



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)

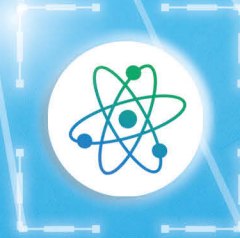
Stock Code: 2877



2022 INTERIM REPORT



**LEADING**  
*MODERN CHINESE MEDICINE*  
**PROMOTING**  
*HEALTH INDUSTRY*





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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. Liu Shun Fai

### Non-executive Director

Mr. Zhou Wencheng

## BOARD COMMITTEES

### Audit Committee

Mr. Liu Shun Fai (*Committee Chairman*)  
Ms. Cheng Li  
Prof. Luo Guoan

### Remuneration Committee

Ms. Cheng Li (*Committee Chairman*)  
Ms. Xin Yunxia  
Mr. Liu Shun Fai

### Nomination Committee

Mr. Li Zhenjiang (*Committee Chairman*)  
Prof. Luo Guoan  
Mr. Liu Shun Fai

## Corporate Social Responsibility and Sustainability Committee

Mr. Liu Shun Fai (*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  
35/F, One Pacific Place  
88 Queensway Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

# CORPORATE INFORMATION

## HEAD OFFICE

Luan Cheng, Shijiazhuang  
Hebei Province, The People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3109, 31/F, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## 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*  
Woo Kwan Lee & Lo

*As to Cayman Islands Law*  
Conyers Dill & Pearman, Cayman

## STOCK CODE

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

## WEBSITES

[www.shineway.com.hk](http://www.shineway.com.hk)  
[www.shineway.com](http://www.shineway.com)

# INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2022 (the “Period”), the operating results of the Group were as follows:

- Turnover amounted to RMB1,815,194,000, an increase of 16.8% as compared to the corresponding period of last year;
- Gross profit margin was 73.0% as compared to 73.8% of the corresponding period of last year;
- Profit for the Period amounted to RMB331,123,000, an increase of 7.3% as compared to the corresponding period of last year;
- Earnings per share amounted to RMB44 cents, an increase of 7.3% as compared to the corresponding period of last year;
- Declared 2022 second interim dividend of RMB11 cents per share;
- Net assets per share amounted to RMB7.3 (equivalent to HKD8.6); and
- Net cash per share amounted to RMB5.4 (equivalent to HKD6.3).

# 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 mainly 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 2022, the Group’s prescription and over-the-counter (“OTC”) medicines accounted for approximately 89.1% and 10.9% of the Group’s turnover respectively. These medicines are mainly categorized by curative effects of medications into eight categories including 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.

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 tract infection, viral hepatitis, cerebral haemorrhage and cerebral thrombosis
- 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, acclimatization sickness
- Pediatric Qing fei Hua Tan Granule: for children infected by respiratory related diseases
- Huamoyan Granule: for treatment of both acute and chronic synovitis and treatment after joint surgery
- Qing Kai Ling Soft Capsule: for treatment of high fever, viral influenza and respiratory tract infection

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS CONTINUED TO RISE

The PRC government has been making great efforts on pushing forward the development of traditional Chinese medicine (“TCM”) with frequent promulgation of supportive industrial policies and measures to promote the unique advantages of TCM in the construction of “Healthy China”. The Group embraced such development opportunity by continuously enhancing comprehensive terminal coverage and strengthening academic-based marketing. Hence, despite the impact of the COVID-19 pandemic (“pandemic”), our operating results had continued to rise. The Group’s TCM formula granules showed rapid growth momentum and recorded increase in sales by 46.0%. This led the Group’s overall sales to rise by 16.8% to RMB1,815,194,000 for the six months ended 30 June 2022 (the “Period”).

During the Period, gross profit margin decreased slightly from 73.8% for the same period last year to 73.0%. While selling and distribution costs rose by 17.5% as compared to the same period last year, the extent of increase approximated proportionally to the increase of sales revenue. Nonetheless, the decrease of government subsidy income and the increase of administrative expenses as compared with the same period of last year had led to the decrease in the net profit margin from 19.8% to 18.2%, while net profit recorded an increase of 7.3% to RMB331,123,000. Earnings per share increased by 7.3% to RMB44 cents as compared to the same period last year.

The Board resolved to declare the second interim dividend of RMB11 cents (HKD12.5 cents) per share in respect of the fiscal year 2022, which is set to be paid on 29 September 2022 to the shareholders whose names appear on the Company’s register of members on 16 September 2022.

As of 30 June 2022, calculating based on the total issued shares of 827,000,000, net cash per share of the Group amounted to HKD6.3, and net assets per share amounted to HKD8.6.

