



China Shineway Pharmaceutical Group Limited
中國神威藥業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2877

LEADING

MODERN CHINESE MEDICINE

PROMOTING

HEALTH INDUSTRY



INTERIM REPORT 2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhenjiang (*Chairman*)
Ms. Xin Yunxia
Mr. Li Huimin
Mr. Chen Zhong

Independent Non-executive Directors

Ms. Cheng Li
Prof. Luo Guoan
Mr. Cheung Chun Yue, Anthony

Non-executive Director

Mr. Zhou Wencheng

BOARD COMMITTEES

Audit Committee

Mr. Cheung Chun Yue, Anthony (*Committee Chairman*)
Ms. Cheng Li
Prof. Luo Guoan

Remuneration Committee

Ms. Cheng Li (*Committee Chairman*)
Ms. Xin Yunxia
Mr. Cheung Chun Yue, Anthony

Nomination Committee

Mr. Li Zhenjiang (*Committee Chairman*)
Prof. Luo Guoan
Mr. Cheung Chun Yue, Anthony

Corporate Social Responsibility and Sustainability Committee

Mr. Cheung Chun Yue, Anthony (*Committee Chairman*)
Ms. Xin Yunxia
Ms. Cheng Li
Prof. Luo Guoan

AUTHORIZED REPRESENTATIVES

Mr. Li Huimin
Mr. Lee Bun Ching, Terence

COMPANY SECRETARY

Mr. Lee Bun Ching, Terence

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
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Hong Kong

REGISTERED OFFICE

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Cayman Islands

CORPORATE INFORMATION



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Hebei Province, The People's Republic of China

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Bank of China, Jin Zhu Xi Lu Branch Lhasa, Xizang
China Construction Bank, Luan Cheng Branch,
Shijiazhuang, Hebei Province

LEGAL ADVISERS

As to Hong Kong Law
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As to Cayman Islands Law
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STOCK CODE

2877 (Main Board of
The Stock Exchange of Hong Kong Limited)

WEBSITES

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www.shineway.com



INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2021, the operating results of the Group were as follows:

- Turnover amounted to RMB1,554,097,000, an increase of 30.6% as compared to the corresponding period of last year;
- Gross profit margin was 73.8% as compared to 73.6% of the corresponding period of last year;
- Profit for the period amounted to RMB308,456,000, an increase of 21.6% as compared to the corresponding period of last year;
- Earnings per share amounted to RMB41 cents, an increase of 24.2% as compared to the corresponding period of last year;
- Declared interim dividend of RMB39 cents per share;
- Net assets per share amounted to RMB7.2 (equivalent to HKD8.6); and
- Net cash per share amounted to RMB5.0 (equivalent to HKD6.0).

COMPANY OVERVIEW



China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in research and development, production and sales of modern Chinese medicines in injections, soft capsules, granules formats and traditional Chinese medicine (“TCM”) formula granules. The Group’s products are primarily being sold in the People’s Republic of China (“PRC”) market.

During the first six months of 2021, the Group’s prescription and over-the-counter (“OTC”) medicines accounted for approximately 40.9% and 59.1% of the Group’s turnover respectively. These medicines are mainly categorized by curative effects of medications into eight categories being medications for cardiovascular and cerebrovascular diseases, medications for respiratory system diseases, medications for digestive system diseases, pediatric medications, orthopedic medications, medications for strengthening the body, medications for the nervous system and gynecological medications etc.

The Group’s key products are as follows:

- Qing Kai Ling Injection: a widely used anti-viral medicine for treatment of viral diseases, including respiratory infection, viral hepatitis, cerebral haemorrhage and cerebral thrombosis etc
- Shu Xie Ning Injection: for treatment of cardio-cerebrovascular disease
- Shen Mai Injection: for treatment of coronary heart disease, viral myocarditis and pulmonary heart disease
- Wu Fu Xin Nao Qing Soft Capsule: for prevention and treatment of coronary heart disease and cerebral arteriosclerosis
- Traditional Chinese medicine (TCM) formula granules
- Huo Xiang Zheng Qi Soft Capsule: for prevention and treatment of heat stroke, stomachache, nausea and diarrhoea, and acclimatization sickness
- Pediatric Qing Fei Hua Tan Granule: for treatment for children infected by respiratory related diseases
- Huamoyan Granule: for treatment of both acute and chronic synovitis and treatment of post-joint surgery
- Qing Kai Ling Soft Capsule: for treatment of high fever, viral influenza and respiratory infection



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS HIGHLIGHTS

With the PRC government's great efforts on promoting the development of the traditional Chinese medicine ("TCM") sector accompanied by frequent introduction of relevant favorable policies and the gradually reducing impact of the COVID-19 pandemic in the first half of this year, the growth of the Group's business is recovering comprehensively. The Group's sales in the first six months of 2021 recorded an increase of 30.6% as compared with the same period last year. Net profit reached RMB308 million, representing a 21.6% growth from the same period last year, which was mainly attributable to the increase in sales. Net profit margin decreased from 21.3% in the same period last year to 19.8%, while earnings per share increased by 24.2% to RMB41 cents as compared to the same period last year.

The extent of increase in net profit was lower than that in sales, coupling with the decline in net profit margin. This was mainly due to the decrease of 42.2% in investment income and other income in the first half of this year as compared with the same period last year. Operating profit before taxation, as calculated by excluding investment income, other income, financial costs and taxes, amounted to RMB298,511,000 for the first six months of 2021, representing an increase of 74.4% as compared with RMB171,154,000 in the same period of last year.

The Group's gross profit margin was 73.8% for the first six-month period of 2021, representing a slight increase compared to 73.6% of the same period last year. This is mainly attributable to the continuous increase of proportion of profit contribution from oral products with higher gross profit margin.

As of 30 June 2021, the Group had bank deposits of RMB4,151,889,000 (equivalent to approximately HKD4,990,571,000) in total and there were no bank loans. As calculated based on the total issued shares of 827,000,000, net cash per share of the Group amounted to HKD6.0, and net assets per share amounted to HKD8.6. Interim dividend is set to be RMB39 cents per share to be paid out on 28 September 2021 to the shareholders whose names appear on the register of members of the Company on 16 September 2021.

The Group adopted a new dividend policy on 19 July 2021. For details, please refer to the announcement published by the Company on that day. The board of directors of the Company (the "Board") will review the new dividend policy when necessary to ensure its effectiveness and appropriateness.

GROWTH ACROSS THE BOARD FOR ALL DOSAGE FORMS

In the first half of 2021, the Group focused on positioning its key products with comprehensively enhanced end-to-end coverage and strengthened investment. Most key products achieved impressive sales growth, and injection products overall were restoring growth momentum during the period. The table below shows the sales and growth rates of each dosage form for the first half of 2021 compared to the same period last year:

	Sales First six months of 2020 RMB'000	Sales First six months of 2021 RMB'000	Period-on-period growth rate	Percentage of sales First six months of 2021
Injection products	489,274	635,382	29.9%	40.9%
Soft capsule products	255,648	275,126	7.6%	17.7%
Granule products	147,312	238,342	61.8%	15.3%
TCM formula granules	239,762	321,509	34.1%	20.7%
Other product formats	58,116	83,738	44.1%	5.4%
Oral products	700,838	918,715	31.1%	59.1%
Total sales	1,190,112	1,554,097	30.6%	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS



Since the outbreak of COVID-19 pandemic, the PRC government has repeatedly emphasized the insistence on combining the use of traditional Chinese medicine and Western medications in the treatments. A number of Chinese medicine injections (including Shen Mai Injection, a medication produced by the Group) have also been included in the “Diagnosis and Treatment Program for Novel Coronavirus Infected Pneumonia (7th Trial Edition)”, highlighting the effectiveness and safety of Chinese medicine injections. While the market demand for Chinese medicine injections was gradually picking up, the Group had also proactively optimized its product mix of injection products, resulting in a 29.9% period-on-period increase in sales of injection products in the first half of this year.

