



**SINO BIOPHARMACEUTICAL LIMITED**

**中國生物製藥有限公司**

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

(Stock Code: 1177)



**Interim Report 2019**

# 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 (*Chairlady*)  
Mr. Tse Ping (*Chief Executive Officer*)  
Ms. Cheng Cheung Ling (*Vice Chairlady*)  
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 (*Chairlady*)  
Mr. Tse Ping  
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 (*Chairlady*)  
Mr. Tse Ping  
Mr. Lu Zhengfei  
Ms. Lu Hong  
Mr. Zhang Lu Fu

## COMPANY SECRETARY

Mr. Chan Oi Nin Derek

## JOINT QUALIFIED ACCOUNTANTS

Ms. Jennie Ma, CFA, CPA  
Ms. Yu Chau Ling, FCCA, CPA

## AUTHORISED REPRESENTATIVES

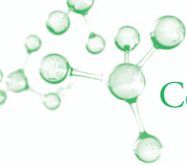
Mr. Tse Ping  
Mr. Chan Oi Nin Derek

## 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



## Corporate Information

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
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KY1-1111  
Cayman Islands

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

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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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KY1-1111  
Cayman Islands

*As to PRC Law:*  
Navigator Law Office  
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No. 7 Jianguomennei Avenue  
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 01, 24th Floor  
Admiralty Centre I  
18 Harcourt Road  
Hong Kong

# Financial Highlights



For the six months ended 30 June, 2019, the Group recorded the following unaudited results:

- Revenue was approximately RMB12,527.31 million, an increase of approximately 28.8% over the same period last year;
- Profit attributable to the owners of the parent was approximately RMB1,444.35 million, approximately 5.8% higher than that of the same period last year;
- Basic earnings per share attributable to the owners of the parent were approximately RMB11.47 cents, approximately 3.3% higher than that of the same period last year;
- Underlying profit\* attributable to the owners of the parent was approximately RMB1,674.38 million, approximately 20.5% higher than that of the same period last year;
- Earnings per share, based on the underlying profit\* attributable to the owners of the parent, were approximately RMB13.30 cents, approximately 17.8% higher than that of the same period last year;
- Sales of new products accounted for approximately 18.8% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2019 was approximately RMB7,181.55 million.

The Board of the Company has declared the payment of a quarterly dividend of HK2 cents per share for the three months ended 30 June, 2019. Together with the first quarterly dividend of HK2 cents per share paid, the total dividend of first two quarters amounted to HK4 cents per share.

- \* Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide; and (ii) unrealized fair value gains and losses on equity investments and financial assets. A reconciliation between profit attributable to the owners of the parent and underlying profit has been set out under the section headed “Underlying Profit” of this report.



# Corporate Profile

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

## PRINCIPAL PRODUCTS:

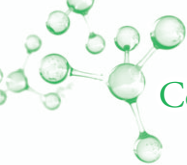
- Hepatitis medicines: Runzhong (Entecavir) dispersible tablets,  
Tianqingganmei (Magnesium Isoglycyrrhizinate) injections,  
Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
- Oncology medicines: Focus V (Anlotinib Hydrochloride) capsules,  
Saiweijian (Raltitrexed) injections,  
Yinishu (Dasatinib) tablets, Genike (Imatinib Mesylate) capsules,  
Tianqingyitai (Zoledronic Acid) injections,  
Shoufu (Capecitabine) tablets,  
Qingweike (Decitabine for injections),  
Anxian (Lenalidomide) capsules,  
Qianping (Bortezomib for injections)
- Cardio-cerebral medicines: Yilunping (Irbesartan/Hydrochlorothiazide) tablets,  
Tuotuo (Rosuvastatin Calcium) tablets,  
Kaishi (Alprostadil) injections,  
Kaina (Beraprost Sodium) tablets,  
Tianqingning (Hydroxyethylstarch 130) injections
- Analgesic medicines: Kaifen (Flurbiprofen Axetil) injections,  
Debaian (Flurbiprofen) Cataplasms

Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Jiuli (Glucosamine Hydrochloride) tablets, Yigu (Zoledronic Acid) injections
Digestive system medicines:	Aisuping (Esomeprazole Sodium) injections, Getai (Diosmin) tablets, Deyou (Pronase) granules
Anti-infectious medicines:	Tiance (Biapenem) injections, Tianjie (Tigecycline for injections)
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets, Zhongchang (Fudosteine) tablets
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng (Fructose) injections
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.

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

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



## Corporate Profile

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

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

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

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

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

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

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

In May 2018, a new chemical Category 1 drug of antitumor – Focus V (Anlotinib Hydrochloride) capsule obtained the approval for drug registration granted by State Food and Drug Administration of the PRC.

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

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

# Management Discussion And Analysis



## INDUSTRY OVERVIEW

During the review period, a number of negative factors such as the increasing unilateral trade protectionism posed greater downward pressure on global economic growth. The Chinese government has adopted a number of proactive measures to cope with the situation and managed to achieve a year-on-year GDP growth of 6.3%. The PRC economy maintained steady growth but at a slower pace. As for the industry, the launch of the centralized drug procurement program in “4+7” cities targeting the pharmaceutical industry caused a substantial drop in price of selected drugs and thus a notable contraction in their profit. The nationwide trial of payment categorized under “Diagnosis-Related Groups” (DRG), strengthened performance evaluation of public hospitals, controls on adjuvant drugs and supervision on key drugs restricted drug applications in hospitals, while the hierarchical diagnosis treatment system and Consistency Evaluation has placed greater pressure on the operations of pharmaceutical enterprises. However, raising the standards for medical insurance subsidies and increasing the proportion of critical disease claims and the expanded availability of off-site medical insurance settlement services in Beijing-Tianjin-Hebei have offered greater convenience to patients and boosted the total business volume of the pharmaceutical market. In addition, measures including the acceleration of approval of oncology medicines and the launch of the urgent clinical products list have helped speed up the release of new products by companies with more oncology medicines in the pipeline.

## BUSINESS REVIEW

Major achievements and awards of the Group during the period:

- On 11 June, U.S. magazine PharmExec released the Top 50 Companies 2019 and Sino Biopharmaceutical ranked 42nd in the list and number one among PRC pharmaceutical enterprises.
- The Group’s member company CT Tianqing again topped the “Ranking of Top 100 R&D Strength of Chinese Chemicals Enterprises in 2019” and ranked second in the “2019 Top 100 Enterprises in the PRC Pharmaceutical Industry – Comprehensive R&D Strength”. This marked the third consecutive year that CT Tianqing topped the former list, which was announced by the “2019 China Medical Health Industry Development Conference and the 4th China Pharmaceutical R&D and Innovation (PDI) Summit.
- “2019 West Lake Forum” and “2019 China Pharmaceutical Brand Forum” unveiled the “2018 China Pharmaceutical Brands – Enterprises with Social Influence”. Beijing Tide, another member of the Group, was selected on this list.





