% and approximately 46.8% higher than the same period last year, respectively;
- Based on the profit attributable to the Group before and after accounted for unrealized fair value (gains)/losses of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK16.85 cents and approximately HK18.78 cents, respectively, approximately 31.2% and approximately 46.7% higher than the same period last year, respectively;
- Sales of new products accounted for approximately 7.4% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2015 was approximately HK\$3,598.06 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK1.5 cents per share for the second quarter ended 30 June, 2015. Together with the quarterly dividend of HK1.5 cents per share paid for the first quarter, the total dividend of two quarters amounted to HK3 cents per share.

## CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company”), together with its subsidiaries (the “Group”), is an integrated pharmaceutical enterprise. Applying advanced modernized Chinese and biomedical technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicines and chemical medicines. The Group has also strategically entered into the related healthcare and hospital business through the acquisition of Chia Tai Shaoyang Orthopedic Hospital located in Hunan Province of the People’s Republic of China (the “PRC”) and the manufacture and sales of health food business through Tianjin Chia Tai Zhenwutang Food Co., Ltd. which was quoted on the National Equities Exchange and Quotations System in the PRC.

The Group’s products can be grouped under the two major therapeutic categories of hepatitis and cardio-cerebral diseases. It also actively develops medicines for treating tumors, analgesia, orthopedic diseases, infection, parenteral nutrition, respiratory system diseases, anorectal diseases, diabetes and other diseases to meet the increasing demands of the market, medical practitioners and patients.

### Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Runzhong (Entecavir) dispersible tablets, Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Zhiruo (Palonosetron Hydrochloride) injections, Saiweijian (Raltitrexed) injections, Tianqingyitai (Zolebrionate Acid) injections
Orthopedic medicines:	New Ossified Triol capsules, Jiuli (Glucosamine Hydrochloride) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng fructose injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets
Anorectal medicines:	Getai (Diosmin) tablets

## CORPORATE PROFILE

### Products with great potential:

Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections, Qingweike (Decitabine for injections), Gelike (Dasatinib) capsules, Shoufu (Capecitabine) tablets
Respiratory system medicines:	Zhongchang (Fudosteine) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets

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

Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”), an associate of the Group, has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December, 2012. Thus, the Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

The Group’s several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Holdings Co. Ltd. (“CT Tianqing”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd. (“CTGP”), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (“Jiangsu Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (“Jiangsu Qingjiang”), Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. (“Qingdao Haier”), Shanghai Tongyong Pharmaceutical Co., Ltd. (“Shanghai Tongyong”) and Lianyungang Runzhong Pharmaceutical Co., Ltd. (“LYG Runzhong”) have been designated “High and New Technology Enterprises”. CT Tianqing was designated “2011 Most Valuable Investment Enterprise of the PRC Pharmaceutical Enterprises” from the PRC Pharmaceutical Industry Information Centre. In addition, NJCTT, Jiangsu Qingjiang and Jiangsu Fenghai have been designated “Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry injections of Jiangsu Province”, “Orthopedic Medicines Engineering Technological Research Centre” and “Engineering Technological Research Centre for Anorectal Nutritious Medicines” by The Science and Technology Committee of Jiangsu Province, respectively.

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

## CORPORATE PROFILE

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

Facing the increasing downward pressure on the domestic economy during the first half of 2015, the Chinese government implemented a series of proactive fiscal and monetary policies, leading to the realization of a year-on-year growth of 7% in gross domestic product. Meanwhile, the Chinese economy started to show signs of stabilizing. In the medical health sector, the continuous pushing of public hospital reform, the implementation of medical insurance premium requirements and the separation of medical treatments and medicines prescription have presented severe challenges to the operating environment of pharmaceutical enterprises. In addition, the new round of medicines tendering oriented by price reduction gradually launched in different provinces, which has further squeezed the profit margin of the pharmaceutical industry affected by the launch of new GMP, electronic supervision and new environmental protection ordinance. Despite these developments, the Group has been committed to improving the product quality and strengthening the research and development (“R&D”) of new products. Moreover, the Group has attempted to seek for better and more interactive communication with the patients through the internet and mobile internet so as to provide more professional and attentive services. As compared with the sales income and profit of the PRC pharmaceutical manufacturing industry increased by 8.8% and 13.5% respectively in the first half of 2015, the overall business of the Group maintained the stable growth.

