



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)



Interim Report
2023

Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y (*Chairwoman*)
Mr. Tse Ping (*Senior Vice Chairman*)
Ms. Cheng Cheung Ling (*Vice Chairwoman*)
Mr. Tse, Eric S Y (*Chief Executive Officer*)
Mr. Tse Hsin
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent Non-executive Directors

Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

Executive Board Committee

Ms. Tse, Theresa Y Y (*Chairwoman*)
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)
Mr. Li Dakui
Ms. Lu Hong
Dr. Li Kwok Tung Donald

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu (*Chairman*)
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Ms. Tse, Theresa Y Y (*Chairwoman*)
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Cheng Cheung Ling (*Chairwoman*)
Ms. Li Mingqin
Dr. Li Kwok Tung Donald

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

Corporate Information

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
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P.O. Box 2681
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

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Beijing
PRC

LEGAL ADVISERS

Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

Navigator Law Office
Room 1118, Tower 2, Bright China Chang An Building
No. 7, Jianguomennei Avenue, Dong Cheng District
Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit 01, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

Financial Highlights

	For the six months end 30 June,		Change %
	2023 RMB' Billion	2022 RMB' Billion	
Revenue	15.28	15.19	+0.5%
Profit for the period	2.70	3.18	-15.2%
Profit attributable to the owners of the parent ^(Note 1)	1.26	1.92	-34.5%
Adjusted non-HKFRS profit attributable to the owners of the parent ^(Note 2)	1.48	1.46	+1.2%
Sales ^(Note 3) of innovative medicines	3.86	3.49	+10.9%
Share of revenue	25.3%	22.9%	

	For the three months end 30 June,		Change %
	2023 RMB' Billion	2022 RMB' Billion	
Revenue for Q2	8.63	6.64	+30.0%
Adjusted non-HKFRS profit attributable to the owners of the parent for Q2	0.96	0.80	+20.7%

The Board of the Company has declared the payment of an interim dividend of HK2 cents per share for the six months ended 30 June, 2023.

Note 1: The significant decrease in profit attributable to the owners of the parent was mainly due to the lower financial performance of an associate over the same period last year.

Note 2: Adjusted non-HKFRS profit attributable to the owners of the parent is presented in this report as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group's core operations by excluding impacts of certain non-cash items and the contribution of associates and a joint venture. A reconciliation between profit attributable to the owners of the parent and adjusted non-HKFRS profit attributable to the owners of the parent has been set out under the following section "Adjusted non-HKFRS profit attributable to the owners of the parent".

Note 3: Sales is the gross sales amount minus the sales discount.

Financial Highlights

ADJUSTED NON-HKFRS PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Addition information is provided below to reconcile profit attributable to the owners of the parent and adjusted non-HKFRS profit attributable to the owners of the parent. The reconciling items principally adjust for the impact of share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests), one-off adjustments for the impairment and fair value changes of certain assets and liabilities, fair value (gains)/losses of current equity investments, loss on extinguishment of partial convertible bond, fair value gain of convertible bond embedded derivative component, effective interest expenses, exchange loss/(gain) and fair value gains of derivative financial instruments in relation to foreign currency forward contracts of the convertible bond debt component. Adjusted non-HKFRS profit attributable to the owners of the parent for the period increased by approximately 1.2% over the same period last year.

	For the six months ended 30 June,		Change %
	2023	2022	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Profit attributable to the owners of the parent ^(Note 1)	1,258,784	1,921,037	-34.5%
Share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests)	206,402	(468,503)	
One-off adjustments for the impairment and fair value changes of certain assets and liabilities	(86,904)	–	
Fair value (gains)/losses of current equity investments, net	(61,251)	129,086	
Loss on extinguishment of partial convertible bond	117,865	9,249	
Fair value gain of convertible bond embedded derivative component	(143)	(24,604)	
Convertible bond debt component of:			
– Effective interest expenses	9,992	46,178	
– Exchange loss/(gain)	78,343	(182,511)	
– Fair value gains of derivative financial instruments in relation to foreign currency forward contracts	(45,918)	–	
Share-based payments	–	29,723	
Adjusted non-HKFRS profit attributable to the owners of the parent	1,477,170	1,459,655	+1.2%

Financial Highlights

Note 1: The significant decrease in profit attributable to the owners of the parent was mainly due to the lower financial performance of an associate over the same period last year. Details are set out in the section headed “Investments in Associates and a Joint Venture” in this report.