## Management Discussion And Analysis

- The Group entered a harvest period in R&D. It obtained 11 production approvals, 5 passing of Consistency Evaluation and 4 clinical trial approvals of new Category 1 medicines. It also filed clinical trial applications for 6 new Category 1 medicines and production applications for 8 products after completion of clinical trial while 14 applications have been made for Consistency Evaluation.
- Qingzhong (Tenofovir Disoproxil Fumarate) tablets have obtained Marketing Authorization (MA) from EU, becoming the PRC's first tier-one medicine for the treatment of hepatitis B approved for launch in EU.
- 8 new drug studies were recognized as National Major Innovative Drug Projects. The number of drug studies approved was not only among the highest in the country this year, but also the highest in a single year ever.

During the review period, for the purposes of fulfilling social responsibility, supporting medical insurance, giving back to society and realizing R&D innovation, 2 key products of the Group namely Runzhong and Kaifen, which have been in the market for years, participated in the tender and won the bid for centralized drug procurement in “4+7” cities, sharing significant profits with patients and allowing more patients access to quality products. After winning the bid, the procurement volume of the two products has notably increased.

During the period, the Group created a number of growth points for sales and achieved a more balanced revenue structure. Leveraging on the opportunity arising from the launch of the blockbuster self-developed new Category 1 medicine Focus V, the Group commenced post-launch clinical studies in many hospitals across the PRC and strengthened professional promotion in the oncology sector. Hence, more doctors and patients have come to appreciate the clinical benefits of Focus V, driving the strong growth in sales of the product and the rapid growth of other oncology-related medicines such as Yigu, Yinishu, Shoufu and Saiweijian. Newly launched products, Anxian (Lenalidomide Capsules) for the treatment of adult patients with multiple myeloma, and Qianping (Bortezomib for Injection) for the treatment of relapsed or refractory mantle cell lymphoma, also delivered outstanding sales performances and achieved fast growth after release. The existing cardio-cerebral medicines Tuotuo and Yilunping, digestive system medicine Aisuping and respiratory system medicine Tianqingsule showed healthy growth, while analgesic product Debaian, and anti-infectious medicines Tianjie and Tianli also demonstrated massive growth.

## Management Discussion And Analysis

The Group has entered into a harvest period in its R&D efforts. In the first half of 2019, the Group obtained 11 production approvals for Lenalidomide Capsules, two specifications of Linezolid and Glucose Injection, Ambrisentan Tablet, Gefitinib Tablet, Apixaban Tablet, Gadoxetate Disodium Injection, two specifications of Caspofungin Acetate for Injection, Ticagrelor Tablet and Tadalafil Tablet. Most of these products possess huge market potential. Five of its products including Olmesartan Medoxomil Tablet, Fudosteine Tablet, Ambrisentan Tablet, Gefitinib Tablet and Apixaban Tablet have passed the Consistency Evaluation. The Group also filed 8 production applications after the completion of clinical trial, obtained 9 clinical trial approvals (4 of the products are Category 1 medicines), filed 6 new clinical trial applications (all of which are for Category 1 medicines). 14 applications for Consistency Evaluation have been accepted. Furthermore, the Group has obtained 33 invention patent approvals and filed 173 applications for invention patents.

The Group recorded revenue of approximately RMB12,527.31 million during the period under review, representing an increase of approximately 28.8% over the same period last year. Profit attributable to the owners of the parent was approximately RMB1,444.35 million, approximately 5.8% higher than that of the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB11.47 cents, approximately 3.3% higher than that of the same period last year. Excluding the impact of the amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide, as well as the unrealized fair value gains and losses on equity investments and financials assets, underlying profit attributable to the owners of the parent was approximately RMB1,674.38 million, approximately 20.5% higher than that of the same period last year. Based on underlying profit attributable to the owners of the parent, the earnings per share were approximately RMB13.30 cents, approximately 17.8% higher than that of the same period last year. Cash and bank balances totaled approximately RMB7,181.55 million at the period end. Upon the completion of the acquisition of 24% interests in Beijing Tide on 1 March, 2018, the financial figures of Beijing Tide have been consolidated with the consolidated financial statements of the Company since then.

The Group continues 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 develops oncology medicines, respiratory system medicines, analgesic medicines, orthopedic medicines, digestive system medicines, anti-infectious medicines, parenteral nutritious medicines and diabetic medicines, etc.



# Management Discussion And Analysis

## Hepatitis medicines

For the six months ended 30 June, 2019, the sales of hepatitis medicines amounted to approximately RMB3,292.33 million, representing approximately 26.3% of the Group's revenue.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combat hepatitis virus. Tianqingganping enteric capsules made with ingredients extracted from Licorice have the dual effects of liver protection and lowering enzyme level. For the six months ended 30 June, 2019, its sales amounted to approximately RMB257.42 million in the period, an increase of approximately 24.7% against the same period last year. In addition, CT Tianqing launched the patented medicine Tianqingganmei injections, which are made with Isoglycyrrhizinate separated from Licorice. During the period under review, the product recorded the sales of approximately RMB934.84 million, an increase of approximately 6.5% 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.

A medicine for treating hepatitis B, Runzhong dispersible tablet, is self-developed by CT Tianqing and is recognized as one of the most efficacious hepatitis B medicines. CT Tianqing was the first pharmaceutical manufacturer to gain the approval for this product in the PRC. 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. For the six months ended 30 June, 2019, the sales amounted to approximately RMB1,599.61 million. For the six months ended 30 June, 2019, the sales of Ganze capsules amounted to approximately RMB71.83 million, an increase of approximately 5.9% against the same period last year.