## ORAL PRODUCTS PROPORTION REACHED 61.6%

In the first half of 2022, despite facing the complex situation of frequent outbreak of pandemic in China, most key products and exclusive products of the Group achieved sales growth during the Period. Meanwhile, the Group’s TCM formula granules delivered excellent results. The table below shows the sales and growth rates of each dosage form for the first half of 2022 as compared to the same period last year:

	Sales First six months of 2021 RMB'000	Sales First six months of 2022 RMB'000	Period-on-period growth rate	Percentage of sales First six months of 2022
Injection products	635,382	<b>697,146</b>	9.7%	38.4%
Soft capsule products	275,126	<b>295,959</b>	7.6%	16.3%
Granule products	238,342	<b>257,806</b>	8.2%	14.2%
TCM formula granules	321,509	<b>469,273</b>	46.0%	25.9%
Other product formats	83,738	<b>95,010</b>	13.5%	5.2%
Oral products	918,715	<b>1,118,048</b>	21.7%	61.6%
Total sales	1,554,097	<b>1,815,194</b>	16.8%	100.0%

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the development strategy of oral products. Overall sales of oral products increased by 21.7% in the first six months of 2022, of which sales of soft capsules, granules and TCM formula granules increased by 7.6%, 8.2% and 46.0% respectively, as compared to the same period last year. Oral products accounted for 61.6% of the total sales, increased from 59.1% in the same period last year. At the same time, total sales of injection products recorded an increase of 9.7%. Its proportion in the Group's total sales went down continually, decreasing from 40.9% of the same period last year to 38.4%.

During the Period, the Group recorded notable increase in sales of exclusive oral products such as Huamoyan Granule, Huamoyan Capsule, Qi Huang Tong Mi Granule and Jiang Zhi Tong Luo Soft Capsule, respectively. Yet, soft capsule and granule products had not achieved a higher magnitude of overall growth mainly due to the recurring pandemic outbreaks in the first half of this year, which resulted in the so-called “four types of medications”, i.e. febrifuge, cough suppressants, antivirals and antibiotics, being limited or prohibited for sale by online and offline retail pharmacies in many places across the country until about late April to early May. As a result, revenue of the aforementioned “four types of medications” of the Group which are being sold in retail pharmacies generally declined during the Period. Among which the sales of Huo Xiang Zheng Qi Soft Capsule decreased by 13.5% to RMB71,211,000, and the sales of Pediatric Qingfei Huatan Granule (a pediatric retail medicine) also was lower by 15.3% to RMB30,943,000 during the Period. Since the pandemic has been under control at present, the restrictions on sales of the relevant “four types of medications” have been gradually lifted. Their retail sales saw notable turnaround. It is expected that the growth momentum of such medicines will gradually improve in the second half of the year.

Sales of injection products increased by 9.7% during the Period, of which Qing Kai Ling Injection recorded a 43.3% increase to RMB207,799,000, and Guan Xin Ning Injection increased by 10.7% to RMB157,701,000, while sales of Shen Mai Injection and Shu Xie Ning Injection decreased by 11.3% and 15.2% to RMB90,666,000 and RMB110,792,000 respectively. The decreases in sales of Shen Mai Injection and Shu Xie Ning Injection were mainly because implementation schedules of online purchases of Hubei Province-led centralised procurements of traditional Chinese medicines have been varying from province to province. Many participating provinces have delayed their implementation schedules. This centralized procurement scheme was participated by a total of 19 provinces, and till now only 6 provinces had commenced their respective online procurement portal listing procedures. The remaining 13 provinces have not yet implemented the online procurements nor publishing the notice on the procurement volume agreed by the medical institutions in that province. In addition, the adjustment by the Group's sales channel strategy for one of the specifications of Shen Mai Injection had somewhat affected sales growth of this product. The Group believes that with the completion of the sales channel adjustment and the commencements of online centralized procurement of tendered medications with agreed-upon procurement quantities in other provinces, sales volume of Shen Mai Injection and Shu Xie Ning Injection may pick up in the second half of the year.

## **TCM FORMULA GRANULES GREW SHARPLY**

The Group's TCM formula granules witnessed a fantastic development in 2022. Market opening policies have already driven the expansion of the TCM formula granules market. In the face of changing market landscape, the Group overcame various impacts of the pandemic and embraced such market opportunities with rapid responses, technical knowhow advantages, solid product quality and excellent customer services. As a results, the Group experienced rapid development of our TCM formula granules with a substantial increase in sales by 46.0% during the Period. Their proportion of the Group's total sales had also went up from 20.7% to 25.9% as compared to the same period last year. According to the latest unaudited data, the Group's sales of TCM formula granules surpassed RMB100 million (tax inclusive) during the single month of July 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS

Currently, Hebei Province contributed to the majority of the Group's sales of TCM formula granules with a significant growth from the same period last year. The Group also achieved remarkable results in Yunnan Province through academic marketing. Sales generated from that province increased by 186.3% compared to the same period last year. The Group's TCM formula granules business unit will continue to step up its efforts in cultivating targeted hospitals in Hebei Province and Yunnan Province while accelerating the personnel deployments, product preparations and hospital development work on national grade medical institutions and the grass-root markets.

As of the first half of August 2022, the National Medical Products Administration and the Pharmacopoeia Commission had promulgated national standards for 200 varieties of TCM formula granules, and also published national standards of additional 51 varieties for public scrutiny. Presently, the Group has completed all filings of the entire varieties with national standards needed for the market launch. The completed inter-provincial filings had reached 29 provinces. The Group is now making every effort to speed up the filings of varieties with provincial standards of key provinces outside the Hebei Province.

At present, the Group has completed the listing on the online procurement portals for TCM formula granules varieties complied with both the national and provincial quality standards in the provinces of Hebei, Yunnan, Fujian, Shandong, Gansu, and Inner Mongolia. This laid the foundation for the Group's TCM formula granules to develop markets in these provinces. In Fujian and Gansu provinces, other than the existing six companies that held national permits, the Group is the only other company that has obtained the qualification to list on the relevant online procurement portals. In addition, the Group is one of the companies with comparably larger quantities of TCM formula granules varieties listed on the online procurement portals of Yunnan and Shandong provinces.