The Group continued to focus on the development strategy of expanding new growth areas for oral products. The overall sales of oral products increased by 31.1% in the first half of 2021 as compared to the same period last year. In the first half of 2021, the sales of soft capsules, granules and TCM formula granules increased by 7.6%, 61.8% and 34.1% respectively as compared to the same period last year. The proportion of oral products sales reached 59.1% of the Group’s overall sales.

As estimated with internal data for the first six month period of 2021, oral products accounted for 74.1% of the Group’s gross profit after adjusting for the “Two-Invoices System” effect. The proportion of profit contribution from oral products was much higher than that of injection products. The following shows the estimated percentages of gross profit contribution after adjusting for the “Two-Invoices System” effect:

	Percentage of gross profit contribution	
	First six months of 2020	First six months of 2021
Injection products	27.7%	25.9%
Oral products	72.3%	74.1%
Total sales	100.0%	100.0%

Since our oral products had a higher overall gross profit margin than injection products, an increase in the proportion of sales of oral products would also enhance the Group’s profitability. The Group will continuously cultivate new growth areas to drive the growth momentum of oral products.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCLUSIVE NATIONAL DRUGS REIMBURSEMENT LIST PRODUCTS GREW RAPIDLY

As at 30 June 2021, the Group possessed over 400 production permits on medications which consisted of more than 100 products regularly manufactured by the Group, covering 17 therapeutic areas. Among them there were 23 exclusive products of the Group and 18 products were admitted to the National Essential Drugs List. A total of 23 products were included in the National Low-Priced Medicine Catalogue, whereas 16 products were included in the Provincial Low-Priced Medicine Catalogue; and 3 products were included in the Catalogue of Emergency Use Drugs. Sales of the Group's key products in the first half of 2021 are respectively set out as follows:

			First six months of 2020 RMB'000	First six months of 2021 RMB'000	Period-on-period growth rate	Percentage of sales in the first six months of 2021
TCM formula granules	2 PDRL	-	239,762	321,509	34.1%	20.7%
Qing Kai Ling Injection	NDRL	Essential Drug	128,953	145,053	12.5%	9.3%
Guan Xin Ning Injection	NDRL	-	61,189	142,464	132.8%	9.2%
Shu Xie Ning Injection	NDRL	-	133,148	130,639	-1.9%	8.4%
Wu Fu Xin Nao Qing Soft Capsule	5 PDRL	-	96,837	110,313	13.9%	7.1%
Shen Mai Injection	NDRL	Essential Drug	81,633	102,183	25.2%	6.6%
Huamoyan Granule [^]	* NDRL	Essential Drug	36,803	81,897	122.5%	5.3%
Huo Xiang Zheng Qi Soft Capsule	NDRL	Essential Drug	93,568	82,354	-12.0%	5.3%
Dan Shen Injection	NDRL	Essential Drug	29,912	47,232	57.9%	3.0%
Pseudomonas Aeruginosa Injection [^]	9 PDRL	-	31,163	43,426	39.4%	2.8%
Pediatric Qingfei Huatan Granule	3 PDRL	-	23,904	36,549	52.9%	2.4%
Qing Kai Ling Soft Capsule [^]	NDRL	Essential Drug	32,063	25,017	-22.0%	1.6%
Qi Huang Tong Mi Soft Capsule [^]	* NDRL	-	5,537	18,108	227.0%	1.2%
Xiesaitong Dripping Pill	* NDRL	-	11,475	17,184	49.8%	1.1%
Dan Deng Tong Nao Soft Capsule [^]	# NDRL	-	2,716	6,637	144.4%	0.4%
Others			181,449	243,532	34.2%	15.6%
Total sales			1,190,112	1,554,097	30.6%	100.0%

[^] The Group's exclusive products

* Newly included in the 2019 edition of National Drugs Reimbursement List

Newly included in the 2020 edition of National Drugs Reimbursement List

MANAGEMENT DISCUSSION AND ANALYSIS



The sales of a number of National Drugs Reimbursement List exclusive products grew rapidly. In particular, the sales of Huamoyan Granule, Qi Huang Tong Mi Soft Capsule, Xiesaitong Dripping Pill and Dan Deng Tong Nao Soft Capsule increased by 122.5%, 227.0%, 49.8% and 144.4% respectively during the first six months of this year as compared to the same period last year. Huamoyan Granule is an exclusive innovative medication of the Group and is the only innovative Chinese medicine for treating knee joint synovitis approved by the National Medical Products Administration, filling the gap in both Western medications and traditional Chinese medicine in the treatment of synovitis in China. Qi Huang Tong Mi Soft Capsule and Dan Deng Tong Nao Soft Capsule are under the National Drugs Reimbursement Negotiation List which permits direct listing on the provincial centralized online drug procurement platforms and are not subject to the restrictions on drug usage proportion, reimbursement cap and the quota of usage in medical institutions. These products are expected to continuously achieve excellent sales performance.

PRC CONTINUED TO ISSUE POLICES AND MEASURES BOOSTING THE DEVELOPMENT OF TCM

During the first six months of 2021, the PRC government continued to issue a number of policy documents to promote the revitalization and development of traditional Chinese medicine. Following the release of “Several Policies on Accelerating the Characteristic Development of Traditional Chinese Medicines” by the General Office of the State Council in February this year, the National Health Commission, State Administration of Traditional Chinese Medicine and the Health Bureau of Logistics Support Department of Central Military Commission jointly issued the “Opinions on Further Enhancing the Work of Traditional Chinese Medicine in General Hospitals to Promote the Synergistic Development of Traditional Chinese Medicine and Western Medicine” in June this year, with an aim to intensify traditional Chinese medicine in general hospitals by strengthening clinical facilities of Chinese medicine and encouraging the establishment of secondary disciplines or specialized groups of traditional Chinese medicine, and to promote the synergistic development of Chinese and Western medicine with an improved synergistic system.

On 1 July 2021, four ministries including the National Development and Reform Commission jointly issued the “Implementation Plan to Establish A High-quality and Efficient Medical and Health Service System during the Fourteenth Five-Years”, which proposes to establish about 30 national inheritance and innovation centers for traditional Chinese medicine by 2025, with focus on improving the capabilities of basic research on traditional Chinese medicine, diagnosis and treatment of dominant diseases, cultivation of high-level talents, research and development of equipment and new medications for traditional Chinese medicine and transformation of scientific and technological achievements.

On 7 July 2021, five government agencies including the State Administration of Traditional Chinese Medicine and the Publicity Department of the Central Committee jointly issued the “Implementation Plan to Spread the Culture of Traditional Chinese Medicine (2021-2025)” with an aim to carry out the cultural transmission of traditional Chinese medicine by promoting traditional Chinese medicine at work and daily life, establishing a traditional Chinese medical culture dissemination mechanism and integrating the culture of traditional Chinese medicine throughout national education, rendering it the cultural consciousness of the public to promote health.