# Management Discussion And Analysis

## Oncology medicines

For the six months ended 30 June, 2019, the sales of oncology medicines amounted to approximately RMB2,565.62 million, representing approximately 20.5% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the six months ended 30 June, 2019, sales of Saiweijian injections amounted to approximately RMB343.85 million during the period under review, an increase of approximately 54.2% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately RMB109.24 million during the period under review. For the six months ended 30 June, 2019, the sales of Qingweike injections amounted to approximately RMB107.72 million, an increase of 5.3% as compared with the same period last year. For the six months ended 30 June, 2019, the sales of Shoufu tablets amounted to approximately RMB108.56 million, an increase of 34.4% as compared with the same period last year. Sales of Genike capsules for the six months ended 30 June, 2019 amounted to approximately RMB113.84 million, an increase of approximately 5.2% as compared with the same period last year. Sales of Yinishu tablets for the six months ended 30 June, 2019 amounted to approximately RMB114.90 million, a significant increase of approximately 59.3% as compared with the same period last year. The sales of new product Anxian capsules for the six months ended 30 June, 2019 amounted to approximately RMB97.15 million. The sales of another new product Qianping injections for the six months ended 30 June, 2019 amounted to 77.60 million.

## Cardio-cerebral medicines

For the six months ended 30 June, 2019, the sales of cardio-cerebral medicines amounted to approximately RMB1,696.67 million, representing approximately 13.5% 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, 2019, the product recorded the sales of approximately RMB71.35 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately RMB494.62 million for the six months ended 30 June, 2019, a year-on-year increase of approximately 24.5%. For the six months ended 30 June, 2019, the sales of Tuotuo calcium tablets amounted to approximately RMB399.46 million, a year-on-year increase of approximately 24.6%.



# Management Discussion And Analysis

## **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 lipo-microsphere targeted 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 occupy a large portion of market share. It received many awards from various countries since launched and has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. For the six months ended 30 June, 2019, the sales of Kaishi injections amounted to approximately RMB381.88 million. Applying the technology of micro-solid dispersion with microgram precision, Kaina tablets can explicitly improve the ulcer, intermittent claudication, pain and cold symptom from the chronic arterial occlusion. For the six months ended 30 June, 2019, the sales of Kaina tablets amounted to approximately RMB244.20 million, an increase of approximately 21.5% as compared with the same period last year.

## **Analgesic medicines**

For the six months ended 30 June, 2019, the sales of analgesic medicines amounted to approximately RMB1,030.40 million, representing approximately 8.2% of the Group' revenue.

The analgesic medicine Kaifen injections is developed and manufactured by Beijing Tide. The product is a Flurbiprofen Axetil lipo-microsphere targeted sustained release injection produced based on the DDS theory and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the six months ended 30 June, 2019 amounted to approximately RMB597.06 million. Another product for relieving non-surgical joint soft tissue pain is Debaian Cataplasm. Its sales for the six months ended 30 June, 2019 amounted to approximately RMB426.46 million, increased by approximately 37.7% over the same period last year.

## **Orthopedic medicines**

For the six months ended 30 June, 2019, the sales of orthopedic medicines amounted to approximately RMB917.93 million, representing approximately 7.3% of the Group's revenue.

The main product of orthopedic medicines is the Gaisanchun capsules. For the six months ended 30 June, 2019, its sales amounted to approximately RMB546.96 million. For the six months ended 30 June, 2019, the sales of another product, Jiuli tablets, amounted to approximately RMB186.28 million, an increase of approximately 30.1% against the same period last year. For the six months ended 30 June, 2019, the sales of Yigu injections amounted to approximately RMB154.67 million, a remarkable increase of approximately 76.4% against the same period last year.

# Management Discussion And Analysis

## **Digestive system medicines**

For the six months ended 30 June, 2019, the sales of digestive system medicines amounted to approximately RMB763.03 million, representing approximately 6.1% of the Group's revenue.

For the six months ended 30 June, 2019, the sales of Getai tablets amounted to approximately RMB148.28 million, an increase by approximately 25.8% as compared with the same period last year. The sales of Aisuping injection amounted to approximately RMB485.16 million for the six months ended 30 June, 2019, an increase by approximately 32.1% as compared with the same period last year. The sales of Deyou granule for the six months ended 30 June, 2019 amounted to approximately RMB90.06 million, a remarkable increase of approximately 122.1% as compared with the same period last year.

## **Respiratory system medicines**

For the six months ended 30 June, 2019, the sales of respiratory medicines amounted to approximately RMB572.97 million, representing approximately 4.6% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the six months ended 30 June, 2019, its sales amounted to approximately RMB333.83 million, an increase by approximately 30.1% as compared with the same period last year. For the six months ended 30 June, 2019, the sales of another product, Chia Tai Suke tablets, amounted to approximately RMB129.70 million, an increase by approximately 21.7% as compared with the same period last year. For the six months ended 30 June, 2019, the sales of Zhongchang tablets amounted to approximately RMB85.83 million, a sharp increase by approximately 123.6% as compared with the same period last year.

## **Anti-infectious medicines**

For the six months ended 30 June, 2019, the sales of anti-infectious medicines amounted to approximately RMB566.63 million, representing approximately 4.5% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the six months ended 30 June, 2019, its sales amounted to approximately RMB328.43 million. For the six months ended 30 June, 2019, the sales of another product, Tianjie injections, amounted to approximately RMB173.05 million, an increase of approximately 43.6% against the same period last year. For the six months ended 30 June, 2019, the sales of Tianli (Linezolid and Glucose) injections amounted to approximately RMB47.36 million, an increase of approximately 83.3% against the same period last year.



# Management Discussion And Analysis

## **Parenteral nutritious medicines**

For the six months ended 30 June, 2019, the sales of parenteral medicines amounted to approximately RMB373.95 million, representing approximately 3.0% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the six months ended 30 June, 2019, its sales amounted to approximately RMB265.10 million, an increase of approximately 15.1% against the same period last year. For the six months ended 30 June, 2019, the sales of Fenghaineng fructose injections amounted to approximately RMB84.63 million.

## **Diabetic medicines**

For the six months ended 30 June, 2019, the sales of diabetic medicines amounted to approximately RMB79.10 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 100 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, 2019, the sales of the product amounted to approximately RMB70.99 million, an increase by approximately 30.3% as compared with the same period last year.

## **UNDERLYING PROFIT**

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

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

## Management Discussion And Analysis

	For the six months ended 30 June,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit attributable to the owners of the parent	1,444,349	1,365,669
Adjustments related to the acquisition of 24% interests in Beijing Tide:		
Amortization expenses of new identifiable intangible assets (net of deferred tax and non-controlling interests)	210,142	–
Unrealized fair value gains and losses of equity investments and financial assets, net	19,888	24,308
<b>Underlying profit</b>	<b>1,674,379</b>	<b>1,389,977</b>
<b>Basic earnings per share</b>		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	1,674,379	1,389,977
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (Shares)	12,590,041,680	12,307,586,377
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	13.30	11.29

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





## Management Discussion And Analysis

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

As at 30 June, 2019, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain unlisted equity investments) of approximately RMB880.17 million (31 December 2018: approximately RMB743.28 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB188.84 million (31 December, 2018: approximately RMB146.81 million).