### BUSINESS REVIEW

In spite of several unfavorable factors arising during the review period, the member companies of the Group have aimed to improve and optimize their production facilities in compliance with the requirements of the latest GMP and the new environmental protection ordinance, while consolidating their business foundation and strictly controlling emissions levels in order to enhance product quality and attain standards. As for the marketing, the Group has relied on advanced technologies to improve the communication with doctors and patients, which has led to rapid growth in sales of the new oncology medicine series particularly for Shoufu tablets, Yinishu tablets and Gelike capsules and subsequently enhanced its reputation in the oncology field. The Group has also recorded a satisfactory performance in hepatitis medicines including Runzhong dispersible tablets, Tianqingganmei injections and Tianding tablets, an area in which it has enjoyed long-standing advantages, thus further consolidating its leadership position in the hepatitis treatment field. In terms of R&D, the Group has insisted on making continuous investment in the hepatitis, oncology, respiratory system and cardio-cerebral fields, and also strengthening the connection with a number of new medicine R&D institutions in Europe, US and Japan to further promote the multilateral cooperation in technology and a variety of other areas. In the first half of 2015, the Group has 42 new reporting clinical applications and 13 new filed productions. A total of 5 pharmaceutical products had passed through clinical research (Cyclobenzaprine Hydrochloride ingredient, 2 specifications of Cyclobenzaprine Hydrochloride sustained-release capsules, Dextansoprazole and Dextansoprazole sustained-release capsules) and the Group has also obtained 2 production approvals (Letrozol ingredient and Palonosetron Hydrochloride capsules). Besides, the Group has always paid close attention to how national policies are implemented as well as significant trends including public hospital reforms, remote medical services, precise medical services, chronic disease management and the medical treatment provided by doctors across the country. This enables the Group to better evaluate potentially lucrative investment opportunities in the domestic and overseas major health areas.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

The Group recorded revenue of approximately HK\$7,442.91 million during the period under review, an increase of approximately 25.9% against the same period last year. Before and after accounted for unrealized fair value (gains)/losses of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$832.66 million and approximately HK\$928.18 million, respectively, approximately 31.2% and approximately 46.8% higher than in the same period last year, respectively. Based on the profit attributable to the Group before and after accounted for unrealized fair value (gains)/losses of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK16.85 cents and approximately HK18.78 cents, respectively, approximately 31.2% and approximately 46.7% higher than in the same period last year, respectively. Cash and bank balances totaled approximately HK\$3,598.06 million.

The Group continued to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. Leveraging on its existing medicine series for treating hepatitis and cardio-cerebral diseases, the Group also actively developed oncology medicines, analgesic medicines, orthopedic medicines, anti-infectious medicines, parenteral nutritious medicines, respiratory system medicines, anorectal medicines and diabetic medicines, etc.

#### *Hepatitis medicines*

For the six months ended 30 June, 2015, the sales of hepatitis medicines amounted to approximately HK\$3,593.54 million, representing approximately 48.3% of the Group's revenue.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice are the number 1 hepatitis medicine brand in the PRC. For the six months ended 30 June, 2015, its sales amounted to approximately HK\$83.93 million, a slightly increase of approximately 3.6% against the same period last year. After the protection period of the product expired, many replicas have emerged into the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine continued to increase to approximately HK\$251.67 million in the period, representing a growth of approximately 24.5% when compared with the same period last year. In 2005, CT Tianqing launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. During the period under review, the product has bright prospects and recorded the sales of approximately HK\$1,152.12 million, an increase of approximately 20.6% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Hepatitis medicines (continued)*

The Group launched a patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the six months ended 30 June, 2015, its sales amounted to approximately HK\$383.17 million.

CT Tianqing's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval certificate and production approval in February 2010, making CT Tianqing the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market since March 2010. For the six months ended 30 June, 2015, the sales amounted to approximately HK\$1,606.70 million, an increase of approximately 42.1% against the same period last year. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine used mainly for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Entecavir was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines.

#### *Cardio-cerebral medicines*

For the six months ended 30 June, 2015, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of cardio-cerebral medicines amounted to approximately HK\$1,637.88 million, representing approximately 18.1% of the non-General Acceptable Accounting Practice ("GAAP") adjusted enlarged revenue of the Group. The consolidated sales of cardio-cerebral medicines of the Group amounted to approximately HK\$711.27 million, representing approximately 9.6% of the Group's revenue.

NJCTT's Tianqingning injections is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the six months ended 30 June, 2015, the product recorded the sales of approximately HK\$93.91 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$291.59 million for the six months ended 30 June, 2015, an increase of approximately 14.9% when compared with the same period last year. For the six months ended 30 June, 2015, the sales of Tuotuo calcium tablets amounted to approximately HK\$239.72 million, an increase of approximately 51% when compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Cardio-cerebral medicines (continued)*

Kaishi injections works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market and occupied a substantial portion of market share. It received many awards from various countries since launched and was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the six months ended 30 June, 2015, the sales of Kaishi injections amounted to approximately HK\$804.54 million.