During the Period, the Group also completed the expansion of production capacity of TCM formula granules to an annual production value of RMB5 billion. In the future, the Group will continue to implement its production capacity expansion plan based on market development status.

In order to better meet the medication needs of the public and to stipulate the management of online procurement portals of TCM formula granules, Hebei Province issued the "Notice on Specification of Online Procurement Portals of TCM Formula Granules" (《關於開展中藥配方顆粒規範掛網的通知》) during the Period, which states that TCM formula granules that meet the national and provincial quality standards and have been registered with the medical products supervision and administration department of Hebei Province may apply for listing on the online procurement portals. The Notice requires that manufacturers of TCM formula granules shall submit price quotations according to the regulations. And if any TCM formula granules enterprise makes malicious price quotations, disrupts the market order, causing the inability to meet the clinical drug needs of medical institutions and patients, or is not able to supply regularly for two consecutive months, its qualification to list on the online procurement portals will be cancelled. For enterprises that have been disqualified from listing on the online procurement portals, they cannot re-apply for such qualification within one year, and will be treated as untrustworthy. Accordingly, the Group believes that the opening of the TCM formula granules market will not lead to unreasonable price quotations which would affect the high-quality development of the TCM formula granules.

## **BOOSTING MARKET DEVELOPMENT OF EXCLUSIVE PRODUCTS**

In the first six months of this year, sales of the Group's exclusive products maintained rapid growth. Among them, sales of Huamoyan Granule, Huamoyan Capsule, Qi Huang Tong Mi Soft Capsule, Jiang Zhi Tong Luo Soft Capsule and Dan Deng Tong Nao Soft Capsule increased by 30.9%, 70.7%, 69.2%, 114.4% and 110.5% to RMB107,207,000, RMB16,133,000, RMB30,630,000, RMB16,631,000 and RMB13,969,000 respectively as compared to the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

Chinese medicine has remarkable efficacy in the prevention and treatment of severe diseases, common diseases, and rare and complex complications. The Group's exclusive innovative Chinese medicine, Huamoyan Granule, is the only innovative Chinese medicine for treating knee joint synovitis approved by the National Medical Products Administration. It has filled the gap in both Western medications and traditional Chinese medicine in the treatment of synovitis in China. And Qi Huang Tong Mi Soft Capsule is a new generation of modern Chinese medicine for the treatment of functional constipation. The product is efficient in curing senile constipation and habitual constipation, especially in the slow transmission type (deficient constipation) and mixed functional constipation. Qi Huang Tong Mi Soft Capsule can quickly relieve key symptoms such as dry stool, difficulty in defecation and loss in defecation frequency. After ceasing the intake for two weeks, the symptoms do not worsen. Hence, the effect is long-lasting and this successfully addresses the safety and efficacy problems of comparable generic drugs in the market. This product has become the only new generation of modern Chinese medicine on the market for treating functional constipation of the elderly that is laxative without causing diarrhea, while also being sustainable and effective. Jiang Zhi Tong Luo Soft Capsule, a single herb prescription medicine with turmeric extract as the main ingredient, is the only lipid regulator with hepatoprotective effect, and can effectively treat hyperlipidemia with good safety. When used together with statin drugs, this product can create synergistic and complementary effects, lower the potential risk of cerebrovascular disease and reduce the incidence of adverse reactions effectively.

The Group will continue to actively carry on evidence-based medical research, and through boosting end-terminal investments and academic promotion to expand the sales of our exclusive products.

## **PUSHING THE DEVELOPMENT OF ETHNIC MEDICINE**

Yunnan is a major province of traditional Chinese medicine and ethnic medicine. With its rich resources of Chinese herbal medicine, it has more than 1,300 ethnic medicines, ranking the first in China. Since 2006, the Group has been increasing our investments in the Yunnan Province. We successively established a wholly-owned subsidiary, Yunnan Shineway Spirin Pharmaceutical (雲南神威施普瑞藥業), which is dedicated to the production and research and development of modern Chinese medicines, ethnic medicines and TCM formula granules. We also completed the acquisitions of ethnic medicine enterprises Lao Bo Yun Tang (老撥雲堂) and Yunnan Liangfang Pharmaceutical (雲南良方藥業). With these initiatives, the Group has formed a series of ethnic medicine featuring Yi medicine (彝藥), Dai medicine (傣藥) as well as classic famous prescriptions for the development of ethnic medicine in Yunnan Province.

The ethnic medicine division of the Group has carried out a number of market promotions for ethnic medicines including Xiao Jie An Capsule/Oral Liquid, Guan Tong Shu Capsule/Oral Liquid, Run Yi Rong Capsule/Oral Liquid, and Hawthorn Nei Jin Oral Liquid. Xiao Jie An Capsule/Oral Liquid is used for intramammary nodules caused by qi stagnation and blood stasis, breast lobular hyperplasia, ovarian cysts, and uterine fibroids. Guan Tong Shu Capsule/Oral Liquid is used for joint pain caused by wind-cold-dampness arthralgia, unfavorable flexion and extension, as well as lumbar muscle strain and traumatic low back and leg pain. Run Yi Rong Capsule/Oral Liquid is used for acne and chloasma caused by wind-heat. Hawthorn Nei Jin Oral Liquid is used for infantile malnutrition caused by indigestion, loss of appetite, abdominal distention and pain, indigestion, and defecation disorders.