In addition, as at 30 June, 2019, the Group had the current financial assets at fair value through profit or loss, including (i) the convertible bonds of Karolinska Development AB of approximately RMB129.45 million (31 December 2018: approximately RMB138.39 million) and (ii) certain wealth management products and trust funds of approximately RMB2,579.93 million (31 December 2018: approximately RMB1,715.48 million), including the wealth management products of Industrial Bank (approximately RMB744.61 million), Bank of China (approximately RMB600 million), Jiangsu Bank (approximately RMB279.61 million), Citic Bank (approximately RMB173 million), Nanjing Bank (approximately RMB140 million), Mingsheng Bank (approximately RMB137.11 million), Construction Bank (approximately RMB107.30 million), Industrial and Commercial Bank (approximately RMB100 million), and other banks. The wealth management products mainly consisted of the principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board of the directors (the “Board”) believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. These investments amounted to approximately RMB2,709.38 million in total, representing approximately 5.1% of the total assets of the Group.

For the six months ended 30 June, 2019, the Group recorded the realized gain on the disposal of the equity investment of approximately RMB16.48 million and unrealized fair value loss (net) of the equity investments and financial assets of approximately RMB19.89 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

# Management Discussion And Analysis

## R&D

The Group has continued to focus its R&D efforts on new hepatitis, oncology, respiratory system, analgesic and cardio-cerebral medicines. During the second quarter, the Group was granted 7 clinical trial approvals, 8 production approvals, and 3 approvals for Consistency Evaluation, and made 2 clinical trial applications, 8 applications for Consistency Evaluation and 2 production applications. Cumulatively, a total of 459 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 37 for anti-virus and hepatitis medicines, 195 for oncology and oncology auxiliary medicines, 28 for respiratory system medicines, 32 for antibiotic, 48 were for cardio-cerebral medicines, 23 for orthopedic and analgesic medicines and 96 for other medicines.

Over the years, the Group has been placing high importance on R&D and innovation, as well as through collaboration and imitation, to raise both R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of the Group's development, the Group continues to devote into more resources. For the six months ended 30 June, 2019, the R&D expenditure of approximately RMB1,625.55 million, which accounted for approximately 13.0% of the Group's revenue, was charged to the statement of profit or loss.

The Group also emphasizes on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the second quarter, the Group has received 24 authorized patent notices (21 invention patents and 3 apparel design patents) and filed 79 new patent applications (77 invention patents and 2 apparel design patents). Cumulatively, the Group has obtained 716 invention patent approvals, 23 utility model patents and 82 apparel design patents.

Major R&D products of the Group:

Therapeutic area	Generic name of the drugs	
Tumor	Fosaprepitant Dimeglumine for Injection	PD-L1 Monoclonal Antibody
	Bendamustine Hydrochloride for Injection	Trastuzumab Injection
	Azacitidine for Injection	Rituximab Injection
	Fosaprepitant for Injection	Bevacizumab Injection
	PD-1 Monoclonal Antibody	Pomalidomide Capsules
	Paclitaxel for Injection (Albumin Bound)	Fulvestrant Injection
	Lenvatinib Mesilate Capsules	Anlotinib Hydrochloride Capsules
	Trifluridine and Tipiracil Hydrochloride Tablets	Sunitinib Malate Capsules
	Everolimus Tablets	
	Hepatic	Ademetionine 1,4-Butanedisulfonate for Injection
Sofosbuvir Tablets		Tenofovir Alafenamide Tablets



## Management Discussion And Analysis

Therapeutic area	Generic name of the drugs	
Respiratory	Budesonide Suspension for Inhalation Montelukast Sodium Oral Granules Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	Umeclidinium Bromide and Vilanterol Trifenatate Powder for Inhalation Fluticasone Furoate and Vilanterol Trifenatate Powder for Inhalation
Cardiovascular	Edaravone Sodium Chloride Injection Ticagrelor Tablets (ANDA) Argatroban Injection Clopidogrel Hydrogen Sulphate Tablets	Limaprost Tablets Ticagrelor Tablets Dabigatran Etexilate Capsules
Orthopedic	Etoricoxib Tablets Eldecalcitriol Capsules Loxoprofen Sodium Patches	Cyclobenzaprine Hydrochloride Sustained-release Tablets Celecoxib Capsules
Others	Vildagliptin Tablets Saxagliptin Tablets Sitagliptin Phosphate Tablets  Empagliflozin Tablets  Canagliflozin Tablets Adalimumab Solution for Injection  Recombinant Coagulation Factor VIII for Injection Emtricitabine and Tenofovir Disoproxil Fumarate tablets Colistimethate Sodium for Injection Linezolid Tablets	Invert Sugar Injection Tofacitinib Citrate Tablets Omex Sodium Magnesium Chewable Tablets Pantoprazole Sodium Salt for Injection Polaprezinc Granules Esomeprazole Magnesium Enteric-Coated Tablets Frovatriptan Succinate Tablets  Cisatracurium Besylate Injection Topirastat Tablets

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the period under review, the Group's primary sources of funds were cash derived from operating activities. As at 30 June, 2019, the Group's cash and bank balances were approximately RMB7,181.55 million (31 December, 2018: approximately RMB6,676.04 million).

# Management Discussion And Analysis

## CAPITAL STRUCTURE

As at 30 June, 2019, the Group had short term loans of approximately RMB787.20 million (31 December, 2018: approximately RMB2,905.58 million) and had long term loans of approximately RMB2,393.41 million (31 December, 2018: approximately RMB507.07 million).

## CHARGE ON ASSETS

As at 30 June, 2019, the Group had charge on assets of approximately RMB377.48 million (31 December, 2018: approximately RMB391.84 million).

## CONTINGENT LIABILITIES

As at 30 June, 2019, the Group and the Company had no material contingent liabilities (31 December, 2018: Nil).

## ASSETS AND GEARING RATIO

As at 30 June, 2019, the total assets of the Group amounted to approximately RMB53,471.19 million (31 December, 2018: approximately RMB49,780.21 million) whereas the total liabilities amounted to approximately RMB14,659.82 million (31 December, 2018: approximately RMB12,230.68 million). The gearing ratio (total liabilities over total assets) was approximately 27.4% (31 December, 2018: approximately 24.6%).

## EMPLOYEE AND REMUNERATION POLICIES

The Group had 21,514 employees as at 30 June, 2019 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) for the period was approximately RMB1,402,994,000 (2018: approximately RMB882,506,000).