Basic earnings per share

Adjusted non-HKFRS profit attributable to the owners of the parent used in the basic earnings per share calculation	1,477,170	1,459,655	+1.2%
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (Shares)	18,564,162,723	18,658,823,689	
Basic earnings per share, based on adjusted non-HKFRS profit attributable to the owner of the parent (RMB cents)	7.96	7.82	+1.8%

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), adjusted non-HKFRS profit attributable to the owners of the parent is presented in this report as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group’s core operations by excluding impacts of certain non-cash items and the contribution of associates and a joint venture. Adjusted non-HKFRS profit attributable to the owners of the parent is to be considered in addition to, and not as a substitute for, measures of the Group’s financial performance prepared in accordance with HKFRS.

Corporate Profile

Sino Biopharmaceutical Limited (the “Company” or “Sino Biopharm”, together with its subsidiaries, the “Group”) is a leading, innovative R&D-driven pharmaceutical conglomerate in China. It prides itself on a fully-integrated industrial chain, covering various R&D platforms, intelligent production operations and a formidable sales system. Its products including biopharmaceutical and chemical medicines enjoy an advantageous position in a host of therapeutic areas, such as tumors, liver diseases, respiratory system diseases and surgery/analgesia.

The Company was listed on the Hong Kong Stock Exchange in 2000 and included in 2013 as a constituent stock of MSCI Global Standard Indices – MSCI China Index, Hang Seng Index in 2018, Hang Seng China Enterprises Index in 2019, and Hang Seng Connect Biotech 50 Index and Hang Seng China (Hong Kong-listed) 25 Index in 2020. It has been five years in a row among the “Top 50 Global Pharmaceutical Enterprises” named by the US authoritative magazine Pharm Exec and was for three consecutive years among the “Asia’s Fab 50 Companies” named by Forbes Asia.

The subsidiaries of Sino Biopharm are located in Beijing, Shanghai, Nanjing, Lianyungang, Qingdao and multiple manufacturing sites. Since its inception, the Company has continued to boast outstanding achievements and robust growth. Its core member companies Chia Tai Tianqing Pharmaceutical Group Co., Ltd. and Beijing Tide Pharmaceutical Co., Ltd. have been among the “Top 100 Chinese Pharmaceutical Industry Enterprises” for years.

On the strong foundation its generic drug business provides, the Company is transforming at full steam powered by innovation, with innovative drug business driving revenue growth and contributing an increasing share to its revenue every year. Its in-house R&D pipeline is also a major force driving innovation and transformation of the Company, enabling continuous upgrade of the Company’s technology platforms. Led by a top science team, the Company has pressed on with internationalization and has become a frontrunner in the international arena.

Sino Biopharm will continue to deliver its mission of “Science for a Healthier World” and focus on developing innovative therapies for patients. It is committed to becoming a world-leading pharmaceutical company. Sino Biopharm hopes to share its development results of the pharmaceutical and health industry with knowledgeable industry professionals, and work together with them for a win-win future.

PRINCIPAL PRODUCTS:

Oncology medicines:	Focus V (Anlotinib Hydrochloride) capsules, Annike (Penpulimab) injection, Yilishu (Efbemalenograstim alfa) injection, Anyue (Pomalidomide) capsules, Anbeisi (Bevacizumab) injection, Delituo (Rituximab) injection, Saituo (Trastuzumab) for injection
Liver diseases medicines:	Tianqing ganmei (Magnesium Isoglycyrrhizinate) injection, Runzhong (Entecavir) dispersible tablets
Respiratory system medicines:	Tianqing suchang (Budesonide) suspension for inhalation, Tianqingsule (Tiotropium Bromide) powder for inhalation, Tianyun (Colistimethate Sodium) for injection
Surgery/analgesia medicines:	Zepolas (flurbiprofen) cataplasms, Kailitong (Limaprost) tablets, Gaisanchun (Calcitriol) soft capsules
Cardio-cerebral vascular medicines:	Yilunping (Irbesartan and Hydrochlorothiazide) tablets, Kaina (Beraprost Sodium) tablets

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

The Group’s principal subsidiaries include: Chia Tai Tianqing Pharmaceutical Group Co. Ltd. (“CT Tianqing”), Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (“Jiangsu CT Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (“Jiangsu CT Qingjiang”), CP Pharmaceutical Qingdao Co., Ltd. (“CP Qingdao”) and invoX Pharma Limited (“invoX”). NJCTT, Jiangsu CT Qingjiang and Jiangsu CT Fenghai have been designated “Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry medicines of Jiangsu Province”, “Engineering Technological Research Centre for orthopedic medicines” and “Engineering Technological Research Centre for parenteral nutritious medicines” by the Science and Technology Committee of Jiangsu Province, respectively.