To capture the opportunities arisen from these favourable policies for the development of traditional Chinese medicine, the Group is keeping on its efforts and continuing to increase its investment, so as to build up a new development cycle in the future and promote rapid business expansion.



MANAGEMENT DISCUSSION AND ANALYSIS

FORMULA GRANULES TO BE SOLD NATIONWIDE

TCM formula granules, being the Group's product with the largest sales revenue, continued to show a rapid growth trend during the first six months of 2021, with an increase in sales of 34.1% as compared to the same period last year. Most of the sales volume continued to be originated from Hebei Province. The Group's full efforts in exploiting the Yunnan market has begun this year resulting in sales of more than RMB12 million in the first half of the year, making progress similar to the early days of cultivating the Hebei Province market by the Group. The work on penetrating medical institutions in Yunnan province is underway with every effort to achieve sales target for the year.

In February 2021, four ministries including the National Medical Product Administration jointly issued the "Announcement on Ending the Pilot Trial on TCM Formula Granules", which has brought about the opening up of the nationwide TCM formula granule market by officially allowing manufacturers to sell TCM formula granules across provinces after registering with the respective local provincial drug regulatory authorities upon the effective date of 1 November 2021.

The Group is currently in the process of expanding the production capacity of TCM formula granules to an annual production value of RMB4 billion. It is expected to be completed by the end of this year so that the Group will be well positioned for its TCM formula granules to tap into the nationwide markets.

Meanwhile, the Group has been making the relevant arrangements necessary to enter into various provincial markets, including the expansion of sales teams in preparation for the promotion of the Group's TCM formula granules to local hospitals and primary medical institutions immediately upon successful registration in these provinces and cities. The goal is to become one of the leading suppliers of TCM formula granules in the PRC by 2024.

The PRC government is currently carrying out the discussion on the procurement of traditional Chinese medicine under a centralized platform. Hainan Province has also recently issued the notice for the "Management Measures for TCM formula granules of Hainan Province (For Trial Implementation)", which stipulated the setting up of a TCM formula granules segment on the provincial centralised drug procurement platform, and formulated and published the corresponding rules for tendering. TCM formula granules used by public medical institutions shall be procured online through the provincial centralised drug procurement platform, while prohibiting offline purchase. Products of manufacturers that have not been registered at the relevant provincial regulatory agency may not be procured. Recently, the National Healthcare Security Administration via the "Response of the National Healthcare Security Administration to Recommendation No. 4126 of the Fourth Session of the 13th National People's Congress" stated that in the next step, it will work with relevant departments to improve the quality evaluation standards of traditional Chinese medicines and TCM formula granules by adhering to the clinical demand-oriented principle of quality first for high-priced and large-volume varieties, and scientifically and steadily promote the reform of centralized procurement of traditional Chinese medicine and TCM formula granules. The Group considers that if TCM formula granules across provinces in the PRC are to be procured through centralized province-level online platforms in the future, it is likely to be an opportunity to penetrate into the nationwide markets at a faster pace. Suppliers of TCM formula granules with limited varieties or failing to meet the national uniform standards will not be able to participate in such procurements, while those with the full range of products which are of high quality and meet the national uniform standards will make their presence in the market of online procurement platforms in various provinces.

MANAGEMENT DISCUSSION AND ANALYSIS



EXCLUSIVE PRODUCTS ARE BECOMING A NEW FORCE FOR GROWTH

In the first six months of 2021, the sales of the Group's exclusive traditional Chinese medicine products with proprietary intellectual property rights increased to a greater extent. A total of 22 relevant exclusive traditional Chinese medicine had recorded sales of RMB170,571,000 in aggregate, representing an increase of 82.0% over the same period last year and accounting for 11.0% of the Group's total sales. In particular, Huamoyan Granule recorded sales of RMB81,897,000, an increase of 122.5% as compared to the same period last year; Qi Huang Tong Mi Soft Capsule recorded sales of RMB18,108,000, an increase of 227.0% as compared to the same period last year; and Qing Kai Ling Soft Capsule recorded a period-on-period decrease in sales for the first six months of this year by 22.0% due to the relatively larger comparable base in the same period last year caused by the COVID-19 epidemic, with sales amounted to RMB25,017,000 only.

Promotion of Xiao Jie An Capsule, the Group's exclusive oral gynecological traditional Chinese medicine product on National Drug Reimbursement List and Xiao Jie An Oral Liquid under the same series, had commenced in the first quarter of this year. They had recorded a total sales of RMB5,425,000 during the Period and became new elements to the Group's exclusive product mix.

The Group is speeding up on its evidence-based medical researches of its exclusive oral products of traditional Chinese medicine used in six core therapeutic areas, being orthopedics, cardio-cerebrovascular diseases, anti-viral, gastroenterology, gynecology and pediatrics. Such evidence-based medical researches are being conducted through expert argumentation and other methods. As academic promotion has become the Group's key initiative, the Group will continue to utilize medical evidence-based strategies to develop the Group's exclusive oral products to be the forthcoming new driving force for our growth.

ONLINE SALES SURGED BY 280.4%

The Internet digital marketing team of the Group achieved online sales of approximately RMB79 million in the first half of 2021, representing an increase of 280.4% over the same period last year. Sales through B2B third-party online platforms accounted for 79.3% of total online revenue, and sales through B2C online e-commerce platforms accounted for about 20.7%.

The Group continued to actively collaborate with various B2B third-party online pharmaceutical platforms to promote mainly the distribution of our oral products to terminal customers. Catering to the difference of online pharmaceutical market characteristics in various provinces and regions, the Group has established presence in the B2B online market through serving different types of customers. In the first half of this year, the Group sold to 22,000 additional terminal customers online, with a total of 71,260 terminal customers being covered online currently. Meanwhile, under the B2C model, the Group continued to strengthen the cooperation with leading pharmaceutical e-commerce platforms where our online sales were growing at the fastest pace, including JD Pharmacy, ehaoyao.com, 111.com and Ali Pharmacy. In addition, the Group has also embarked on exploring Internet hospital customers and initiating the cooperation with O2O offline shops of major e-commerce platforms. Concurrently, the Group has also put more efforts in marketing via Internet media to further increase the sales of our relevant products.

Online sales of pharmaceutical products and online hospitals are still at the early stage of development with huge growth potential. The Group regards online sales as one of its key strategic development areas. Currently, it is stepping up the efforts to expand its online marketing team and online sales platform, striving to build its core competitiveness in online marketing.



MANAGEMENT DISCUSSION AND ANALYSIS

ACCELERATING THE DEVELOPMENT OF EXCLUSIVE INNOVATIVE MEDICATIONS

The Group focused on the research and development of innovative medications with clinical advantages and unique characteristics, and adopted the combined strategy of independent and joint research and development, and patents trading to accelerate the development of new core product pipelines. The Group currently has a total of 3 groundbreaking exclusive medications undergoing clinical trials:

1. Sailuotong Capsule

The Group's key research initiative "Sailuotong Capsule", an innovative compound TCM, is now under phase III clinical trials in China and Australia. The phase III clinical trial in China mainly addresses the treatment of vascular dementia, while the phase III clinical trial in Australia focuses on the treatment of vascular dementia and Alzheimer's disease.