The Group adopted the Share Option Scheme on 28 May, 2013 (the "2013 Share Option Scheme") and the Share Award Scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. As of 30 June, 2019, (i) no option in respect of the shares of the Company ("Shares") had been granted under the 2013 Share Option Scheme; and (ii) 47,667,000 Shares were held on trust under the 2018 Share Award Scheme and no Shares had been granted to any selected participant yet.



# Management Discussion And Analysis

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

## PROSPECTS

The key tasks of the medical reform carried out by the government in the second half of the year still focus on the hierarchical diagnosis and treatment system, as well as enhancing the accessibility and affordability of medical treatment and medicines. The practices of reducing the price of medicines through centralized drug procurement, realizing payment categorized under DRG and controlling the percentage of revenue contribution by medicines to hospitals become the main policies in the PRC. Pharmaceutical companies lacking core competitiveness are facing greater pressure. Meanwhile, the PRC encourages innovation and has speeded up the evaluation of urgent clinical products for the treatment of cancer and rare diseases. The above drugs have also been preferentially entered into the New National Drug Reimbursement List. Leading companies like Sino Biopharmaceutical with strong R&D and innovation capabilities and R&D reserves in areas such as cancer treatment drugs can embrace major development opportunities.

The Group also recognizes that the outstanding therapeutic efficacy of targeted biological drugs have brought huge benefits to patients and society. The Group has established a comprehensive technology platform and reserve for drugs under research through its own efforts as well as cooperation with other organizations, building competitive advantages in various aspects in this field.

## 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.

# Consolidated Statement of Profit or Loss



## RESULTS

The Board of the Company announces the unaudited consolidated results of the Group for the six months ended 30 June, 2019 together with the comparative consolidated results for 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June,	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>12,527,309</b>	9,725,232
Cost of sales		(2,452,146)	(1,858,501)
Gross profit		<b>10,075,163</b>	7,866,731
Other income and gains	4	271,574	337,014
Selling and distribution costs		(4,934,258)	(3,977,362)
Administrative expenses		(1,038,588)	(462,991)
Other expenses		(1,661,883)	(1,377,667)
<i>Including: Research and development costs</i>		<i>(1,625,550)</i>	<i>(1,328,179)</i>
Finance costs	5	(86,230)	(51,160)
Share of profits and losses of associates		7,670	63,105
<b>PROFIT BEFORE TAX</b>	6	<b>2,633,448</b>	2,397,670
Income tax expense	7	(449,647)	(428,779)
<b>PROFIT FOR THE PERIOD</b>		<b>2,183,801</b>	1,968,891
Profit attributable to:			
Owners of the parent		1,444,349	1,365,669
Non-controlling interests		739,452	603,222
		<b>2,183,801</b>	1,968,891
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
– Basic and diluted		<b>RMB 11.47cents</b>	RMB 11.10 cents

Details of the second quarterly dividend declared for the period are disclosed in note 8 of this report.



# Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>2,183,801</b>	1,968,891
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,548)	73,525
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(3,548)	73,525
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,180,253</b>	2,042,416
Attributable to:		
Owners of the parent	1,442,076	1,438,428
Non-controlling interests	738,177	603,988
	<b>2,180,253</b>	2,042,416

# Consolidated Statement of Financial Position



		30 June, 2019	31 December, 2018
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,069,779	5,804,369
Investment properties		356,453	367,664
Right-of-use assets		100,886	–
Prepaid land lease payments		1,294,674	1,222,099
Goodwill		13,896,976	13,896,976
Other intangible assets		8,045,862	8,349,174
Investments in associates		331,760	326,329
Equity investments designated at fair value through other comprehensive income		880,166	743,280
Deferred tax assets		477,554	470,559
Prepayments		151,906	61,633
Total non-current assets		<b>31,606,016</b>	31,242,083
<b>CURRENT ASSETS</b>			
Inventories		1,519,652	1,209,160
Trade and bills receivables	10	3,523,360	2,924,045
Prepayment, deposit and other receivables		6,742,390	5,728,193
Equity investments designated at fair value through profit or loss		188,842	146,814
Financial assets at fair value through profit or loss		2,709,379	1,853,871
Cash and bank balances	11	7,181,548	6,676,042
Total current assets		<b>21,865,171</b>	18,538,125
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	2,401,254	1,832,166
Tax payable		135,524	246,498
Other payables and accruals		6,802,879	4,684,382
Lease liabilities		15,894	–
Interest-bearing bank borrowings		787,199	2,905,575
Total current liabilities		<b>10,142,750</b>	9,668,621





## Consolidated Statement of Financial Position

	Notes	30 June, 2019 RMB'000 (Unaudited)	31 December, 2018 RMB'000 (Audited)
<b>NET CURRENT ASSETS</b>		<b>11,722,421</b>	8,869,504
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>43,328,437</b>	40,111,587
<b>NON-CURRENT LIABILITIES</b>			
Deferred government grants		417,888	532,941
Lease liabilities		70,650	–
Interest-bearing bank borrowings		2,393,410	507,066
Deferred tax liabilities		1,635,124	1,522,056
Total non-current liabilities		4,517,072	2,562,063
Net assets		38,811,365	37,549,524
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	13	278,452	278,846
Treasury shares		(427,448)	(457,288)
Reserves		30,073,110	29,391,280
		29,924,114	29,212,838
Non-controlling interests		8,887,251	8,336,686
<b>Total equity</b>		<b>38,811,365</b>	37,549,524