#### *Oncology medicines*

For the six months ended 30 June, 2015, the sales of oncology medicines amounted to approximately HK\$729.71 million, representing approximately 9.8% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the six months ended 30 June, 2015, sales of Zhiruo injections amounted to approximately HK\$176.77 million, an increase of approximately 29.8% as compared with the same period last year. The sales of Saiweijian injections amounted to approximately HK\$141.03 million during the reviewing period, an increase of approximately 26.9% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately HK\$115.73 million during the reviewing period, an increase of approximately 15.5% as compared with the same period last year. For the six months ended 30 June, 2015, the sales of a new product, Qingweike injections, amounted to approximately HK\$65.42 million, an increase of 66.5% as compared with the same period last year. Shoufu tablets was launched in February 2014. For the six months ended 30 June, 2015, its sales amounted to approximately HK\$48.09 million, a significant increase of approximately 195.6% as compared with the same period last year.

#### *Analgesic medicines*

For the six months ended 30 June, 2015, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of analgesic medicines amounted to approximately HK\$695.24 million, representing approximately 7.7% of the non-GAAP adjusted enlarged revenue of the Group.

Launched in 2005, the analgesic medicine Kaifen injections is a Flurbiprofen Axetil microsphere target sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is developed and manufactured by Beijing Tide and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the six months ended 30 June, 2015 amounted to approximately HK\$591.62 million, approximately 24.1% higher than that as compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Orthopedic medicines*

For the six months ended 30 June, 2015, the sales of orthopedic medicines amounted to approximately HK\$503.83 million, representing approximately 6.8% of the Group's revenue.

The main product of orthopedic medicines is namely the new ossified triol capsules. For the six months ended 30 June, 2015, the sales amounted to approximately HK\$365.85 million, slightly rose by approximately 5.5% as compared with same period last year. For the six months ended 30 June, 2015, the sales of another product, Jiuli tablets, amounted to approximately HK\$99.12 million, an increase of approximately 49.9% as compared with the same period last year.

#### *Anti-infectious medicines*

For the six months ended 30 June, 2015, the sales of anti-infectious medicines amounted to approximately HK\$471.66 million, representing approximately 6.3% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the six months ended 30 June, 2015, the sales amounted to approximately HK\$396.63 million, approximately 40.4% higher than that as compared with the same period last year.

#### *Parenteral nutritious medicines*

For the six months ended 30 June, 2015, the sales of parenteral medicines amounted to approximately HK\$446.06 million, representing approximately 6% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the six months ended 30 June, 2015, the sales amounted to approximately HK\$323.19 million, an increase by approximately 13.7% as compared with the same period last year. For the six months ended 30 June, 2015, the sales of Fenghaineng fructose injections amounted to approximately HK\$117.19 million, a slight increase of approximately 2.4% as compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Respiratory system medicines*

For the six months ended 30 June, 2015, the sales of respiratory medicines amounted to approximately HK\$251.68 million, representing approximately 3.4% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the six months ended 30 June, 2015, the sales amounted to approximately HK\$151.09 million, an increase by approximately 61.6% as compared with the same period last year. For the six months ended 30 June, 2015, the sales of another pharmaceutical product, Chia Tai Suke tablets, was very outstanding and amounted to approximately HK\$68.18 million, an increase of approximately 18% as compared with the same period last year.

#### *Anorectal medicines*

For the six months ended 30 June, 2015, the sales of anorectal medicines amounted to approximately HK\$127.22 million, representing approximately 1.7% of the Group's revenue.

The main product of anorectal medicines is Getai tablets. For the six months ended 30 June, 2015, the sales amounted to approximately HK\$92.96 million.

#### *Diabetic medicines*

For the six months ended 30 June, 2015, the sales of diabetic medicines amounted to approximately HK\$47.67 million, representing approximately 0.6% of the Group's revenue.

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 90 million diabetics in the PRC and the Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilize a patient's blood sugar level. For the six months ended 30 June, 2015, the sales of the product have amounted to approximately HK\$39.16 million, an increase by approximately 36.1% as compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### R&D

The Group has continued to focus its R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the period under review, the Group obtained 3 clinical approvals, 2 production applications after clinical completion, 26 new clinical applications, 4 filed productions and 1 filed new indication. Moreover, a total of 302 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 36 were for cardio-cerebral medicines, 15 for hepatitis medicines, 120 for oncology medicines, 17 for respiratory system medicines, 18 for diabetic medicines and 96 for other medicines.

Over the years, the Group has been placing high importance on the development of proprietary innovative medicines and generic drugs by itself, as well as through collaboration and imitation, to both raise R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of its development, the Group continues to devote into more resources. For the six months ended 30 June, 2015, the R&D expenditure of approximately HK\$1,019.75 million, which accounted for approximately 13.7% of the Group's revenue, has been charged to the statement of profit or loss.

The Group also places major emphasis on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the period under review, the Group has received 39 new patent applications (in which 33 were invention patents, 5 were utility model approvals and 1 was apparel design patent) and received 17 patent license notices. Altogether, the Group has obtained 417 invention patent approvals, 6 utility model patent approvals and 52 apparel design patent approvals.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the period under review, the Group's primary source of funds was cash derived from operating activities. As at 30 June, 2015, the Group's cash and bank balances was approximately HK\$3,598.06 million (31 December, 2014: approximately HK\$4,468.33 million).