Sailuotong Capsule is composed of the effective parts of three traditional Chinese medicine herbs, namely ginkgo biloba, ginseng and saffron. Through scientific research, effective components that improve the cognition and daily functioning of patients with mild to moderate dementia are extracted from each herb. With clear chemical composition, precise mechanism of action and full proprietary intellectual property rights, Sailuotong Capsule has filled the gap in the therapeutic field of vascular dementia. According to medical data, there is currently no registered drug for treatment of vascular dementia. The findings from the Phase II clinical trial of Sailuotong indicated that it might be safe and effective in the treatment of mild to moderate vascular dementia.

In December 2020, an international medical journal "The Lancet Public Health" published a research report online on the dementia among people over 60 years old in China. The journal revealed that there were 15.07 million patients with dementia among the people of 60 years old or above in China, including 9.83 million patients with Alzheimer's disease, 3.92 million patients with vascular dementia and 1.32 million patients with other dementia. In September 2020, a research report from the World Health Organization also pointed out that more than 50 million people worldwide were suffering from dementia, with an increase of 10 million new cases each year. Once Sailuotong Capsule is introduced to the market, it will provide an effective and safe alternative for treating large number of patients with dementia.

In early 2019, Sailuotong Capsule was granted an invention patent by IP Australia, and also received a notice of patent family grant from Russia in the same month. Since the first overseas invention patent granted in 2010, Sailuotong Capsule has been granted 8 invention patents by countries including the United States, Japan, Korea, Germany, Russia, Canada and Australia etc.

2. Q-B-Q-F Condensed Pill

Q-B-Q-F Condensed Pill focuses on the treatment of mycoplasma pneumonia in children and is currently undergoing phase III clinical trial. Further details of Q-B-Q-F Condensed Pill are disclosed in the Company's 2019 interim report.

MANAGEMENT DISCUSSION AND ANALYSIS



3. JC Soft Capsule

JC Soft Capsule is a compound TCM developed under the guidelines based on the traditional medicine theory. It is a new medication of compounded Chinese medicine using “detoxification from the interior to exterior” as the principle for treatment of common cold. It is used for treating upper respiratory infection with symptoms such as fever and aversion to cold, dry and sore throat, nasal congestion and runny nose, headache and cough, etc. At present, most traditional Chinese medicines in the market for treating common cold are heat-clearing detoxifying types and antiseptics, but none of those in the market are available for “detoxification from the interior to exterior”. JC Soft Capsule is currently undergoing phase III clinical trial.

FINANCIAL ANALYSIS

Turnover

For the first six months of 2021, the Group continued to produce modern Chinese medicine products of good efficacy and high quality. The Group’s turnover had increased by 30.6% as compared to the corresponding period of last year. Sales of our injection products had increased by 29.9% to RMB635,382,000, accounted for 40.9% of the Group’s total turnover. Sales of soft capsule products had increased by 7.6% to RMB275,126,000, accounted for 17.7% of the Group’s total turnover. Sales of granule products had increased by 61.8% to RMB238,342,000, accounted for 15.3% of the Group’s total turnover. Sales of TCM formula granules had increased by 34.1% to RMB321,509,000, accounted for 20.7% of the Group’s total turnover. The Group had also sold RMB83,738,000 of medicines in other formats which accounted for 5.4% of the Group’s turnover.

Sales of prescription and OTC medicines of the Group for the first six months of 2021 were RMB1,344,257,000 and RMB209,840,000 respectively, which equal to 86.5% and 13.5% of the Group’s turnover respectively.

Cost of Sales

Cost of sales of the Group for the first six months of 2021 was RMB407,067,000, which equals to 26.2% of the Group’s turnover. Direct materials, direct labour and other production costs accounted for 63.7%, 14.2% and 22.1% of the total production costs respectively (for the corresponding period of 2020: 57.6%, 16.7% and 25.7%).

Gross Profit Margin

For the first six months of 2021, average gross margin of the Group’s injection products, soft capsule products, granule products and TCM formula granule products were approximately 77.4% (for the corresponding period of 2020: 75.6%), 75.1% (for the corresponding period of 2020: 75.3%), 76.5% (for the corresponding period of 2020: 70.0%) and 69.3% (for the corresponding period of 2020: 73.2%) respectively. Overall gross profit margin was 73.8% as compared to 73.6% of the corresponding period of last year.

Other Income

Other income mainly includes government subsidies of RMB24,881,000 (for the corresponding period of 2020: RMB67,370,000). The government subsidies mainly represented incentives received from the government for research activities and investments in the relevant regions in the PRC by the Group and recognition of deferred income in relation to disposal of property, plant and equipment due to land resumption by the local government.

Investment Income

Investment income mainly includes interest income from bank deposits and investments in financial products of RMB47,119,000 (for the corresponding period of 2020: RMB51,256,000) and RMB3,903,000 (for the corresponding period of 2020: RMB19,021,000) respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Other gains and losses

Other gains and losses comprised of net exchange gain and loss on disposal of property, plant and equipment. The Group recorded net exchange gain of RMB518,000 for the first six months of 2021 (for the corresponding period of 2020: net exchange gain of RMB3,822,000), which was mainly resulted from exchange gain arising from change of exchange rate among Australian dollars, Hong Kong dollars and Renminbi. Besides, the net loss on disposal of property, plant and equipment for this period was RMB8,237,000 (for the corresponding period of 2020: net gain of RMB2,950,000).

Selling and Distribution Costs

Selling and distribution costs for the first six months of 2021 increased by 25.0% from the corresponding period of last year and were equal to 45.2% of the Group's turnover (for the corresponding period of 2020: 47.2%). The increase was mainly due to the increase in advertising expense, market development expense and sale management expense as compared to same period of last year.

Administrative Expenses

As a result of the Group strengthened cost control coupled with the effect of reduced amortisation expenses of intangible assets in the first six months of 2021, administrative expenses decreased by 10.7% as compared to the corresponding period of last year, representing approximately 7.3% (for the corresponding period of 2020: 10.6%) of the Group's turnover. Administrative expenses mainly comprised of salaries and social security outlay of administration staff, depreciation expenses of property, plant and equipment and amortisation expenses of intangible assets which accounted for 2.3% and 1.5% (for the corresponding period of 2020: 3.4% and 3.4%) of the Group's turnover respectively.

Research and Development Costs

During the first six months of 2021, research and development costs accounted for approximately 1.6% of the Group's turnover (for the corresponding period of 2020: 1.7%) which was comparable with the corresponding period of last year.

Taxation

Taxation for the first six months ended 30 June 2021 amounted to RMB71,966,000 (for the corresponding period of 2020: RMB48,088,000). The effective tax rate was increased from 15.9% in the corresponding period of last year to 18.9%. This was mainly due to the under provision of tax in prior years and the withholding tax related to dividend distributions of subsidiaries in the Mainland China during the period.

Profit for the Period

The Group's net profit for the first six months ended 30 June 2021 was RMB308,456,000 representing an increase of 21.6% as compared to the corresponding period of last year. The rise in profit was mainly attributable to the increased turnover and operating profit during the period.