# Consolidated Statement of Changes in Equity



Attributable to equity holders of the parent

	Issued share capital	Share premium account	Treasury shares	Capital reserve	Asset revaluation reserve	Fair value reserves	Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December, 2018 and 1 January, 2019	278,846	13,020,536	(457,288)	(371,473)	301,940	(14,741)	22,691	2,350,447	(378,576)	14,440,456	29,212,838	8,336,686	37,549,524
Profit for the period	-	-	-	-	-	-	-	-	-	1,444,349	1,444,349	739,452	2,183,801
Other comprehensive income for the period of foreign operations	-	-	29,840	(13,185)	-	-	-	(2,913)	(16,015)	-	(2,273)	(1,275)	(3,548)
Total comprehensive income for the period	-	-	29,840	(13,185)	-	-	-	(2,913)	(16,015)	1,444,349	1,442,076	738,177	2,180,253
Cancellation of shares	(394)	(76,399)	-	-	-	-	-	-	-	-	(76,793)	-	(76,793)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	27,538	27,538
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(215,150)	(215,150)
Final 2018 dividend declared	-	-	-	-	-	-	-	-	-	(217,917)	(217,917)	-	(217,917)
Interim 2019 dividend	-	-	-	-	-	-	-	-	-	(436,090)	(436,090)	-	(436,090)
Transfer from/(to) retained earnings	-	-	-	-	-	-	1,644	-	-	(1,644)	-	-	-
As at 30 June 2019	278,452	12,944,137	(427,448)	(384,658)	301,940	(14,741)	22,691	2,349,178	(394,591)	15,249,154	29,924,114	8,887,251	38,811,365
At 31 December, 2017 and 1 January, 2018	170,033	1,128,455	-	(371,473)	251,091	-	22,691	1,877,959	(466,887)	6,596,925	9,208,794	3,402,255	12,611,049
Profit for the period	-	-	-	-	-	-	-	-	-	1,365,669	1,365,669	603,222	1,968,891
Other comprehensive income for the period of foreign operations	-	-	-	(10)	943	-	-	(736)	72,562	-	72,759	766	73,525
Total comprehensive income for the period	-	-	-	(10)	943	-	-	(736)	72,562	1,365,669	1,438,428	603,988	2,042,416
New issues of shares	20,257	10,294,506	-	-	-	-	-	-	-	-	10,314,763	-	10,314,763
Issue of bonus shares	88,918	(88,918)	-	-	-	-	-	-	-	-	-	-	-
Acquisition of shares under share award scheme	-	-	(188,819)	-	-	-	-	-	-	-	(188,819)	-	(188,819)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	958,443	958,443
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(861,692)	(861,692)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	-	(273,945)	(273,945)	-	(273,945)
Interim 2018 dividend	-	-	-	-	-	-	-	-	-	(205,459)	(205,459)	-	(205,459)
As at 30 June 2018	279,208	11,334,043	(188,819)	(371,483)	252,034	-	22,691	1,877,223	(394,325)	7,483,190	20,293,762	4,002,994	24,296,756



# Condensed Consolidated Cash Flow Statment

	<b>For the six months ended</b>	
	<b>30.06.2019</b>	30.06.2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,507,412</b>	2,058,541
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(2,210,178)</b>	491,836
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(1,236,641)</b>	(1,338,792)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>60,593</b>	1,211,585
Cash and cash equivalents at beginning of year	<b>6,235,029</b>	3,692,044
Effect of foreign exchange rate changes, net	<b>32,962</b>	134,643
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,328,584</b>	5,038,272
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>4,264,687</b>	2,512,106
Time deposits with original maturity of less than 3 months when acquired	<b>2,063,897</b>	2,526,166
	<b>6,328,584</b>	5,038,272



## 1. BASIS OF PREPARATION

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

The unaudited consolidated financial information should be read in conjunction with the 2018 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, 2018.

### **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, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

## 1. BASIS OF PREPARATION (continued)

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

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

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

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

## 2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs which are mandatorily effective for the current interim period:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKFRS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lease, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

## 2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### As a lessee – Lease previously classified as operating leases

#### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as operating leases. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

#### **Impact on transition**

Lease liabilities at 1 January, 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January, 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

## 2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Impact on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January, 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets:	
Increase in right-of-use assets	51,042
Increase in total assets	51,042
Liabilities:	
Increase in lease liabilities	51,042
Increase in total liabilities	51,042
Decrease in retained earnings	–

The lease liabilities as at 1 January, 2019 reconciled to the operating lease commitments as at 31 December, 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December, 2018:	70,295
Weighted average incremental borrowing rate as at 1 January, 2019	4.0304%
Discounted operating lease commitments as at 1 January, 2019	66,113
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December, 2019	15,071
Lease liabilities as at 1 January, 2019	51,042

### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January, 2019:



## 2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Summary of new accounting policies (continued)

#### *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leases asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain no to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

### Amount recognized in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	<b>Right-of-use assets</b>	<b>Lease liabilities</b>
	RMB'000	RMB'000
As at 1 January, 2019	51,042	51,042
Additions	51,396	51,396
Depreciation charge	(1,552)	–
Interest expenses	–	2,064
Payments	–	(17,958)
As at 30 June, 2019	100,886	86,544

### 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

### 3. OPERATING SEGMENT INFORMATION (continued)

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

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers	12,246,829	2,369	278,111	12,527,309
<b>Segment results</b>	<b>2,849,325</b>	<b>(103,177)</b>	<b>710</b>	<b>2,746,858</b>
<i>Reconciliation:</i>				
Interest and unallocated gains				94,804
Share of profits and losses of associates				7,670
Unallocated expenses				(215,884)
Profit before tax				2,633,448
Income tax expense				(449,647)
Profit for the period				2,183,801
<b>Assets and liabilities</b>				
Segment assets	46,692,692	4,705,654	1,263,527	52,661,873
<i>Reconciliation:</i>				
Investments in associates				331,760
Other unallocated assets				477,554
<b>Total assets</b>				<b>53,471,187</b>
Segment liabilities	8,661,709	3,785,234	442,231	12,889,174
<i>Reconciliation:</i>				
Other unallocated liabilities				1,770,648
<b>Total liabilities</b>				<b>14,659,822</b>
<b>Other segment information:</b>				
Depreciation and amortisation	678,384	12,967	12,671	704,022
Capital expenditure	620,957	94	140,736	761,787
Other non-cash expenses	966	415	-	1,381

### 3. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2018

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers	9,463,701	2,665	258,866	9,725,232
<b>Segment results</b>	<b>2,411,617</b>	<b>35,350</b>	<b>15,279</b>	<b>2,462,246</b>
<i>Reconciliation:</i>				
Interest and unallocated gains				56,366
Share of profits and losses of associates				63,105
Unallocated expenses				(184,047)
Profit before tax				2,397,670
Income tax expense				(428,779)
Profit for the period				1,968,891
<b>Assets and liabilities</b>				
Segment assets	18,545,122	14,644,792	986,363	34,176,277
<i>Reconciliation:</i>				
Investments in associates				353,112
Other unallocated assets				456,209
<b>Total assets</b>				<b>34,985,598</b>
Segment liabilities	6,769,302	3,268,991	252,195	10,290,488
<i>Reconciliation:</i>				
Other unallocated liabilities				398,354
<b>Total liabilities</b>				<b>10,688,842</b>
<b>Other segment information:</b>				
Depreciation and amortisation	188,928	12,627	9,185	210,740
Capital expenditure	616,995	125	52,624	669,744
Other non-cash expenses	462	26	-	488

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

(a) *Revenue from external customers*

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

(b) *Non-current assets*

	For the six months ended 30 June,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Hong Kong	454,597	10,805,779
Mainland China	29,765,413	7,272,614
Others	28,286	27,084
	<b>30,248,296</b>	18,105,477

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

#### Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2019 and 2018.