### CAPITAL STRUCTURE

As at 30 June, 2015, the Group had short term loans of approximately HK\$213.39 million (31 December, 2014: approximately HK\$435.19 million) and had long term loans of approximately HK\$1,630.30 million (31 December, 2014: approximately HK\$1,288.60 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGE ON ASSETS

As at 30 June, 2015, the Group had the charge on assets of approximately HK\$540.31 million (31 December, 2014: approximately HK\$52.08 million).

### CONTINGENT LIABILITIES

As at 30 June, 2015, the Group and the Company had no material contingent liabilities (31 December, 2014: Nil).

### ASSETS AND GEARING RATIO

As at 30 June, 2015, the total assets of the Group amounted to approximately HK\$16,806.75 million (31 December, 2014: approximately HK\$14,163.94 million) whereas the total liabilities amounted to approximately HK\$7,499.29 million (31 December, 2014: approximately HK\$5,345.65 million). The gearing ratio (total liabilities over total assets) was approximately 44.6% (31 December, 2014: approximately 37.7%).

### EMPLOYEE AND REMUNERATION POLICIES

The Group had around 14,426 employees as at 30 June, 2015 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff cost (including Directors' remuneration) for the period was approximately HK\$613,251,000 (2014: approximately HK\$487,263,000).

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

Despite the majority of organizations being relatively positive about the overall economic environment in the second half of the year, the Group believes the PRC pharmaceutical manufacturing industry to be full of various challenges in its development. These may include the gradual increase in the number of provinces to require tenders for pharmaceutical products and increase pressure on sales caused by price reductions. Besides, although the completely open liberalization of pharmaceutical prices implemented on 1 June, 2015 has not had a material influence on the market in the short run, its impact would become more apparent in the long run. The deadlines of new environmental protection ordinance and new GMP will also pose greater challenges to small and medium enterprises. Along with the further increase in government subsidy for urban resident medical insurance and the new rural cooperative medical system to each person with RMB380 per annum, and the “Opinions on the Overall Implementation of Medical Insurance on Major Disease to Urban and Rural Citizens” issued by the General Office of the State Council, competent pharmaceutical manufacturing enterprises can secure new drivers to achieve sustainable development. Benefiting from the continuous optimization in internet and mobile internet facilities and ways of communication, the Group believes innovative enterprises to be with broader space for innovation and improvement in the areas of improving management standards and marketing efficiency. The national policies of encouraging public hospital reforms and the implementation of community hospital policies should also generate new merger and acquisition opportunities for enterprises with a sound medical business foundation.

### APPRECIATION

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



## RESULTS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June, 2015 together with the comparative consolidated results for 2014 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June,	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>REVENUE</b>	3	7,442,910	5,913,100
Cost of sales		(1,703,917)	(1,291,471)
Gross profit		5,738,993	4,621,629
Other income and gains	3	276,223	125,593
Selling and distribution costs		(3,115,930)	(2,624,512)
Administrative expenses		(486,434)	(289,634)
Other expenses		(1,085,615)	(859,554)
Finance cost	4	(43,642)	(10,022)
Share of profits and losses of associates		187,789	169,577
<b>PROFIT BEFORE TAX</b>	5	1,471,384	1,133,077
Income tax expense	6	(256,531)	(222,824)
<b>PROFIT FOR THE PERIOD</b>		1,214,853	910,253
Profit attributable to:			
Owners of the parent		928,180	632,479
Non-controlling interests		286,673	277,774
		1,214,853	910,253
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
– Basic and diluted		HK18.78 cents	HK12.80 cents

Details of the dividends payable and declared for the period are disclosed in note 7 to the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>1,214,853</b>	910,253
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	10,909	(112,442)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	10,909	(112,442)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Reversal of available-for-sale investment revaluation	(1,206)	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(1,206)	–
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>9,703</b>	(112,442)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,224,556</b>	797,811
Attributable to:		
Owners of the parent	936,340	546,621
Non-controlling interests	288,216	251,190
	<b>1,224,556</b>	797,811