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

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

Corporate Profile

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

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

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

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

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

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

In May 2018, a new Chemicals Category 1 drug of antitumor – Focus V (Anlotinib Hydrochloride) capsule obtained the approval for drug registration granted by the NMPA.

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

The Company was selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December, 2019.

The Company was selected as a constituent stock of Hang Seng Connect Biotech 50 Index on 23 March, 2020.

The Company was included in American Magazine Pharm Exec's Top 50 Companies for five consecutive years from 2019 to 2023.

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

Management Discussion and Analysis

INDUSTRY OVERVIEW

According to National Bureau of Statistics data, gross domestic product (“GDP”) of the country was RMB59.3 trillion in the first half of 2023, 5.5% more year-on-year, and growth in the first and second quarters were 4.5% and 6.3% respectively, showing that the economy has been gradually recovering with good momentum. However, at the prevailing impact of the COVID-19 pandemic, revenue growth of the pharmaceutical manufacturing industry again lagged behind GDP growth during the period.

At the end of 2022, China’s anti-pandemic work moved into a new stage, with related measures further relaxed. Number of infections surged for a short period of time, and gradually peaked at the beginning of this year. Social mobility and activities were seriously affected as a result, leading to an overall slowdown of the pharmaceutical industry in the first quarter. According to National Bureau of Statistics data, in the first half of 2023, the operating revenue of the pharmaceutical manufacturing industry (above designated size) was RMB1,249.60 billion, a year-on-year decrease of 2.9%, and the total profit was RMB179.45 billion, down 17.1% year-on-year.

Since the second quarter, with the pandemic largely subsided, social activities have gradually resumed, social mobility also improved significantly. The domestic economy has shown signs of stabilizing and reviving and the pharmaceutical industry has also been recovering at a faster pace. The Group seized the post-COVID window to vigorously develop its four major therapeutic areas namely oncology, liver diseases, respiratory system, and surgery/analgesia, and stepped up launch of innovative products. During the period, two innovative products were launched to market and two biosimilar drugs received marketing approval.

On 21 July, the National Medical Insurance Administration issued the “Regulations for Negotiating Drug Renewals” and “Non-exclusive Drug Bidding Rules”. The new rules set out clearly the management regulations for drugs to be included on the regular list, thus reduced the price-cut pressure on drugs adding new indications and renewing contracts, therefore conducive to the development of innovative drugs. On 29 March, results of the tender for the eighth batch of centralized drug procurement were announced in Hainan. A total of 39 drugs were selected with prices reduced by 56% on average. Centralized drug procurement has become a norm entering the systematic management stage. The Group’s generic drugs making an annual revenue of more than RMB500 million (excluding exclusive products) are all on the centralized procurement list, thus are cleared of further centralized procurement risks.