#### 4. 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,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	12,246,829	9,498,702
Others	280,480	226,530
	<b>12,527,309</b>	<b>9,725,232</b>
	For the six months ended 30 June,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Other income</b>		
Bank interest income	94,804	56,366
Interest income from convertible bonds	8,148	8,398
Dividend income	4,064	8,650
Government grants	23,070	14,873
Sale of scrap materials	347	1,682
Investment income	90,723	117,132
Gross rental income	2,627	2,468
Others	31,308	33,207
	<b>255,091</b>	<b>242,776</b>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment	–	1,163
Gain on disposal of equity investments	16,483	93,075
	<b>16,483</b>	<b>94,238</b>
<b>Total other income and gains</b>	<b>271,574</b>	<b>337,014</b>

## 5. FINANCE COSTS

	For the six months ended 30 June,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	86,230	51,160

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	2,452,146	1,858,501
Depreciation of property, plant and equipment	249,021	190,715
Depreciation of investment properties	11,258	10,574
Recognition of prepaid land lease payments	2,001	702
Amortization of other intangible assets	441,742	8,749
Research and development costs	1,625,550	1,328,179
Gain on disposal of items of property, plant and equipment	–	(1,163)
Loss on disposal of items of property, plant and equipment	1,381	488
Bank interest income	(94,804)	(56,366)
Dividend income	(4,064)	(8,650)
Investment income	(90,723)	(117,132)
Fair value losses, net:		
Equity investments at fair value through profit or loss	3,405	24,308
Auditors' remuneration	2,396	2,445
Staff cost (including directors' remuneration)		
Wages and salaries	1,131,419	712,183
Pension contributions	271,575	170,323
	1,402,994	882,506
Accrual of impairment loss of trade receivables	15,064	24,692
Foreign exchange differences, net	(1,583)	37,289



## 7. INCOME TAX EXPENSE

	For the six months ended 30 June,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	452,920	424,738
Deferred tax	(3,273)	4,041
Total tax charge for the period	449,647	428,779

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

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

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

During the six months ended 30 June, 2019, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, Qingdao CT and LYG Runzhong 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 2019.

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

## 8. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of a quarterly dividend of HK2 cents per ordinary share for the three months ended 30 June, 2019 (2018: HK2 cents). The second quarterly dividend will be paid to shareholders on Monday, 30 September, 2019 whose names appear on the register of members of the Company on Tuesday, 17 September, 2019. 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, 16 September, 2019 to Tuesday, 17 September, 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second quarterly dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 13 September, 2019.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the period of approximately RMB1,444,349,000 (2018: approximately RMB1,365,669,000), and the weighted average number of ordinary shares of 12,590,041,680 (2018: 12,307,586,377, having taken into account the bonus shares issued in June 2018) in issue during the period.

## 10. 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:

## 10. TRADE AND BILL RECEIVABLES (continued)

	<b>30 June, 2019</b>	31 December, 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Current to 90 days	3,232,424	2,404,647
91 days to 180 days	212,015	455,154
Over 180 days	78,921	64,244
	<b>3,523,360</b>	2,924,045

## 11. CASH AND BANK BALANCES

	<b>30 June, 2019</b>	31 December, 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances, unrestricted	4,264,687	3,956,986
Time deposits with original maturity of less than three months	2,063,897	2,278,043
Time deposits with original maturity of more than three months	852,964	441,013
	<b>7,181,548</b>	6,676,042

## 12. TRADE AND BILLS PAYABLES

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

	<b>30 June, 2019</b>	31 December, 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Current to 90 days	1,964,084	1,517,655
91 days to 180 days	206,241	219,309
Over 180 days	230,929	95,202
	<b>2,401,254</b>	1,832,166

### 13. SHARE CAPITAL

	<b>30 June, 2019</b>	31 December, 2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<i>Issued and fully paid:</i>		
12,588,304,487 ordinary shares of HK\$0.025 each (2018: 12,606,800,487 ordinary shares of HK\$0.025 each)	<b>278,452</b>	278,846

### 14. RELATED PARTY TRANSACTION

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

	<b>For the six months ended 30 June,</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Operating lease rental payable to:		
– a company beneficially owned by a director (note a)	<b>935</b>	878
– a company beneficially owned by a director (note a)	<b>3,435</b>	3,275
Consultancy fee receivable from:		
– a company beneficially owned by connected persons (note b)	<b>692</b>	1,557

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.

# Other Information

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

At 30 June, 2019, the interests and short positions of the Directors and chief executive 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 ("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	Number of shares held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital
		Capacity/ Nature of interest	Directly beneficially owned	Through controlled corporations		
Miss Tse, Theresa Y Y	(1)	Beneficial owner	-	1,519,503,174	1,519,503,174	12.07%
Mr. Tse Ping	(2)	Beneficial owner	210,600,000	1,623,190,083	1,833,790,083	14.57%
Ms. Cheng Cheung Ling	(3)	Beneficial owner	132,056,500	2,700,000,000	2,832,056,500	22.50%
Mr. Tse Hsin		Beneficial owner	98,598,000	-	98,598,000	0.78%

#### Notes:

- (1) Miss Tse, Theresa Y Y held 1,519,503,174 shares of the Company through France Investment (China 1) Group Limited, 91.33% of the issued share capital of which is owned by Miss Tse, Theresa Y Y.
- (2) Mr. Tse Ping held 1,623,190,083 shares of the Company through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.
- (3) Ms. Cheng Cheung Ling held 1,575,000,000 shares and 1,125,000,000 shares of the Company 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### LONG POSITION IN SHARES OF ASSOCIATED CORPORATION OF THE COMPANY

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Hsin	CT Tianqing	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Saved as disclosed above, as at 30 June, 2019, none of the Directors and chief executive 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.



## Other Information

### 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, 2019, the following persons (not being Directors or chief executive 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:

#### INTERESTS 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	1,623,190,083(L)	12.89%
Chia Tai Bainian Holdings Limited	(2)	Beneficial owner	1,575,000,000(L)	12.51%
France Investment (China 1) Group Limited	(3)	Beneficial owner	1,519,503,174(L)	12.07%
Remarkable Industries Limited	(2)	Beneficial owner	1,125,000,000(L)	8.94%
Citigroup Inc.		Interest in controlled corporation	36,914,518(L)	0.29%
		Interest in controlled corporation	20,463,277(S)	0.16%
		Approved lending agent	598,844,127(P)	4.75%

#### Notes:

- (1) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.
- (2) Each of Chia Tai Bainian Holdings Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Ms. Cheng Cheung Ling.
- (3) France Investment (China 1) Group Limited is an investment holding company owned as to 91.33% by Miss Tse, Theresa Y Y.
- (4) The letter "L" indicates a long position, the letter "S" indicates a short position and the letter "P" indicates interests in a lending pool.