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June, 2015</b>	31 December, 2014
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,415,424	2,340,180
Investment properties	509,497	–
Prepaid land lease payments	368,300	339,351
Goodwill	126,860	110,850
Other intangible assets	175,208	162,233
Investments in associates	1,578,554	1,361,421
Available-for-sale investments	911,704	425,563
Deferred tax assets	107,905	107,927
Long term prepayments	578,164	1,135,890
Total non-current assets	<b>6,771,616</b>	<b>5,983,415</b>
<b>CURRENT ASSETS</b>		
Inventories	828,724	901,625
Trade and bill receivables	2,315,774	1,889,661
Prepayments, deposits and other receivables	1,895,637	373,186
Due from related companies	19,139	18,050
Equity investments at fair value through profit or loss	566,746	529,671
Available-for-sale investments	811,055	–
Cash and bank balances	3,598,063	4,468,333
Total current assets	<b>10,035,138</b>	<b>8,180,526</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	1,430,431	775,241
Tax payable	89,301	172,820
Other payables and accruals	3,880,393	2,444,065
Interest-bearing bank borrowings	213,386	435,187
Due to related companies	50,029	33,959
Total current liabilities	<b>5,663,540</b>	<b>3,861,272</b>
<b>NET CURRENT ASSETS</b>	<b>4,371,598</b>	<b>4,319,254</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>11,143,214</b>	<b>10,302,669</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June, 2015	31 December, 2014
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred government grants		128,501	119,050
Interest-bearing bank borrowings		1,630,300	1,288,597
Deferred tax liabilities		76,945	76,726
Total non-current liabilities		1,835,746	1,484,373
Net assets		9,307,468	8,818,296
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	12	123,536	123,536
Reserves		7,201,080	6,412,984
Proposed final dividend		–	74,122
		7,324,616	6,610,642
Non-controlling interests		1,982,852	2,207,654
Total equity		9,307,468	8,818,296

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Issued share capital	Share premium account	Capital reserve	Asset revaluation reserve	Available- for-sale		Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non- controlling interests	Total equity
					investment revaluation reserve	Contributed surplus							
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January, 2015	123,536	1,285,444	(171,651)	253,736	1,206	20,743	924,744	210,296	3,888,466	74,122	6,610,642	2,207,654	8,818,296
Profit for the period	-	-	-	-	-	-	-	-	928,180	-	928,180	286,673	1,214,853
Other comprehensive income for the period													
Change in fair value of available-for-sale investment	-	-	-	-	(1,206)	-	-	-	-	-	(1,206)	-	(1,206)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	9,366	-	-	9,366	1,543	10,909
Total comprehensive income for the period	-	-	-	-	(1,206)	-	-	9,366	928,180	-	936,340	288,216	1,224,556
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	11,304	11,304
2015 interim dividends	-	-	-	-	-	-	-	-	(148,244)	-	(148,244)	-	(148,244)
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(74,122)	(74,122)	-	-	(74,122)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(524,322)	(524,322)
Transfer from/(to) retained earnings	-	-	-	-	-	-	5,426	(5,426)	-	-	-	-	-
At 30 June, 2015 (unaudited)	123,536	1,285,444	(171,651)	253,736	-	20,743	930,170	219,662	4,662,976	-	7,324,616	1,982,852	9,307,468
At 1 January, 2014	123,536	1,285,444	(171,651)	228,429	-	20,743	647,107	306,083	2,948,496	98,829	5,487,016	1,737,947	7,224,963
Profit for the period	-	-	-	-	-	-	-	-	632,479	-	632,479	277,774	910,253
Other comprehensive income for the period													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(85,858)	-	-	(85,858)	(26,584)	(112,442)
Total comprehensive income for the period	-	-	-	-	-	-	-	(85,858)	632,479	-	546,621	251,190	797,811
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	7,564	7,564
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,316)	(2,316)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(403,319)	(403,319)
Final 2013 dividend declared	-	-	-	-	-	-	-	-	(98,829)	(98,829)	-	-	(98,829)
2014 interim dividends	-	-	-	-	-	-	-	-	(148,244)	-	(148,244)	-	(148,244)
As at 30 June, 2014 (unaudited)	123,536	1,285,444	(171,651)	228,429	-	20,743	647,107	220,225	3,432,731	-	5,786,564	1,591,066	7,377,630

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,921,591</b>	1,755,377
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(1,445,140)</b>	(892,735)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(670,428)</b>	774,830
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(193,977)</b>	1,637,472
Cash and cash equivalents at beginning of year	<b>3,167,230</b>	2,890,413
Effect of foreign exchange rate changes, net	<b>11,184</b>	(243,933)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,984,437</b>	4,283,952
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>1,267,715</b>	1,472,133
Time deposits with original maturity of less than 3 months when acquired	<b>1,716,722</b>	2,811,819
	<b>2,984,437</b>	4,283,952

## NOTES:

### 1. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited consolidated financial information should be read in conjunction with the 2014 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2014.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June, 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## NOTES