Management Discussion and Analysis

BUSINESS REVIEW

ONCOLOGY

- Focus V (Anlotinib hydrochloride capsules) has been approved for five indications: third-line non-small cell lung cancer, third-line small cell lung cancer, soft tissue sarcoma, medullary thyroid cancer and differentiated thyroid cancer. A marketing application has been submitted to the Center for Drug Evaluation (“CDE”) of NMPA for Anlotinib in combination with TQB2450 (Anti PD-L1) for treating first-line small cell lung cancer in January 2023. In addition, 12 new indications for Anlotinib have entered Phase III clinical trials, including the combination of Anlotinib with Penpulimab monoclonal antibody, Anlotinib with TQB2450 (Anti PD-L1), Anlotinib with chemotherapy, and other treatment options, with marketing applications expected to be submitted within the next one to two years.
- Annike (Penpulimab monoclonal antibody) injection was approved in January 2023 for treating, in combination with chemotherapy, first-line locally advanced or metastatic squamous non-small cell lung cancer. To date, the product has been approved for two indications: third-line classic Hodgkin’s lymphoma and first-line squamous non-small cell lung cancer. In addition, it has another indication (third-line nasopharyngeal carcinoma) going through marketing review.
- Yilishu (Efbemalenograstim alpha) injection was approved in May 2023 for preventing and treating cancer patients of neutropenia from taking chemotherapy drugs. Based on three pivotal Phase III multi-center, randomized and controlled studies completed worldwide, comparing the efficacy and safety of Yilishu with that of short-acting and long-acting drugs commonly used in clinical practice for increasing white blood cells, the efficacy and safety of Yilishu as well as its innovative mechanism have been verified. Yilishu is a third-generation recombinant long-acting granulocyte colony-stimulating factor (G-CSF), forming a dimer by its Fc fusion protein without having to be modified by polyethylene glycol (PEG), thus is better able to avoid immune response to PEG. It boasts notable advantages of high stability and low immunogenicity, allowing early administer hence better treatment compliance from patients.
- Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 46 innovative oncology drug candidates in the process of clinical trial application or above, of which 3 were at the marketing application stage, 4 in Phase III clinical trials, 8 in Phase II clinical trials, and 31 in Phase I clinical trials. In addition, the Group had 14 biosimilar or generic oncology drug candidates in the process of clinical trial application or above, including 6 awaiting approval for marketing, 3 in Phase III clinical trials, 1 in Phase I clinical trial, and 4 in bioequivalence (“BE”) trials. The Group expects 7 innovative drugs and 9 biosimilars or generic drugs for cancer patients to be approved for marketing in the next three years (2023-2025).
- TQB2450 (Anti PD-L1), the marketing application of which has been submitted to CDE in January 2023, is an innovative fully humanized anti PD-L1 monoclonal antibody with a novel sequence independently developed by Sino Biopharm. Multiple Head-to-Head trials are currently underway in China to evaluate the efficacy of TQB2450, including the Phase III clinical trials of TQB2450 combined with Anlotinib in treating first-line non-small cell lung cancer versus using Keytruda. In 2022, TQB2450 was included on the “Breakthrough Therapy Designation” list by CDE. It is expected to become an important complementary product to Anlotinib and to achieve rapid growth leveraging Anlotinib’s large patient base.

Management Discussion and Analysis

LIVER DISEASES

- In the first half year, sales of Tianqing Ganmei (Magnesium Isoglycyrrhizinate) injection increased quickly. The Group made efforts to strengthen academic promotion of the efficacy and safety advantages of the drug to doctors for treating chronic viral hepatitis, acute drug-related liver injury and liver function abnormalities. The academic conferences at various levels helped expand doctor coverage and earn higher recognition for the drug among experts. Through the activities, the Group was able to actively locate new patients and new markets, continuing to drive rapid sales growth of Tianqing Ganmei.
- Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 7 innovative liver disease drug candidates in the process of clinical trial application or above, including 1 in phase III clinical trial, 3 in phase II, 2 in phase I clinical trials and 1 applying to conduct clinical trials. Moreover, the Group had 3 biosimilar or generic liver disease drug candidates in the process of clinical trial application or above, including 2 with marketing application filed and 1 in phase III clinical trial. The Group expects to obtain approval to market 3 biosimilars or generic drugs for liver diseases in the next three years (2023-2025).
- Lanifibranor (pan-PPAR agonist) is an orally-available small molecule drug that acts to induce antifibrotic, anti-inflammatory and beneficial vascular and metabolic changes in the body by activating all three peroxisome proliferator-activated receptor (PPAR) isoforms for treating nonalcoholic steatohepatitis (NASH) and other potential metabolic diseases. Different from other PPAR agonists that target only one or two PPAR isoforms for activation, the product is designed to target all three PPAR isoforms. Its moderate and balanced pan-PPAR binding profile contributes to favorable tolerability. In March 2023, the clinical trial application of Lanifibranor was submitted to and accepted by CDE. In July, Lanifibranor was included on the “Breakthrough Therapy Designation” list by CDE. The product is currently undergoing Phase III clinical trials globally, and is the first oral drug for NASH to enter Phase III clinical trials in China. It is expected to address unmet needs in the China NASH market.

RESPIRATORY SYSTEM

- Tianqing suchang (Budesonide) suspension for inhalation has made the centralized procurement list. To address the impact from that, the Group responded timely taking a series of active management measures, including extending channel reach downward, expanding market coverage and stepping up development of markets not included in centralized procurement for the drug.
- Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 8 innovative respiratory system drug candidates in the process of clinical trial application or above, including 1 with marketing application submitted, 4 in Phase II clinical trials and 3 in Phase I clinical trials. Moreover, the Group had 13 biosimilar or generic respiratory system drug candidates in the process of clinical trial application or above, including 6 products awaiting marketing approval, 2 in Phase III clinical trials, 1 in Phase I clinical trials and 4 in BE trials. The Group expects 1 innovative drug and 8 biosimilars or generic drugs in the field to obtain marketing approval in the next three years (2023-2025).