Save as disclosed above, as at 30 June, 2019, 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.

### 2013 SHARE OPTION SCHEME

On 28 May, 2013, the shareholders of the Company approved the adoption of the 2013 Share Option Scheme, which is in force for 10 years from that date, for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of shares of the Company ("Shares") in respect of which options may be granted under the 2013 Share Option Scheme and any other share option scheme of the Company amounted to 494,146,147 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2013 Share Option Scheme.

The total number of Shares issued and to be issued upon exercise of options granted under the 2013 Share Option Scheme and any other share option scheme 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 Share Option Scheme and any other share option scheme 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 Share Option 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.



### **2013 SHARE OPTION SCHEME (continued)**

The exercise price of the share options under the 2013 Share Option 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 Share Option Scheme since its adoption.

### **2018 SHARE AWARD SCHEME**

The Company has adopted the 2018 Share Award Scheme on 5 January, 2018 (the "Adoption Date"), pursuant to which existing Shares will be purchased by the trustee from the market out of cash contributed by the Group and be held on trust for the participants selected by the Board (the "Selected Participants") until such Shares are vested in the relevant Selected Participants in accordance with the terms of the 2018 Share Award Scheme. The purpose and objective of the 2018 Share Award Scheme are to recognize the contributions made by the Selected Participants and to give incentive to retain and encourage the Selected Participants for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at its absolute discretion determine the number of restricted Shares to be granted and select any participant to be a Selected Participant with such vesting conditions as it may deem appropriate under the 2018 Share Award Scheme. Participants of the 2018 Share Award Scheme include the directors and employees of the Company and any of its Subsidiaries.

The maximum number of Shares which the trustee may purchase with funds contributed by the Group amounts to 222,365,766 Shares, representing 3% of the total issued share capital of the Company as at the Adoption Date. The 2018 Share Award Scheme shall terminate upon the expiry of the period of 10 years from the Adoption Date.

No Shares have been awarded to any Selected Participants pursuant to the 2018 Share Award Scheme since the Adoption Date.

Further details of the 2018 Share Award Scheme are set out in the section headed "Management Discussion and Analysis – Employee and Remuneration Policies" of this interim report.

### INVESTOR RELATIONS

Over the years, the Group has been committed to maintaining high corporate governance standards to promote long-term sustainable development of its business. During the first half year, it has proactively approached investors through a variety of channels to deepen their understanding of the Group's latest developments, as well as to enhance corporate transparency and exposure. At the same time, the Group has made an effort to solicit the valuable opinions of investors through exchanges, with the objective of further elevating its corporate governance standards.

During the period under review, the Group took the initiative of delivering its latest business development information to investors by organizing events that included its 2018 Annual Results Investor Presentation, which attracted over 270 analysts, fund managers and other investors. Apart from large-scale investor conferences, the management also organized a results media conference, which helped retail investors keep abreast of the Group's latest business status and development prospects via different media channels.

Furthermore, the management participated in multiple investment summits held by large investment banks and securities companies during the period, including J.P. Morgan, Morgan Stanley, Bank of America Merrill Lynch, Deutsche Bank, China International Capital Corporation, and CITIC Securities, which were held in Hong Kong, Shanghai, Beijing, Qingdao, Singapore, etc. The management also introduced the Group's business and competitive advantages to investors through roadshows, teleconferences, one-on-one meetings, factory site visits and more.

At the same time, the Group has posted its annual reports, quarterly and annual result announcements, disclosures and circulars on its corporate website, as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group has also issued voluntary announcements to inform shareholders and investors about its latest business developments in keeping with its commitment to increasing 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, 2019 except for the deviation from Code Provision A.6.7 in relation to attendance of the annual general meeting of the Company (the "AGM") by Independent Non-executive Directors (INEDS). Two INEDs were unable to attend the AGM held on 5 June, 2019 due to other business engagements.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, it was confirmed that for the six months ended 30 June, 2019 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 2018 Annual Report of the Company.

The Audit Committee is comprised of three INEDs comprising Mr. Lu Zhengfei as chairman and Mr. Li Dakui and Ms. Lu Hong as members. It had 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, 2019.

### **DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

On 27 September, 2016, the Company entered into a facility agreement (the “2016 Facility Agreement”) with a number of financial institutions for a three-year unsecured loan in the principal sum of USD300,000,000. Pursuant to the terms of the 2016 Facility Agreement, there were covenants regarding certain shareholding in the Company and control on the Board of the Company to be retained by Mr. Tse Ping, a substantial shareholder and a Director of the Company, and Mr. Tse Ping’s family members. All outstanding principal owed by the Company under the 2016 Facility Agreement had been fully repaid in the first half of 2019.

On 9 April, 2019, the Company, as borrower, and certain financial institutions entered into another facility agreement (the “2019 Facility Agreement”) in relation to a term loan facility in the aggregate principal amount of USD1,000,000,000 with a term of 36 months from the date of the Facility Agreement. Pursuant to the terms of the 2019 Facility Agreement, the Company has undertaken, among others, to ensure that certain shareholdings in the Company and control on the Board of the Company will be retained by Mr. Tse Ping, Ms. Cheng Cheung Ling, and Miss Tse, Theresa Y Y, all being substantial shareholders and Directors of the Company, and their respective family members. Details of these performance covenants have been disclosed in the announcement of the Company dated 10 April, 2019.

### 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

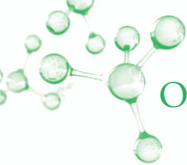
The Company has established the Nomination Committee comprising Miss Tse, Theresa Y Y as chairman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong and Mr. Zhang Lu Fu as members with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duty is to formulate 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

During the six months ended 30 June, 2019, the Company bought back a total of 8,125,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$37.50 million before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share		Aggregate consideration paid HK\$
		Highest	Lowest	
		HK\$	HK\$	
January	8,125,000	4.63	4.57	37,504,188

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



## Other Information

### BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises seven Executive Directors, namely Miss Tse, Theresa Y Y, Mr. Tse Ping, 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**  
*Chairlady*

Hong Kong, 28 August, 2019