### 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments as follows:

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

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

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

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



## NOTES

### 2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2015

	Modernized Chinese medicines and chemical medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	7,198,244	–	244,666	7,442,910
<b>Segment results</b>	<b>1,340,063</b>	<b>102,932</b>	<b>16,704</b>	<b>1,459,699</b>
<i>Reconciliation:</i>				
Interest and unallocated gains				33,969
Share of profits and losses of associates				187,789
Unallocated expenses				(210,073)
Profit before tax				1,471,384
Income tax expense				(256,531)
Profit for the period				1,214,853
<b>Assets and liabilities</b>				
Segment assets	10,809,727	3,238,003	1,072,565	15,120,295
<i>Reconciliation:</i>				
Investments in associates				1,578,554
Other unallocated assets				107,905
<b>Total assets</b>				<b>16,806,754</b>
Segment liabilities	5,231,387	1,881,953	219,700	7,333,040
<i>Reconciliation:</i>				
Other unallocated liabilities				166,246
<b>Total liabilities</b>				<b>7,499,286</b>
<b>Other segment information:</b>				
Depreciation and amortisation	141,627	14,165	11,997	167,789
Capital expenditure	254,451	520,405	18,837	793,693
Other non-cash expenses	35	2	1	38

## NOTES

### 2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2014

	Modernized Chinese medicines and chemical medicines <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	5,775,624	–	137,476	5,913,100
<b>Segment results</b>				
	1,065,572	(37,335)	26,455	1,054,692
<i>Reconciliation:</i>				
Interest and unallocated gains				45,513
Share of profits of associates				169,577
Unallocated expenses				(136,705)
Profit before tax				1,133,077
Income tax expense				(222,824)
Profit for the period				910,253
<b>Assets and liabilities</b>				
Segment assets	7,532,485	3,804,716	310,548	11,647,749
<i>Reconciliation:</i>				
Investment in associates				1,221,126
Other unallocated assets				118,011
<b>Total assets</b>				12,986,886
Segment liabilities	3,839,735	1,514,836	102,261	5,456,832
<i>Reconciliation:</i>				
Other unallocated liabilities				152,424
<b>Total liabilities</b>				5,609,256
<b>Other segment information:</b>				
Depreciation and amortisation	99,071	768	8,682	108,521
Capital expenditure	182,148	2,317	5,199	189,664
Other non-cash expenses	624	–	5	629

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's non-current assets other than available-for-sale investments and deferred tax assets are based in Mainland China.

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2015 and 2014.

## NOTES

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	7,442,910	5,913,100
<b>Other income</b>		
Bank interest income	33,969	45,513
Dividend income	8,487	3,916
Government grants	8,587	40,468
Sale of scrap materials	617	2,784
Investment income	93,387	–
Others	35,656	32,912
	180,703	125,593
<b>Gains</b>		
Fair value gains		
Equity investments at fair value through profit or loss – held for trading	95,520	–
	95,520	–
<b>Total other income and gains</b>	276,223	125,593

### 4. FINANCE COST

	For the six months ended 30 June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	43,642	10,022

## NOTES

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of sales	1,703,917	1,291,471
Depreciation	163,311	105,655
Recognition of prepaid land lease payments	1,601	684
Amortization of other intangible assets	2,877	2,182
Research and development costs	1,019,754	772,479
Bank interest income	(33,969)	(45,513)
Dividend income	(8,487)	(3,916)
Investment income	(93,387)	–
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss – held for trading	(95,520)	2,130
Minimum lease payments under operating leases:		
Land and buildings	8,872	7,484
Auditors' remuneration	2,350	2,048
Staff cost (including directors' remuneration)		
Wages and salaries	508,733	408,362
Pension contributions	104,518	78,901
	613,251	487,263
Accrual of impairment loss of trade receivables	58,271	46,894
Foreign exchange differences, net	(14,209)	16,434

## NOTES

### 6. INCOME TAX EXPENSE

	For the six months ended 30 June,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	210,236	181,320
Deferred tax	46,295	41,504
Total tax charge for the period	256,531	222,824

Hong Kong profits tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

In the six months ended 30 June, 2015, CT Tianqing, NJCTT, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier, Shanghai Tongyong, LYG Runzhong and CTGP were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2015.

### 7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared a quarterly dividend of HK1.5 cents per ordinary share for the three months ended 30 June, 2015 (2014: HK1.5 cents). The dividend will be paid to shareholders on Friday, 25 September, 2015 whose names appear on the Register of Members of the Company on Tuesday, 15 September, 2015. For the purpose of determining shareholders who are qualified for the second quarterly dividend, the Register of Members of the Company will be closed from Monday, 14 September, 2015 to Tuesday, 15 September, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second quarterly dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 p.m. on Friday, 11 September, 2015.

## NOTES

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the period of approximately HK\$928,180,000 (2014: approximately HK\$632,479,000, and the weighted average number of ordinary shares of 4,941,461,473 (2014: 4,941,461,473) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during these two periods.