Management Discussion and Analysis

- TDI01 (a highly selective inhibitor of ROCK2) is a novel targeted and highly selective inhibitor of Rho/Rho-associated coiled-coil protein kinase 2. It is currently in Phase II clinical trial development targeting indications including pneumoconiosis, pulmonary fibrosis, graft versus host disease as well as COVID-19. Phase I clinical trial for pneumoconiosis in the US had been completed and Phase I clinical trial in China has commenced. As there is currently no approved drug for treating pneumoconiosis worldwide, TDI01 is expected to fill this gap and bring benefits to patients. In April 2023, Phase II clinical trial of TDI01 was started for idiopathic pulmonary fibrosis in China. Seeing the potential of TDI01 becoming a major drug, the Group will vigorously pursue its clinical development.

SURGERY/ANALGESIA

- Zepolas (Flurbiprofen) cataplasms maintained rapid sales growth in the first half year. The Group focused on hospital access and development in high-potential areas to expand market coverage and hospital channels, strengthening downstream development and improving development and coverage of secondary hospitals and community healthcare facilities. Able to flexibly adjust sales and access strategies, it has seen sales of Zepolas continue to grow with momentum in the past few years.
- Kailitong (Limaprost) tablets was approved for marketing in February 2023. It is the first drug in China to address the pathological mechanism of lumbar spinal stenosis and has the dual effect of improving neurological microcirculation and neurological functions, thus is a basic medication for the management of lumbar spinal stenosis. As a synthetic derivative of prostaglandin E1, Limaprost Tablet is the only small-molecule drug specifying in its package insert that it is for the treatment indication of lumbar spinal stenosis. With the launch of Kailitong, a brand-new solution is available to more than 30 million lumbar spinal stenosis patients in China, helping address a huge yet unmet clinical need.
- Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 4 innovative surgery/analgesic drug candidates in the process of clinical trial application or above, including 2 in Phase III clinical trials, 1 in Phase I clinical trials and 1 applying to conduct clinical trials. In addition, the Group had 13 other biosimilar or generic surgery/analgesic drug candidates in the process of clinical trial application or above, including 6 waiting for marketing approval, 4 in Phase III clinical trials, 1 in Phase II clinical trials and 2 in BE trial. The Group expects 1 innovative drug and 10 biosimilar or generic drugs in the surgery/analgesic area to be approved for marketing in the next three years (2023-2025).
- PL-5 is an antimicrobial peptide product and also the first newly designed non-antibiotic antimicrobial drug with a broad antibacterial spectrum. It boasts low-level of drug resistance, can effectively kill bacteria and has excellent efficacy in treating local open wound infections, especially against drug-resistant strains, without entering the circulatory system, thus is very safe. The product has completed Phase III clinical study in China for treating secondary wound infections. When the product is launched, it will likely be the first antimicrobial peptide product available in China.

Management Discussion and Analysis

FINANCIAL REVIEW

During the period, the Group recorded revenue of approximately RMB15,277.04 million, an increase of approximately 0.5% over the same period last year. Revenue for the second quarter (Q2) of 2023 was approximately RMB8,631.45 million, an increase of approximately 30.0% over the same period last year. Profit attributable to the owners of the parent was approximately RMB1,258.78 million, a decrease of approximately 34.5% over the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB6.78 cents, a decrease of approximately 34.2% over the same period last year. Excluding the share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests), one-off adjustments for the impairment and fair value changes of certain assets and liabilities, fair value (gains)/losses of current equity investments, loss on extinguishment of partial convertible bond, fair value gain of convertible bond embedded derivative component, effective interest expenses, exchange loss/(gain) and fair value gains of derivative financial instruments in relation to foreign currency forward contracts of the convertible bond debt component, adjusted non-HKFRS profit attributable to the owners of the parent was approximately RMB1,477.17 million, an increase of approximately 1.2% over the same period last year. Adjusted non-HKFRS profit attributable to the owners of the parent for Q2 2023 was approximately RMB964.36 million, an increase of 20.7% over the same period last year. The Group's liquidity remains strong. With cash and bank balances classified under current assets of approximately RMB11,577.19 million, bank deposit classified under non-current assets of approximately RMB4,225 million, and the wealth management products of approximately RMB3,807.02 million in aggregate, the Group's total fund reserve was approximately RMB19,609.21 million at the period end.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include oncology medicines, liver disease medicines, respiratory system medicines, surgery/analgesia medicines, cardio-cerebral vascular medicines and others.