The Group continues to intensify our efforts to deeply explore the of Yunnan traditional Chinese medicine and ethnic medicine and turn their advantages and resources into industrial advantages and growth points for business development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **CONTINUING TO ACCELERATE THE DEVELOPMENT OF EXCLUSIVE INNOVATIVE MEDICATIONS**

The Group continues to adopt the combined strategy of independent research and development, joint research and development as well as patents trading to accelerate the development of exclusive innovative medications with clinical advantages and unique characteristics.

Leveraging on our academician workstations, post-doctoral scientific research workstations, national laboratories accredited by CNAS, state-certified enterprise technology centers and other scientific research and technology platforms, the Group developed new products, and actively carried out extensive scientific research and academic cooperation with well-known scientific research units and many well-known experts. Currently, a number of research projects of the Group are undergoing pharmaceutical and clinical trials, among which 3 exclusive innovative medications, namely Sailuotong Capsule, Q-B-Q-F Condensed Pill, and JC Soft Capsule, are still undergoing Phase III clinical trials.

The Group will provide update on the status of the clinical trials from time to time. Please refer to the previously published interim reports and annual reports for the detail descriptions and market potentials of the aforementioned three medications.

## **CONTINUAL PROMULGATION OF FAVORABLE POLICIES TO TCM INDUSTRY**

In the first half of 2022, the PRC government continued to issue supportive policies and regulations to promote the revitalization of traditional Chinese medicine, covering the entire industry chain of Chinese medicine across the country.

In March 2022, the General Office of the State Council issued the “14th Five-Year Plan for the Development of Traditional Chinese Medicine” (《「十四五」中醫藥發展規劃》) to positioning the work on traditional Chinese medicine practice comprehensively during the 14th Five-Year Plan Period. This is the first five-year plan for traditional Chinese medicine issued in the name of the General Office of the State Council in accordance with the country’s “Fourteenth Five-Year Plan for National Economic and Social Development and Outline of Vision 2035” (《國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標綱要》). It specifies measures and provides assurance for the high-quality development of Chinese medicine from a strategic perspective. The key development targets include the increase from 2020 to 2025 in the number of TCM medical institutions from over 70,000 to over 90,000 and the number of Chinese medicine hospitals from over 5,000 to over 6,000, as well as the increase in the number and coverage of TCM physicians. Its overall requirements also include clearly adhering to the equal emphasis on traditional Chinese medicine and western medicine, promoting the complementary and coordinated development of traditional Chinese medicine and western medicine, and providing strong support for comprehensively promoting the construction of a healthy China and better protecting people’s health.

# MANAGEMENT DISCUSSION AND ANALYSIS

In early June 2022, the National Administration of Traditional Chinese Medicine also issued the “Notice on the Development Plan for Promoting the High-quality Integration of Traditional Chinese Medicine and the Joint Construction of the Belt and Road Initiative (2021-2025)” (《推進中醫藥高品質融入共建「一帶一路」發展規劃(2021-2025年)》), which stipulates the focus on the heritage and innovative development of TCM with promoting the modernization, industrialization and globalization of TCM as development goals. The Notice requires the cooperation with the “Belt and Road” countries to build a high-quality overseas Chinese medicine center, an international cooperation base for Chinese medicine, a national Chinese medicine service export base, etc., and to strengthen the construction of an overseas registration service platform for traditional Chinese medicine products during the “14th Five-Year Plan” Period. By 2025, the inter-governmental cooperation mechanism of traditional Chinese medicine shall be further improved, the practical cooperation in the fields of medical care, education and training, scientific and technological research and development and cultural communication will be solidly promoted. Furthermore, the level of internationalizing traditional Chinese medicine industry should be continuously enhanced, and the high-quality traditional Chinese medicine will be integrated into the joint construction, leading to remarkable results achieved under the Belt and Road Initiative.

The national policy to promote the revitalization and development of traditional Chinese medicine is accelerating the implementation of the development of the traditional Chinese medicine industry. The opening up of TCM Formula Granules’ national market is in full speed. The Group is also making continuous efforts and increasing investment to seize the new round of development cycle and to drive for rapid business development.

## FINANCIAL ANALYSIS

### Turnover

For the first six months of 2022, the Group continued to produce modern Chinese medicine products of good efficacy and high quality. The Group’s turnover had increased by 16.8% as compared to the corresponding period of last year. Sales of our injection products had increased by 9.7% to RMB697,146,000, accounted for 38.4% of the Group’s total turnover. Sales of soft capsule products had increased by 7.6% to RMB295,959,000, accounted for 16.3% of the Group’s total turnover. Sales of granule products had increased by 8.2% to RMB257,806,000, accounted for 14.2% of the Group’s total turnover. Sales of TCM formula granules had increased by 46.0% to RMB469,273,000, accounted for 25.9% of the Group’s total turnover. The Group had also sold RMB95,010,000 of medicines in other formats which accounted for 5.2% of the Group’s turnover.