### 9. TRADE AND BILL RECEIVABLES

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

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

	<b>30 June, 2015</b> <i>HK\$'000</i> (Unaudited)	31 December, 2014 <i>HK\$'000</i> (Audited)
Current to 90 days	2,092,499	1,459,335
91 days to 180 days	204,822	412,250
Over 180 days	18,453	18,076
	<b>2,315,774</b>	1,889,661

## NOTES

### 10. CASH AND BANK BALANCES

	<b>30 June, 2015</b>	31 December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and bank balances, unrestricted	1,267,715	1,362,227
Time deposits with original maturity of less than three months	1,716,722	1,805,003
Time deposits with original maturity of more than three months	613,626	1,301,103
	<b>3,598,063</b>	<b>4,468,333</b>

### 11. TRADE PAYABLES

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

	<b>30 June, 2015</b>	31 December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Current to 90 days	1,250,510	600,036
91 days to 180 days	112,396	135,742
Over 180 days	67,525	39,463
	<b>1,430,431</b>	<b>775,241</b>

## NOTES

### 12. SHARE CAPITAL

	30 June, 2015 <i>HK\$'000</i> (Unaudited)	31 December, 2014 <i>HK\$'000</i> (Audited)
<b>Authorised:</b>		
8,000,000,000 ordinary shares of HK\$0.025 each (2014: 8,000,000,000 ordinary shares of HK\$0.025 each)	200,000	200,000
<b>Issued and fully paid:</b>		
4,941,461,473 ordinary shares of HK\$0.025 each (2014: 4,941,461,473 ordinary shares of HK\$0.025 each)	123,536	123,536

### 13. RELATED PARTY TRANSACTION

The Group had the following material transactions with related parties during the period:

	For the six months ended 30 June, 2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Operating lease rental payable to:		
– a company beneficially owned by a director (note a)	600	600
– a company beneficially owned by a director (note a)	2,252	2,264
Consultancy fee receivable from:		
– a company beneficially owned by connected persons (note b)	3,528	9,338

Notes:

- (a) Lease rentals were based on tenancy agreements entered into between the Group and each of the related parties with reference to the market prices.
- (b) Consultancy fee was based on services agreement entered into between the Group and connected persons with reference to the market prices.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June, 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

### Long positions in ordinary shares of the Company

Name of Director	Notes	Capacity/Nature of interest	Number of shares held, capacity and nature of interest			Approximate percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations	Total	
Mr. Tse Ping	(1)	Beneficial owner	90,000,000	720,417,815	810,417,815	16.40%
Ms. Cheng Cheung Ling	(2)	Beneficial owner	-	1,200,000,000	1,200,000,000	24.28%
Mr. Tse Hsin		Beneficial owner	36,212,000	-	36,212,000	0.73%

Notes:

- (1) Mr. Tse Ping held 720,417,815 shares through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.
- (2) Ms. Cheng Cheung Ling held 700,000,000 shares and 500,000,000 shares through Chia Tai Bainian Holdings Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Ms. Cheng Cheung Ling.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### Long position in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Notes	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Ping	Beijing Tide	(1)	Interest of controlled corporations	288,000,000	57.6%
Ms. Cheng Cheung Ling	Beijing Tide	(2)	Interest of controlled corporations	288,000,000	57.6%
Mr. Xu Xiaoyang	Qingdao Haier		Beneficial owner	7,560	0.1%
Mr. Tse Hsin	CT Tianqing		Beneficial owner	229,250	0.18%
	NJCTT		Beneficial owner	26,583	0.53%

Notes:

- (1) Mr. Tse Ping holds interests in France Investment (China 1) Group Limited and Sino Biopharmaceutical Limited, respectively, which indirectly holds interests in Beijing Tide.
- (2) Ms. Cheng Cheung Ling holds interests in France Investment (China 1) Group Limited and Sino Biopharmaceutical Limited, respectively, which indirectly holds interests in Beijing Tide.

Saved as disclosed above, as at 30 June, 2015, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 30 June, 2015, the following persons (not being Directors or chief executives of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long position in shares and/or underlying shares

Name	Notes	Capacity	Nature of interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Validated Profits Limited	(1)	Beneficial owner	Long position	720,417,815	14.58%
Chia Tai Bainian Holdings Limited	(2)	Beneficial owner	Long position	700,000,000	14.17%
Remarkable Industries Limited	(2)	Beneficial owner	Long position	500,000,000	10.11%
JP Morgan Chase & Co.		Interest of controlled corporations	Long position	190,967,199	3.86%
JP Morgan Chase & Co.		Custodian corporation/ approved lending agent	Lending pool	79,690,788	1.61%
BlackRock, Inc.		Interest of controlled corporations	Long position	296,125,374	5.99%

Notes:

- (1) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping who is its sole director and a Director.
- (2) Each of Chia Tai Bainian Holdings Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Ms. Cheng Cheung Ling who is a director of each of these companies and a Director.

Save as disclosed above, as at 30 June, 2015, no person (not being a Director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “2013 Scheme”) for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

On 28 May, 2013, the shareholders of the Company approved the adoption of the 2013 Scheme which is in force for 10 years from that date.