Interim Dividend

The Board resolved to declare an interim dividend of RMB39 cents per share amounting to RMB294,606,000 in respect of the six months ended 30 June 2021 and are calculated on the basis of 827,000,000 shares issued less 71,600,000 shares held for share award scheme as at 30 June 2021 (for the six months ended 30 June 2020: RMB11 cents per share, amounting to RMB83,006,000), which will be paid on 28 September 2021 to the shareholders whose names appear on the Company's register of members on 16 September 2021.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 10:00 a.m. on 31 August 2021 (RMB1=HK\$1.204). Accordingly, the amount payable on 28 September 2021 will be HK\$0.4696 per share.

MANAGEMENT DISCUSSION AND ANALYSIS



Capital Structure

For the six months ended 30 June 2021, there was no change in the capital structure and issued share capital of the Group as compared to those on 31 December 2020.

Liquidity and Financial Resources

As at 30 June 2021, bank deposits of the Group amounted to RMB4,151,889,000 (31 December 2020: RMB3,943,010,000) of which RMB3,990,343,000 (31 December 2020: RMB3,800,912,000), were denominated in Renminbi. Others being equivalent to RMB136,537,000, RMB21,698,000 and RMB3,311,000 (31 December 2020: RMB92,627,000, RMB46,143,000 and RMB3,328,000) were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

The directors of the Company (the “Directors”) believe that the financial position of the Group is healthy, with sufficient financial resources to meet the need for future development.

Trade Receivables and Trade Receivables backed by Bank Bills

Trade receivables and trade receivables backed by bank bills as at 30 June 2021 increased and decreased by 28.7% and 17.4% respectively from 31 December 2020. Turnover days of trade receivables and trade receivables backed by bank bills were 41.5 days and 47.7 days respectively (for the corresponding period of 2020: 44.3 days and 55.3 days respectively).

Inventories

Inventories balance as at 30 June 2021 decreased by 2.0% from 31 December 2020. By inventory categories, raw materials, work in progress and finished products respectively accounted for 20.6%, 39.2% and 40.2% of inventories as at 30 June 2021 (31 December 2020: 24.5%, 35.0% and 40.5% respectively).

Turnover days for finished goods products in the first six months of 2021 were 78.7 days (for the corresponding period of 2020: 104.2 days).

Property, Plant and Equipment

In the first six months of 2021, the Group acquired buildings of RMB1,035,000, plant and machinery of RMB16,061,000, office equipment of RMB6,201,000 and the addition to construction in progress amounted to approximately RMB3,724,000 in total. Besides, following the adoption of IFRS 16, property, plant and equipment had included the leasehold land, leasehold properties, leasehold motor vehicles and leasehold machineries which had respective net book values of RMB118,586,000, RMB4,410,000, RMB2,966,000 and RMB4,851,000 as at 30 June 2021.

For the six months ended 30 June 2021, depreciation for property, plant and equipment amounted to RMB83,655,000 as compared to RMB82,779,000 during the same period of last year.

Acquisition of a subsidiary

In February 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire the entire interest of Shineway Pharmaceutical (Kunming) Company Limited (formerly known as Yunnan Liangfang Pharmaceutical Co., Ltd) at a cash consideration of RMB137,140,000 (“the Acquisition”). Goodwill and intangible assets with finite lives generated from the Acquisition were RMB63,459,000 and RMB44,683,000 respectively. Shineway Pharmaceutical (Kunming) Company Limited was incorporated in the PRC with principal activities in manufacturing and trading of Chinese pharmaceutical products.



MANAGEMENT DISCUSSION AND ANALYSIS

Intangible Assets

Intangible assets represent patents and production licenses with finite useful lives, which mainly include the drugs production licenses via acquisition of Shineway Pharmaceutical Group (Shandong) Company Limited (formerly known as Jinan Quanli Pharmaceutical Company Limited) in 2014, the drugs production licenses via acquisition of Yunnan Shineway Spirin Pharmaceutical Company Limited in 2015 and drugs patents via acquisition of Shineway Pharmaceutical (Kunming) Company Limited (formerly known as Yunnan Liangfang Pharmaceutical Company Limited) in 2021.

Goodwill

Goodwill is comprised of the Group's acquisition of the remaining 20% ownership equity interests of Shineway Pharmaceutical Sales Company Limited in 2005, the acquisitions of 100% equity interests of Shineway Pharmaceutical (Zhangjiakou) Co., Ltd and Shineway Pharmaceutical (Sichuan) Company Limited in 2010, and the acquisitions of 100% equity interest of Shineway Pharmaceutical Group (Shandong) Company Limited, Yunnan Shineway Spirin Pharmaceutical Company Limited and Shineway Pharmaceutical (Kunming) Company Limited in 2014, 2015 and 2021 respectively.

Trade Payables

During the period under review, turnover days of trade payables were 69.0 days (for the corresponding period of 2020: 94.4 days).

Employees

As at 30 June 2021, the Group has 3,451 employees (31 December 2020: 3,441 employees). Remuneration was determined and reviewed based on fair principles with reference to market conditions and individual performance. The Group also provided other benefits to its employees, including medical insurance and retirement benefits. The Group's employees in Hong Kong were also enrolled in the Mandatory Provident Fund Scheme.

Exposure to Fluctuations in Exchange Rates

A majority of the Group's business transactions and liabilities are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy and most of its bank deposits are in Renminbi, Hong Kong dollars and Australian dollars. The exchange gain in the first half of 2021 arose from the change in exchange rate among Renminbi, Hong Kong dollars and Australian dollars. As at 30 June 2021, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of relevant company	Capacity	Number of shares	Approximate percentage of shareholding in the Company
Li Zhenjiang	Company	Founder of discretionary trust (Note)	546,802,990	66.12%
Li Huimin	Company	Beneficiary owner	1,020,000	0.12%
Xin Yunxia	Company	Beneficiary owner	540,000	0.07%
Chen Zhong	Company	Beneficiary owner	280,000	0.03%

Note: These 546,802,990 shares of the Company ("Shares") are held by Forway Investment Limited ("Forway"). Forway is owned as to 100% by Fiducia Suisse SA, a trust company, in its capacity as the trustee of The Li Family 2004 Trust. The Li Family 2004 Trust is a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself). Accordingly, Mr. Li Zhenjiang is deemed to be interested in the 546,802,990 Shares under the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company or their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Employees' Share Award Scheme" below, at no time during the period was the Company, its holding companies, fellow subsidiaries or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

Interest in the Company

As at 30 June 2021, interest of every person (other than a Director or chief executive of the Company as disclosed in the section “Directors’ and Chief Executives’ Interests in Shares” above) in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares	Approximate percentage of shareholding in the Company
Forway (Notes 1 and 2)	Beneficial owner	546,802,990	66.12%
Fiducia Suisse SA (Notes 1 and 2)	Trustee of discretionary trust	546,802,990	66.12%

Notes:

(1) Interests of Forway and Fiducia Suisse SA in the Shares were duplicated.

(2) The entire issued share capital of Forway is owned by Fiducia Suisse SA in its capacity as the trustee of The Li Family 2004 Trust, a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself).

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any persons who (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 10 November 2004 (the “2004 Scheme”) and was expired on 9 November 2014. There are no outstanding options granted under the 2004 Scheme. The Company adopted a new share option scheme at an extraordinary general meeting of the Company held on 29 May 2015 (the “2015 Scheme”). The purpose of the 2015 Scheme is to provide the Company with a flexible means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the participants, and for such other purposes as the Board may approve from time to time. The 2015 Scheme has a life of 10 years and will expire on 28 May 2025.