Sales of prescription and OTC medicines of the Group for the first six months of 2022 were RMB1,617,177,000 and RMB198,017,000 respectively, which equal to 89.1% and 10.9% of the Group’s turnover respectively.

### Cost of Sales

Cost of sales of the Group for the first six months of 2022 was RMB490,380,000, representing 27.0% of the Group’s turnover. Direct materials, direct labour and other production costs accounted for 60.5%, 15.5% and 24.0% of the total production costs respectively (for the corresponding period of 2021: 63.7%, 14.2% and 22.1%).

### Gross Profit Margin

For the first six months of 2022, average gross margin of the Group’s injection products, soft capsule products, granule products and TCM formula granule products were 73.6% (for the corresponding period of 2021: 77.4%), 74.6% (for the corresponding period of 2021: 75.1%), 77.5% (for the corresponding period of 2021: 76.5%) and 70.1% (for the corresponding period of 2021: 69.3%) respectively. Overall gross profit margin was 73.0% as compared to 73.8% of the corresponding period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Other income mainly includes government subsidies of RMB7,634,000 (for the corresponding period of 2021: RMB24,881,000). 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.

## Investment Income

Investment income mainly includes interest income from bank deposits and investments in financial products of RMB53,023,000 (for the corresponding period of 2021: RMB47,119,000) and RMB3,504,000 (for the corresponding period of 2021: RMB3,903,000) respectively.

## Other Gains and Losses

Other gains and losses comprised of net exchange loss and loss on disposal of property, plant and equipment. The Group recorded net exchange loss of RMB1,847,000 (for the corresponding period of 2021: net exchange gain of RMB518,000) for the first six months of 2022, which was mainly resulted from exchange loss 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 RMB296,000 (for the corresponding period of 2021: net loss of RMB8,237,000).

## Selling and Distribution Costs

Selling and distribution costs for the first six months of 2022 increased by 17.5% from the corresponding period of last year and were equal to 45.4% (for the corresponding period of 2021: 45.2%) of the Group's turnover. The increase was mainly due to the increase in market development expense, sale management expense and salaries and social security outlay of sales staff as compared to same period of last year.

## Administrative Expenses

In the first six months of 2022, administrative expenses increased by approximately 13.2% as compared to the corresponding period of last year, representing approximately 7.0% (for the corresponding period of 2021: 7.3%) 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 2021: 2.3% and 1.5%) of the Group's turnover respectively.

## Research and Development Costs

During the first six months of 2022, research and development costs accounted for approximately 1.6% (for the corresponding period of 2021: 1.6%) of the Group's turnover which was comparable with the corresponding period of last year.

## Taxation

Taxation for the first six months ended 30 June 2022 amounted to RMB80,285,000 (for the corresponding period of 2021: RMB71,966,000). The effective tax rate was increased from 18.9% in the corresponding period of last year to 19.5%. 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 PRC during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the Period

The Group's net profit for the first six months ended 30 June 2022 was RMB331,123,000, representing an increase of 7.3% 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 the second interim dividend of RMB11 cents per share amounting to RMB83,094,000 in respect of the fiscal year 2022 and is calculated on the basis of 827,000,000 shares issued less 71,600,000 shares held for share award scheme as at 30 June 2022, which will be paid on 29 September 2022 to the shareholders whose names appear on the Company's register of members on 16 September 2022.

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 30 August 2022 (RMB1=HK\$1.136). Accordingly, the amount payable on 29 September 2022 will be HK\$0.125 per share.

## Capital Structure

For the six months ended 30 June 2022, there was no change in the capital structure and issued share capital of the Group as compared to those on 31 December 2021.

## Liquidity and Financial Resources

As at 30 June 2022, bank deposits of the Group amounted to RMB4,461,197,000 (31 December 2021: RMB4,205,722,000) of which RMB4,376,248,000 (31 December 2021: RMB4,094,854,000), were denominated in Renminbi. Others being equivalent to RMB38,461,000, RMB42,725,000 and RMB3,763,000 (31 December 2021: RMB64,308,000, RMB43,307,000 and RMB3,253,000) 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 2022 increased and decreased by 39.2% and 22.7% respectively from 31 December 2021. Turnover days of trade receivables and trade receivables backed by bank bills were 50.6 days and 35.4 days respectively (for the corresponding period of 2021: 41.5 days and 47.7 days respectively).

## Inventories

Inventories balance as at 30 June 2022 decreased by 5.0% from 31 December 2021. By inventory categories, raw materials, work in progress and finished products respectively accounted for 27.6%, 39.3% and 33.1% of inventories as at 30 June 2022 (31 December 2021: 29.5%, 34.5% and 36.0% respectively).

Turnover days for finished goods products in the first six months of 2022 were 73.1 days (for the corresponding period of 2021: 78.7 days).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Property, Plant and Equipment

In the first six months of 2022, the Group acquired plant and machinery of RMB13,710,000, office equipment of RMB4,971,000, motor vehicles of RMB283,000 and the addition to construction in progress amounted to approximately RMB34,015,000 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 RMB112,469,000, RMB2,192,000, RMB1,780,000 and RMB2,911,000 as at 30 June 2022.

For the six months ended 30 June 2022, depreciation for property, plant and equipment amounted to RMB84,329,000 as compared to RMB83,655,000 during the same period of last year.