As at 31 December, 2014 and 30 June, 2015, respectively, the maximum number of shares which may be allotted and issued upon the exercise of all options to be granted under the 2013 Scheme and any other share option schemes of the Company in aggregate amounted to 494,146,147 shares, representing 10% of the relevant class of shares of the Company in issue as at the date of adoption of the 2013 Scheme.

The total number of shares issued and to be issued upon exercise of options granted under the 2013 Scheme and any other share option schemes of the Company to each participant, including cancelled, exercised and outstanding options, in any 12-month period up to the date of grant, shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of such limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive, or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. Where any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2013 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue and (ii) having an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5 million, such further grant of options must be approved by shareholders in a general meeting.

Any change in the terms of the share options granted to a substantial shareholder of the Company or any independent non-executive director, or any of their respective associates, must be approved by shareholders in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2013 Scheme at any time during a period to be determined on the date of offer of grant of a share option and notified to each grantee by the directors. The exercise period may commence once the offer of the grant is accepted by the grantee and shall end in any event not later than 10 years from the date grant of the share option.

The exercise price of the share options under the 2013 Scheme shall be a price determined by the Board but shall not be less than the highest of (i) the closing price of the shares on the date of the offer of the grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options had been granted under the 2013 Scheme since its adoption.

## INVESTOR RELATIONS

The Group is dedicated to maintaining high standards of corporate governance to ensure its sustainable long-term development. During the period under review, the Group has maintained effective communications with investors via various channels. These communications have facilitated local and overseas investors' understanding of the Group's business and its latest business developments. The Group also understands the importance of good investor relations to corporate management, hence, efforts have also been undertaken to solicit opinions and to obtain pertinent information through regular investor meetings in order to further upgrade its corporate governance standards.

During the period under review, the Group has proactively embarked on a number of initiatives to communicate the latest business information to investors in a timely fashion. It has participated in 4 major investor conferences and roadshows across Europe, the US and Asia. Major events included the "J.P Morgan Healthcare Conference Emerging Markets Track", "CLSA Healthcare Seminar", "CLSA China Forum 2015" and "J.P. Morgan Global China Summit 2015-New Economy, New Markets". In addition, the Group has also arranged for a number of factory site visits, teleconferences and one-on-one meetings with international and domestic institutional investors. Altogether, these events have served to increase the knowledge of more than 70 potential major investors about the Group's operations and the latest developments in its business, thus solidifying the confidence of shareholders, investors and customers in the Group's performance and prospects.

In addition, the Group posts its annual and interim reports, and issues quarterly, interim and annual results announcements, disclosures and circulars on its corporate website as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group also issues corporate announcements in a timely manner to inform shareholders and investors about its latest developments, further facilitating a high degree of transparency.

## CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the six months ended 30 June, 2015 except for Code Provision A.6.7 in relation to the attendance of general meetings by independent non-executive directors (INEDs). Out of four INEDs of the Company, three INEDs attended the annual general meeting (the “AGM”) of the Company held on 2 June, 2015 but one INED was unable to attend the AGM due to other business engagement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including two with financial management expertise, details of their biographies had been set out in the 2014 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the six months ended 30 June, 2015.

## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 20 December, 2013, the Company entered into a facility agreement (the “Facility Agreement”) with a consortium of banks jointly led by Société Générale Asia Limited, Industrial and Commercial Bank of China (Asia) Limited and Mega International Commercial Bank Co., Ltd., Offshore Banking Branch for a three-year unsecured loan in the principal sum of USD165,000,000. Pursuant to the terms of the Facility Agreement, there are covenants regarding the shareholding of the Company to be retained by Mr. Tse Ping (“Mr. Tse”) and the continuation of Mr. Tse to act as Chairman of the Group.

On 30 June, 2015, Mr. Tse resigned as the Chairman of the Board of the Company. This would entitle the Lenders to require the Company to repay all outstanding loans together with the accrued interest and all the other amounts accrued under the Facility Agreement which have become immediately due and payable. In view of the foregoing, the Company applied to the Lenders for and has obtained from the Majority Lenders the relevant waiver for this specific performance covenant.

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duty is to make recommendations to the Board in formulating policies on remuneration packages of directors and senior management. The Remuneration Committee is comprised of three INEDs, namely Mr. Zhang Lu Fu as chairman and Mr. Lu Zhengfei and Ms. Lu Hong as members.

## NOMINATION COMMITTEE

The Company has established the Nomination Committee comprising Miss Tse, Theresa Y Y as chairman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong and Mr. Zhang Lu Fu as members with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duty is to formulate nomination policies for the Board and recruitment policies of senior management and to review the board diversity policy from time to time to ensure its continued effectiveness.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2015 to 30 June, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## BOARD OF DIRECTORS

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

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

Hong Kong, 25 August, 2015