OTHER INFORMATION



There were no options granted, exercised, cancelled/lapsed or outstanding under the 2004 Scheme during the period.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2015 Scheme during the review period are as follows:

Name of grantees	Date of grant	No. of shares comprised in share options				Note	Exercise price per share (HK\$)
		As at 1 January 2021	Granted during the period	Lapsed during the period	As at 30 June 2021		
Other Employees	1 June 2016	1,000,000	–	–	1,000,000	1	8.39
Other Employees	30 August 2017	3,000,000	–	–	3,000,000	2	7.21
		4,000,000	–	–	4,000,000		

(1) The options have a validity period of 6 years from the date of grant on 1 June 2016.

The options are exercisable in tranches:

- (i) up to 20% within such period(s) during the year commencing on 1 June 2017 to be designated by the Company;
- (ii) up to 20% within such period(s) during the year commencing on 1 June 2018 to be designated by the Company;
- (iii) up to 20% within such period(s) during the year commencing on 1 June 2019 to be designated by the Company;
- (iv) up to 20% within such period(s) during the year commencing on 1 June 2020 to be designated by the Company; and
- (v) up to 20% within such period(s) during the year commencing on 1 June 2021 to be designated by the Company.

The share options will be exercisable upon achievement of the relevant performance targets.

The closing price per share immediately before the date on which the options were granted was HK\$8.39.

(2) The options have a validity period of 10 years, from 30 August 2017 to 29 August 2027 (both dates inclusive).

The share options will be exercisable upon achievement of the relevant performance targets.

The closing price per share immediately before the date on which the options were granted was HK\$7.19.

Save as disclosed above, no option was granted, exercised, cancelled or lapsed under the 2015 Scheme. For details of the nature and terms of the 2015 Scheme, please refer to the circular of the Company dated 8 May 2015.



OTHER INFORMATION

EMPLOYEES' SHARE AWARD SCHEME

On 26 March 2018, the Company adopted the share award scheme (the "Scheme") with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. Unless terminated earlier by the Board of Directors pursuant to the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

Pursuant to the Scheme, the Board of Directors may, from time to time, at its absolute discretion cause to be paid to the trustee sums of money from the Company's resources for the purchase of shares to be held on trust in accordance with the Scheme and the trust deed. Such sums of money shall be applied towards the purchase of the specific number of shares from the open market according to the written instructions of the Board of Directors. The Board of Directors shall not make any further award which will result in the number of shares awarded by the Board of Directors under the Scheme exceeding 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of the awarded shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the adoption date.

During the six months ended 30 June 2021, 800,000 shares were disposed of by the trustee to the market at an average price of approximately HK\$5.50 (equivalent to RMB4.58) per share. The proceeds from disposal of those shares amounted to HK\$4,403,000 (equivalent to RMB3,663,000). The difference of HK\$2,885,000 (equivalent to RMB2,400,000) between the cost of the shares and the proceeds was credited to accumulated profits. No shares were granted to eligible employees pursuant to the Scheme. At the end of the reporting period, there are 71,600,000 shares held by the trustee.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2021, the Company or its subsidiaries did not purchase, sell or redeem any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2021, except for code provision A.2.1 as described below.

Code provision A.2.1 of the Code stipulates that the roles of chairman of the board (the "Chairman") and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing. The Company does not use the title "Chief Executive". The duty of the chief executive has been assumed by the president of the Company (the "President").

Mr. Li Zhenjiang has been both the Chairman and President. His responsibilities are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and President in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the relevant structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

OTHER INFORMATION



COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group’s senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions of the directors for the six months ended 30 June 2021.

CHANGES IN DIRECTOR’S INFORMATION

During the six months ended 30 June 2021, there are no issues related to the directors of the Company that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited consolidated results of the Group for the six months ended 30 June 2021.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 15 September 2021 to 16 September 2021 (both days inclusive). In order to qualify for the interim dividend for the six months ended 30 June 2021, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14 September 2021.

By order of the Board

China Shineway Pharmaceutical Group Limited

Li Huimin

Director

Hong Kong, 31 August 2021



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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**TO THE BOARD OF DIRECTORS OF
CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED**

中國神威藥業集團有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 23 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021



	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	1,554,097	1,190,112
Cost of sales		(407,067)	(313,747)
Gross profit		1,147,030	876,365
Other income		32,119	73,732
Investment income	4	51,090	70,277
Other gains and losses		(7,719)	6,772
Impairment losses on financial assets under expected credit loss model, net of reversal	11	(525)	(3,487)
Selling and distribution costs		(702,236)	(561,832)
Administrative expenses		(113,014)	(126,488)
Research and development costs		(25,025)	(20,176)
Finance costs		(1,298)	(13,354)
Profit before taxation		380,422	301,809
Taxation	5	(71,966)	(48,088)
Profit and total comprehensive income for the period	6	308,456	253,721
Earnings per share	8		
Basic		RMB41 cents	RMB33 cents
Diluted		RMB41 cents	RMB33 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	1,304,453	1,394,771
Intangible assets		75,966	36,959
Goodwill		165,956	102,497
Deposit for acquisition of a subsidiary		–	137,140
Deferred tax assets		19,417	23,104
		1,565,792	1,694,471
Current assets			
Inventories		434,078	442,999
Trade receivables	10	401,237	311,792
Trade receivables backed by bank bills	10	370,573	448,868
Prepayments, deposits and other receivables		87,347	72,320
Tax recoverable		–	48
Financial assets at fair value through profit or loss		22,621	–
Pledged bank deposits		–	300,000
Bank balances and cash		4,151,889	3,943,010
		5,467,745	5,519,037
Current liabilities			
Trade payables	12	146,033	164,377
Other payables and accrued expenses		588,038	501,628
Bank borrowings	13	–	369,319
Lease liabilities		7,975	7,791
Contract liabilities		59,762	67,672
Amounts due to related companies		13,784	14,784
Deferred income		22,204	10,749
Tax payable		41,243	58,372
		879,039	1,194,692
Net current assets		4,588,706	4,324,345
Total assets less current liabilities		6,154,498	6,018,816

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021



	<i>NOTE</i>	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		10,983	15,028
Deferred tax liabilities		18,109	5,297
Deferred income		177,537	204,309
		206,629	224,634
Net assets		5,947,869	5,794,182
Capital and reserves			
Share capital	14	87,662	87,662
Reserves		5,860,207	5,706,520
Total equity		5,947,869	5,794,182

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital	Share premium	Merger reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Share options reserve	Shares held for share award scheme	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	87,662	422,140	83,758	395,356	154,760	7,537	(584,712)	5,227,681	5,794,182
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	308,456	308,456
Transfer	-	-	-	1,076	-	-	-	(1,076)	-
Disposal of shares under share award scheme	-	-	-	-	-	-	6,063	(2,400)	3,663
Dividends paid	-	-	-	-	-	-	-	(158,466)	(158,466)
Recognition of equity-settled share based payments	-	-	-	-	-	34	-	-	34
At 30 June 2021 (unaudited)	87,662	422,140	83,758	396,432	154,760	7,571	(578,649)	5,374,195	5,947,869
At 1 January 2020 (audited)	87,662	422,140	83,758	396,926	154,760	7,406	(548,275)	5,172,550	5,776,927
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	253,721	253,721
Transfer	-	-	-	927	-	-	-	(927)	-
Release upon deregistration of a subsidiary	-	-	-	(3,234)	-	-	-	3,234	-
Purchase of shares under share award scheme	-	-	-	-	-	-	(36,437)	-	(36,437)
Dividends paid	-	-	-	-	-	-	-	(158,466)	(158,466)
Recognition of equity-settled share based payments	-	-	-	-	-	95	-	-	95
At 30 June 2020 (unaudited)	87,662	422,140	83,758	394,619	154,760	7,501	(584,712)	5,270,112	5,835,840