## 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 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 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 79.6 days (for the corresponding period of 2021: 69.0 days).

## Employees

As at 30 June 2022, the Group has 3,871 employees (31 December 2021: 3,674 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 loss in the first half of 2022 arose from the change in exchange rate among Renminbi, Hong Kong dollars and Australian dollars. As at 30 June 2022, 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 2022 (31 December 2021: Nil).

# OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2022, 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 BH Corporate Services Ltd, 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 2022, 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 2022, 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%
BH Corporate Services Ltd (Notes 1 and 2)	Trustee of discretionary trust	546,802,990	66.12%

Notes:

(1) Interests of Forway and BH Corporate Services Ltd in the Shares were duplicated.

(2) The entire issued share capital of Forway is owned by BH Corporate Services Ltd 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 2022, 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 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

## OTHER INFORMATION

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 2022	Granted during the period	Lapsed during the period	As at 30 June 2022		
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	–	1,000,000	3,000,000		

(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 2022, there were no disposal or purchase of shares by the trustee. At the end of the reporting period, there are 71,600,000 shares held by the trustee. No shares were granted to eligible employees pursuant to the Scheme. 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.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 June 2022, 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 2022, except for code provision C.2.1 as described below.

Code provision C.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 2022.

## CHANGES IN DIRECTOR’S INFORMATION

During the six months ended 30 June 2022, 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 2022.

## CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 15 September 2022 to 16 September 2022 (both days inclusive). In order to qualify for the second interim dividend for the fiscal year 2022, 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 2022.

By order of the Board  
**China Shineway Pharmaceutical Group Limited**

**Li Huimin**  
*Director*

Hong Kong, 30 August 2022

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

**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 21 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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 the 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 the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 August 2022

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	<b>1,815,194</b>	1,554,097
Cost of sales		<b>(490,380)</b>	(407,067)
Gross profit		<b>1,324,814</b>	1,147,030
Other income		<b>15,434</b>	32,119
Investment income	4	<b>56,527</b>	51,090
Other gains and losses		<b>(2,143)</b>	(7,719)
Impairment losses on financial assets under expected credit loss model, net of reversal	11	<b>(1,443)</b>	(525)
Selling and distribution costs		<b>(824,798)</b>	(702,236)
Administrative expenses		<b>(127,967)</b>	(113,014)
Research and development costs		<b>(28,671)</b>	(25,025)
Finance costs		<b>(345)</b>	(1,298)
Profit before taxation		<b>411,408</b>	380,422
Taxation	5	<b>(80,285)</b>	(71,966)
Profit and total comprehensive income for the period	6	<b>331,123</b>	308,456
Earnings per share	8		
Basic		<b>RMB44 cents</b>	RMB41 cents
Diluted		<b>RMB44 cents</b>	RMB41 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	1,219,759	1,251,999
Intangible assets		56,887	66,426
Goodwill		165,956	165,956
Deferred tax assets		19,321	20,465
		<b>1,461,923</b>	1,504,846
Current assets			
Inventories		558,635	587,956
Trade receivables	10	590,922	424,457
Trade receivables backed by bank bills	10	309,769	400,726
Prepayments, deposits and other receivables		81,744	80,251
Bank balances and cash		4,461,197	4,205,722
		<b>6,002,267</b>	5,699,112
Current liabilities			
Trade payables	12	202,665	228,620
Trade payables backed by bank bills	12	44,399	–
Other payables and accrued expenses		787,145	666,232
Contract liabilities		52,747	85,885
Lease liabilities		7,279	7,587
Amounts due to related companies		13,784	13,784
Deferred income		44,244	31,167
Tax payable		65,005	65,096
		<b>1,217,268</b>	1,098,371
Net current assets		<b>4,784,999</b>	4,600,741
Total assets less current liabilities		<b>6,246,922</b>	6,105,587

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	<i>NOTES</i>	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		<b>3,822</b>	7,324
Deferred tax liabilities		<b>15,014</b>	25,188
Deferred income		<b>154,116</b>	171,594
		<b>172,952</b>	204,106
Net assets		<b>6,073,970</b>	5,901,481
Capital and reserves			
Share capital	13	<b>87,662</b>	87,662
Reserves		<b>5,986,308</b>	5,813,819
Total equity		<b>6,073,970</b>	5,901,481



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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 (Note a)	RMB'000 (Note b)	RMB'000 (Note b)	RMB'000	RMB'000 (note 15)	RMB'000	RMB'000
At 1 January 2022 (audited)	87,662	422,140	83,758	442,608	154,760	7,571	(578,649)	5,281,631	5,901,481
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	331,123	331,123
Transfers	-	-	-	1,056	-	-	-	(1,056)	-
Dividends paid (note 7)	-	-	-	-	-	-	-	(158,634)	(158,634)
Lapse of share options	-	-	-	-	-	(2,173)	-	2,173	-
At 30 June 2022 (unaudited)	87,662	422,140	83,758	443,664	154,760	5,398	(578,649)	5,455,237	6,073,970
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
Transfers	-	-	-	1,076	-	-	-	(1,076)	-
Disposal of shares under share award scheme	-	-	-	-	-	-	6,063	(2,400)	3,663
Dividends paid (note 7)	-	-	-	-	-	-	-	(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

Notes:

- (a) Merger reserve of China Shineway Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") represents the difference between the net asset value of the subsidiaries and the nominal amount of the Company's shares which were issued as consideration for the subsidiaries at the time of the group reorganisation in preparation for the listing of the Company's shares.
- (b) Statutory surplus reserve fund and discretionary surplus reserve fund are appropriated each year by certain subsidiaries in the People's Republic of China (the "PRC") on the basis of 10% of the profit after taxation as determined by the board directors of the relevant subsidiaries and at the rate decided by the shareholders annually in accordance with the Articles of Associations ("Articles") of the relevant subsidiaries. According to the provision of the Articles, in normal circumstances, this reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTE	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash from operating activities		<b>448,983</b>	380,028
Investing activities			
Placement of financial products		<b>(150,000)</b>	(192,553)
Proceeds from redemption of financial products		<b>153,504</b>	173,903
Withdrawal of pledged bank deposits		<b>-</b>	300,000
Interest received		<b>25,723</b>	29,803
Purchase of property, plant and equipment		<b>(64,197)</b>	(33,458)
Proceeds from disposal of property, plant and equipment		<b>770</b>	69,187
Acquisition of a subsidiary	14	<b>-</b>	8,510
Government grants received		<b>2,379</b>	6,193
Net cash (used in) from investing activities		<b>(31,821)</b>	361,585
Financing activities			
Proceeds from disposal of shares held for share award scheme		<b>-</b>	3,663
Repayment of bank borrowings		<b>-</b>	(369,319)
Dividends paid		<b>(158,634)</b>	(158,466)
Repayment to related companies		<b>-</b>	(1,000)
Interest paid		<b>(345)</b>	(1,298)
Repayment of lease liabilities		<b>(3,986)</b>	(3,861)
Net cash used in financing activities		<b>(162,965)</b>	(530,281)
Net increase in cash and cash equivalents		<b>254,197</b>	211,332
Cash and cash equivalents at beginning of the period		<b>4,205,722</b>	3,943,010
Effect of exchange rate changes of cash and cash equivalents		<b>1,278</b>	(2,453)
Cash and cash equivalents at end of the period, representing bank balances and cash		<b>4,461,197</b>	4,151,889

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

### **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 issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020

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 2022

## 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. Accordingly, only entity-wide disclosures are presented.

### Revenue from major products

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Injections	697,146	635,382
Soft capsules	295,959	275,126
Granules	257,806	238,342
Traditional Chinese medicine formula granules	469,273	321,509
Others	95,010	83,738
	<b>1,815,194</b>	1,554,097

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. INVESTMENT INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank deposits	53,023	47,119
Investment income from financial products (Note)	3,504	3,903
Gain from changes in financial assets at fair value through profit or loss related to short-term financial products (Note)	-	68
	<b>56,527</b>	51,090

Note: The financial products and short-term financial products are measured at fair value through profit or loss for both periods. The redemption amounts (including the return) of such products are linked 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	74,583	60,180
Underprovision in prior years	3,132	3,326
	<b>77,715</b>	63,506
Deferred tax	2,570	8,460
	<b>80,285</b>	71,966

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.

Certain subsidiaries which are operating in Western China have been granted tax concession by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. Certain subsidiaries which are recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 5. TAXATION (Cont'd)

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 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 RMB4,585,522,000 (31 December 2021: RMB4,406,980,000) 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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	<b>9,539</b>	5,676
Depreciation of property, plant and equipment	<b>84,329</b>	83,655
Government subsidies (included in other income) (Note)	<b>(7,634)</b>	(24,881)
Net exchange loss (gain) (included in other gains and losses)	<b>1,847</b>	(518)
Loss on disposal of property, plant and equipment (included in other gains and losses)	<b>296</b>	8,237
Share-based payments expense	<b>—</b>	34

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 2022, government subsidies of (a) RMB854,000 (six months ended 30 June 2021: RMB3,371,000) 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) RMB6,780,000 (six months ended 30 June 2021: RMB6,456,000) represent recognition of deferred income upon completion of related research activities and development projects; and (c) nil (six months ended 30 June 2021: RMB15,054,000) represent 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 from local government, which associated with a government grant received in 2011.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 7. DIVIDENDS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Dividends recognised as distribution during the periods:		
– 2020 final dividend of RMB21 cents per share	–	158,466
– 2022 first interim dividend of RMB21 cents per share	<b>158,634</b>	–
	<b>158,634</b>	158,466
Dividends declared during the periods:		
– 2022 second interim dividend of RMB11 cents per share	<b>83,094</b>	–
– 2021 interim dividend of RMB39 cents per share	–	294,606
	<b>83,094</b>	294,606

The 2022 second interim dividend of RMB11 cents per share, in the amount of an aggregate of RMB83,094,000, has been declared by the directors of the Company on 30 August 2022 and will be paid out on 29 September 2022, to the shareholders of the Company whose names appear in the Company's register of members on 16 September 2022. The aggregate amount of RMB83,094,000 (2021: RMB294,606,000) has been calculated on the basis of 827,000,000 (2021: 827,000,000) shares in issue less 71,600,000 (2021: 71,600,000) shares held for share award scheme as at 30 June 2022.