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021



	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash from operating activities		380,028	341,635
Investing activities			
Placement of financial products		(192,553)	(948,930)
Proceeds from redemption of financial products		173,903	967,923
Net proceeds from short-term financial products	4	-	28
Placement of pledged bank deposits		-	(300,000)
Withdrawal of pledged bank deposits		300,000	538
Interest received		29,803	47,934
Purchase of property, plant and equipment		(33,458)	(30,142)
Proceeds from disposal of property, plant and equipment		69,187	26,119
Acquisition of a subsidiary	15	8,510	-
Government grants received		6,193	31,820
Net cash from (used in) investing activities		361,585	(204,710)
Financing activities			
New bank borrowing raised		-	740,252
Proceeds from disposal of shares held for share award scheme		3,663	-
Repayment of bank borrowings		(369,319)	(528,844)
Dividends paid		(158,466)	(158,466)
Purchase of shares held for share award scheme		-	(36,437)
Repayment to related companies		(1,000)	-
Interest paid		(1,298)	(13,354)
Repayment of lease liabilities		(3,861)	(2,278)
Net cash (used in) from financing activities		(530,281)	873
Net increase in cash and cash equivalents		211,332	137,798
Cash and cash equivalents at beginning of the period		3,943,010	3,946,006
Effect of exchange rate changes of cash and cash equivalents		(2,453)	(367)
Cash and cash equivalents at end of the period, representing bank balances and cash		4,151,889	4,083,437



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board.

The Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to International Financial Reporting Standards (“IFRS Standards”)

In the current interim period, the Group has applied the following amendments to IFRS Standards, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16

Covid-19-Related Rent Concessions

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRS Standards in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021



3. REVENUE AND SEGMENT INFORMATION

Operating segment

The Group is engaged in a single operating segment in research and development, manufacturing and trading of Chinese pharmaceutical products. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the Chairman of the Board of Directors of the Group, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. No other discrete financial information is provided other than the Group's results and financial position as a whole.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Injections	635,382	489,274
Soft capsules	275,126	255,648
Granules	238,342	147,312
Traditional Chinese medicine formula granules	321,509	239,762
Others	83,738	58,116
	1,554,097	1,190,112

Sales of the Group to external customers were substantially made in the PRC including Hong Kong.

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4. INVESTMENT INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank deposits	47,119	51,256
Investment income from financial products <i>(note)</i>	3,903	18,993
Investment income from short-term financial products <i>(note)</i>	–	28
Gain from changes in financial assets at fair value through profit or loss related to short-term financial products <i>(note)</i>	68	–
	51,090	70,277

Note: The financial products and short-term financial products are measured at fair value through profit or loss for both periods. The redemption amount (including the return) of such products is related to the performance of underlying debt instruments, equity instruments or foreign currencies. The investment income represents the difference between initial investment amounts and redemptions amounts. In the opinion of the directors of the Company, the short-term financial products are large in amounts, with quick turnover and short maturities ranging from one to three months. Accordingly, the cash receipts and payments for these short-term financial products are presented on a net basis in the condensed consolidated statement of cash flows.

5. TAXATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current tax	60,180	53,420
Under (over) provision in prior years	3,326	(4,705)
	63,506	48,715
Deferred tax	8,460	(627)
	71,966	48,088

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. As the Company and its subsidiaries operating in Hong Kong do not have assessable profits, no provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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5. TAXATION (Cont'd)

A subsidiary which is operating in Western China has been granted tax concession by the local tax bureau and is entitled to PRC EIT at concessionary rate of 15% for both periods. Certain subsidiaries which are recognised as High and New-tech Enterprises have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2011 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Tax Law and Article 91 of its Detailed Implementation Rules.

Under the applicable corporate tax law in Australia, income tax is charged at 27.5% (six months ended 30 June 2020: 27.5%) of the estimated assessable profits. No provision for Australian income tax has been made in the condensed consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both periods.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB5,084,988,000 (31 December 2020: RMB4,818,796,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	5,676	21,315
Depreciation of property, plant and equipment	83,655	82,779
Government subsidies (included in other income) (Note)	(24,881)	(67,370)
Net exchange gain (included in other gains and losses)	(518)	(3,822)
Loss (gain) on disposal of property, plant and equipment (included in other gains and losses)	8,237	(2,950)
Share-based payments expense	34	95

Note: The government subsidies represent the amounts received from the local government by the subsidiaries of the Company. During the six months ended 30 June 2021, government subsidies of (a) RMB3,371,000 (six months ended 30 June 2020: RMB59,808,000) represent incentives received in relation to engagement of the subsidiaries of the Company in high technology business. The grants were unconditional, approved and received during the year of recognition; (b) RMB6,456,000 (six months ended 30 June 2020: RMB7,562,000) represent recognition of deferred income upon completion of related research activities and development projects; and (c) RMB15,054,000 (six months ended 30 June 2020: nil) represented recognition of deferred income in relation to disposal of property, plant and equipment in 邛崃醫藥產業園 (Qionglai Pharmaceutical Area) in Sichuan Province in the PRC due to a land resumption by local government, which associated with a government grant received in 2011.



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7. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Dividends		
– 2020 final dividend of RMB21 cents (2020: 2019 final dividend of RMB12 cents) per share paid	158,466	90,552
– 2021: 2020 special dividend of nil (2020: 2019 special dividend of RMB9 cents per share paid)	–	67,914
	158,466	158,466
– 2021 interim dividend of RMB39 cents (2020: RMB11 cents) per share	294,606	83,006

The interim dividend of RMB39 cents (six months ended 30 June 2020: RMB11 cents) per share which was proposed by the directors of the Company for the period has been calculated on the basis of 827,000,000 (30 June 2020: 827,000,000) shares in issue less 71,600,000 (30 June 2020: 72,400,000) shares held for share award scheme as at 30 June 2021, and will be paid on 28 September 2021, to the shareholders of the Company whose names appear in the Company's register of members on 16 September 2021.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	308,456	253,721

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8. EARNINGS PER SHARE (Cont'd)

	Six months ended 30 June	
	2021	2020
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of calculation of basic and diluted earnings per share	754,877,901	758,879,401

The computation of diluted earnings per share does not assume the exercise of the Company's options at exercise prices of HK\$8.39 and HK\$7.21 (six months ended 30 June 2020: HK\$8.39 and HK\$7.21) because the exercise prices of those options were higher than the average market price for shares for the period ended 30 June 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group made additions to construction in progress of RMB3,724,000 (six months ended 30 June 2020: RMB4,403,000) and acquired other property, plant and equipment of RMB23,297,000 (six months ended 30 June 2020: RMB30,367,000). During the six months ended 30 June 2021, the Group also disposed of certain property, plant and equipment with carrying amount of RMB77,424,000 (six months ended 30 June 2020: RMB23,169,000) at net consideration of RMB69,187,000 (six months ended 30 June 2020: RMB26,119,000), resulting in a loss on disposal of RMB8,237,000 (six months ended 30 June 2020: gain on disposal of RMB2,950,000).

10. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BANK BILLS

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Trade receivables	411,591	321,621
Less: Allowance for expected credit loss ("ECL")	(10,354)	(9,829)
	401,237	311,792
Trade receivables backed by bank bills	371,688	449,983
Less: Allowance for ECL	(1,115)	(1,115)
	370,573	448,868
	771,810	760,660



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10. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BANK BILLS (Cont'd)

The Group allows credit periods normally ranging from six months to one year to its trade customers. The following is an aged analysis of the trade receivables and trade receivables backed by bank bills, net of allowance for ECL, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Within 6 months	677,170	708,332
Over 6 months but less than 1 year	80,020	42,134
Over 1 year but less than 2 years	13,413	9,852
More than 2 years	1,207	342
	771,810	760,660

As at 30 June 2021, total bills received with carrying amount to RMB370,573,000 (31 December 2020: RMB448,868,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Impairment losses on trade receivables	525	3,487

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidation financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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12. TRADE PAYABLES

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Trade payables	146,033	164,377

An aged analysis of the Group's trade payables at the end of the reporting period is as follows:

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Within 6 months	134,679	158,903
Over 6 months but less than 1 year	1,905	1,117
Over 1 year but less than 2 years	624	1,607
Over 2 years but less than 3 years	6,810	989
Over 3 years	2,015	1,761
	146,033	164,377

The average credit period taken for trade purchases ranges from two months to six months.

13. BANK BORROWINGS

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Bank loans, unsecured	-	70,000
Loans related to bills discounted with recourse	-	299,319
	-	369,319

As at 31 December 2020, the bank loans of RMB70,000,000 were unsecured and repayable within one year and carried a fixed interest rate at 2.05% per annum.

As at 31 December 2020, the loans related to bills discounted with recourse of RMB299,319,000 were related to intercompany bills discounted, pledged by bank deposits and repayable within one year and carried a fixed interest rate at 2.72% per annum.



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14. SHARE CAPITAL

	Number of shares '000	Amount '000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	5,000,000	HK\$500,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 30 June 2021	827,000	HK\$82,700
		RMB'000
Shown in the financial statements as		87,662

There were no changes in the Company's authorised, issued and fully paid share capital during both periods.

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15. ACQUISITION OF A SUBSIDIARY

On 20 February 2021, the Company entered into a sales and purchase agreement with an independent third party pursuant to which the Company agreed to purchase entire interest in Shineway Pharmaceutical (Kunming) Company Limited (formerly known as Yunnan Liangfang Pharmaceutical Co., Ltd.) (“Kunming Shineway”) at a cash consideration of RMB137,140,000. Kunming Shineway is engaged in manufacturing and trading of Chinese pharmaceutical products. The transaction was completed during the six months ended 30 June 2021 and has been accounted for as acquisition of business using the acquisition method. The primary reason for the acquisition is for the expansion of the Group’s business and to increase returns to its shareholders.

RMB’000

Fair value of identified assets acquired and liabilities recognised at the date of acquisition was as follows:

Property, plant and equipment	43,740
Intangible assets	44,683
Inventories	4,825
Trade and other receivables	6,370
Bank balances and cash	8,510
Trade and other payables	(24,001)
Tax payable	(2,407)
Deferred tax liabilities	(8,039)

73,681

Consideration transferred	137,140
Less: Net assets acquired	(73,681)

Goodwill arising on acquisition	63,459
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Analysis of net cash inflow in respect of acquisition of a subsidiary:

Cash consideration	(137,140)
Deposit for acquisition of a subsidiary	137,140
Bank balances and cash acquired	8,510

8,510

The receivables acquired (which principally comprised trade and other receivables) with a fair value of RMB6,370,000 at the date of acquisition had gross contractual amounts of RMB76,560,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB70,190,000.

Goodwill arose on the acquisition of Kunming Shineway because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Kunming Shineway. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.



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15. ACQUISITION OF A SUBSIDIARY (Cont'd)

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

During the period, Kunming Shineway contributed RMB6,151,000 to the Group's revenue and made a loss of RMB2,305,000 for the period between the date of acquisition and the end of the reporting period.

Had the acquisition of Kunming Shineway been completed on 1 January 2021, revenue for the period of the Group would have been RMB1,556,477,000, and profit for the period would have been RMB306,266,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

16. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company has share option scheme which were adopted on 10 November 2004 and 29 May 2015. During the period, no share options were granted under the share option scheme of the Company.

Share award scheme

On 26 March 2018, the Company adopted the share award scheme ("the Scheme") with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. Unless terminated earlier by the Board pursuant to the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

Pursuant to the Scheme, the Board may, from time to time, at its absolute discretion cause to be paid to the trustee sums of money from the Company's resources for the purchase of shares to be held on trust in accordance with the Scheme and the trust deed. Such sums of money shall be applied towards the purchase of the specific number of shares from the open market according to the written instructions of the Board of Directors. The Board of Directors shall not make any further award which will result in the number of shares awarded by the Board under the Scheme exceeding 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of the awarded shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the adoption date.

During the six months ended 30 June 2021, 800,000 shares were disposed of by the trustee to the market at an average price of approximately HK\$5.50 (equivalent to RMB4.58) per share. The proceeds from disposal of those shares amounted to HK\$4,403,000 (equivalent to RMB3,663,000). The difference of HK\$2,885,000 (equivalent to RMB2,400,000) between the cost of the shares and the proceeds was credited to accumulated profits. During the six months ended 30 June 2020, 7,032,000 shares were purchased by the trustee from the market at an average price of approximately HK\$5.70 (equivalent to RMB5.18) per share, with an aggregate amount of HK\$40,080,000 (equivalent to RMB36,437,000). No shares were granted to eligible employees pursuant to the share award scheme. At the end of the reporting period, there are 71,600,000 (31 December 2020: 72,400,000) shares held by the trustee.

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17. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical")	Interest expenses on lease liabilities	329	20
	Service fee	4,918	5,417
Shineway (Sanhe) Property Development Limited ("Shineway Sanhe")	Interest expenses on lease liabilities	79	26
	Service fee	1,205	1,273
Kang Yue Hotel Co., Ltd. ("Kang Yue Hotel")	Interest expenses on lease liabilities	90	25
	Hotel service fee	112	214
Shijiazhuang Municipal Luancheng County Shineway Training School ("Shineway Training School")	Service fee	201	936
Name of related parties	Nature of balances	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Shineway Medical	Lease liabilities	11,652	13,815
Shineway Sanhe	Lease liabilities	2,806	3,326
Kang Yue Hotel	Lease liabilities	3,198	3,792

Shineway Medical, Shineway Sanhe, Kang Yue Hotel and Shineway Training School, all of which are ultimately controlled by the controlling shareholder of the Company.



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17. RELATED PARTY DISCLOSURES (Cont'd)

Compensation of key management personnel

Key management personnel is deemed to be the members of the Board of Directors of the Company which has responsibility for planning, directing and controlling the activities of the Group. Details of the remuneration paid to them during the period were as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term benefits	6,048	5,011
Post-employment benefits	30	33
Share-based payments expense	34	95
	6,112	5,139

18. CAPITAL COMMITMENTS

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	125,796	147,191