## 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<b>331,123</b>	308,456

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 8. EARNINGS PER SHARE (Cont'd)

	Six months ended 30 June	
	2022	2021
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	<b>755,400,000</b>	754,877,901

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 2021: 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 2022.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group made additions to construction in progress of RMB34,015,000 (six months ended 30 June 2021: RMB3,724,000) and acquired other property, plant and equipment of RMB18,964,000 (six months ended 30 June 2021: RMB23,297,000). During the six months ended 30 June 2022, the Group also disposed of certain property, plant and equipment with carrying amount of RMB1,066,000 (six months ended 30 June 2021: RMB77,424,000) at net consideration of RMB770,000 (six months ended 30 June 2021: RMB69,187,000), resulting in a loss on disposal of RMB296,000 (six months ended 30 June 2021: loss on disposal of RMB8,237,000).

## 10. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BANK BILLS

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 RMB'000 (Audited)
Trade receivables	<b>608,923</b>	439,710
Less: Allowance for expected credit loss ("ECL")	<b>(18,001)</b>	(15,253)
	<b>590,922</b>	424,457
Trade receivables backed by bank bills	<b>311,176</b>	403,438
Less: Allowance for ECL	<b>(1,407)</b>	(2,712)
	<b>309,769</b>	400,726
	<b>900,691</b>	825,183



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 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.

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 RMB'000 (Audited)
Within 6 months	<b>751,789</b>	739,996
Over 6 months but less than 1 year	<b>110,520</b>	65,569
Over 1 year but less than 2 years	<b>34,825</b>	17,574
More than 2 years	<b>3,557</b>	2,044
	<b>900,691</b>	825,183

As at 30 June 2022, total bills received with carrying amount of RMB309,769,000 (31 December 2021: RMB400,726,000) 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. As at 30 June 2022, bills received with carrying amount of RMB44,688,000 (31 December 2021: nil) were pledged as security for the bills issued by the Group to the relevant suppliers for future settlement of trade payables.

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

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 RMB'000 (Unaudited)
Impairment losses on trade receivables	<b>1,443</b>	525

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 12. TRADE PAYABLES

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 RMB'000 (Audited)
Trade payables	<b>202,665</b>	228,620
Trade payables backed by bank bills ( <i>Note</i> )	<b>44,399</b>	–
	<b>247,064</b>	228,620

*Note:* These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the Group is obliged to make payments on due dates of the bills.

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

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 RMB'000 (Audited)
Within 6 months	<b>238,044</b>	221,939
Over 6 months but less than 1 year	<b>4,017</b>	2,661
Over 1 year but less than 2 years	<b>1,557</b>	573
Over 2 years but less than 3 years	<b>211</b>	719
Over 3 years	<b>3,235</b>	2,728
	<b>247,064</b>	228,620

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 13. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Amount '000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 30 June 2022	5,000,000	HK\$500,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 30 June 2022	827,000	HK\$82,700
		<b>RMB'000</b>
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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 14. 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.) (the “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 had been accounted for as acquisition of business using the acquisition method. The primary reason for the acquisition was 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 receivables 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 14. ACQUISITION OF A SUBSIDIARY (Cont'd)

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 were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

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

During the six months ended 30 June 2021, Kunming Shineway contributed RMB6,151,000 to the Group's turnover and made a loss of RMB2,305,000 for the period between the date of acquisition and 30 June 2021.

Had the acquisition of Kunming Shineway been completed on 1 January 2021, the Group's revenue for the six months ended 30 June 2021 would have been RMB1,556,477,000, and the Group's profit for the six months ended 30 June 2021 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.

## 15. SHARE-BASED PAYMENT TRANSACTIONS

### Share option scheme

The Company has a share option scheme which was adopted at the extraordinary general meeting of the Company held on 29 May 2015 for a period of 10 years. During the period, no share options were granted under the share option scheme of the Company. Details are set out in the section "other information" in the 2022 interim report 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 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### Share award scheme (Cont'd)

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 charged to accumulated profits. No shares were granted to eligible employees pursuant to the share award scheme. There were no disposal or purchase of shares by the trustee during the six months ended 30 June 2022. At the end of the reporting period, there are 71,600,000 (31 December 2021: 71,600,000) shares held by the trustee.

## 16. 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	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical")	Interest expenses on lease liabilities	220	329
	Service fee	5,215	4,918
Shineway (Sanhe) Property Development Limited ("Shineway Sanhe")	Interest expenses on lease liabilities	53	79
	Service fee	1,278	1,205
Kang Yue Hotel Co., Ltd. ("Kang Yue Hotel")	Interest expenses on lease liabilities	60	90
	Hotel service fee	–	112
Shijiazhuang Municipal Luancheng County Shineway Training School ("Shineway Training School")	Service fee	460	201
Name of related parties	Nature of balances	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)
Shineway Medical	Lease liabilities	7,163	9,435
Shineway Sanhe	Lease liabilities	1,725	2,272
Kang Yue Hotel	Lease liabilities	1,966	2,590

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 16. 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term benefits	<b>6,400</b>	6,048
Post-employment benefits	<b>23</b>	30
Share-based payments expense	<b>-</b>	34
	<b>6,423</b>	6,112

## 17. CAPITAL COMMITMENTS

	<b>30.6.2022</b>	31.12.2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>122,599</b>	152,216