Oncology medicines

For the six months ended 30 June, 2023, the sales of oncology medicines amounted to approximately RMB4,491.86 million, representing approximately 29.4% of the Group's revenue, a decrease of approximately 9.4% over the same period last year.

Liver diseases medicines

For the six months ended 30 June, 2023, the sales of liver diseases medicines amounted to approximately RMB2,289.31 million, representing approximately 15.0% of the Group's revenue, an increase of approximately 14.0% over the same period last year.

Management Discussion and Analysis

Respiratory system medicines

For the six months ended 30 June, 2023, the sales of respiratory medicines amounted to approximately RMB1,682.03 million, representing approximately 11.0% of the Group's revenue, an increase of approximately 11.2% over the same period last year.

Surgery/analgesia medicines

For the six months ended 30 June, 2023, the sales of surgery/analgesia medicines amounted to approximately RMB2,332.00 million, representing approximately 15.3% of the Group's revenue, a decrease of approximately 7.5% over the same period last year.

Cardio-cerebral vascular medicines

For the six months ended 30 June, 2023, the sales of cardio-cerebral vascular medicines amounted to approximately RMB1,602.64 million, representing approximately 10.5% of the Group's revenue, an increase of approximately 3.2% over the same period last year.

Others

For the six months ended 30 June, 2023, the sales of others amounted to approximately RMB2,879.20 million, representing approximately 18.8% of the Group's revenue, an increase of approximately 9.0% over the same period last year.

INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

Sinovac Life Sciences Co., Ltd. ("SINOVAC LS"), a company which is mainly engaged in the R&D, production and sales of human vaccines and in which the Group holds 15.03% equity interests, is the leading unit of BRICS Vaccine R&D Centre in China and titled as Beijing Engineering Technology Research Centre for Preventive Human Vaccines. Its COVID-19 vaccine CoronaVac, with a global supply of more than 2.9 billion doses, has become a true "global public goods". However, as the market environment continues to change, the sales volume of its COVID-19 vaccine decreased and its financial performance was lower compared with the same period last year. In the meantime, injection and nasal spray of a broad-spectrum neutralizing antibody SA55, jointly developed by SINOVAC LS and a research team led by Dr. Cao Yunlong/Dr. Xiaoliang Sunney Xie (researchers of Peking University's Biomedical Pioneering Innovation Center), were approved for clinical trials of the use in the prevention and treatment of COVID-19 infections, by the NMPA in the first half of 2023. SINOVAC LS will continually strengthen its R&D and commercialization capabilities in biological medicine technology and dedicate itself to developing innovative vaccines and related biopharmaceutical products. The profits and losses of associates and a joint venture attributable to the Group was losses of approximately RMB219.44 million during the period. After deducting related taxes credit and non-controlling interests of approximately RMB13.04 million, the losses of associates and a joint venture totaled approximately RMB206.40 million. As at 30 June, 2023, the carrying amount of the investment in SINOVAC LS was approximately RMB11,830.33 million, accounting for approximately 18.0% of the Group's total assets.

Management Discussion and Analysis

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

As at 30 June, 2023, the Group had the non-current and current equity investments designated at fair value through other comprehensive income (including certain listed and unlisted equity investments) of approximately RMB1,619.16 million (31 December, 2022: approximately RMB1,574.81 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB132.06 million (31 December, 2022: approximately RMB312.21 million).

In addition, as at 30 June, 2023, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB5,496.23 million (31 December, 2022: RMB4,104.62 million) and the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB3,807.02 million (31 December, 2022: approximately RMB4,543.24 million), including the wealth management products of China Galaxy Securities (approximately RMB990 million), CSC Financial Co., Ltd. (approximately RMB559.72 million), Industrial Bank (approximately RMB356.17 million), Guotai Junan (approximately RMB300 million), Bank of Communications (approximately RMB277.58 million), Ping An Bank (approximately RMB211.42 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board (“Board”) of directors (the “Directors”) of the Company believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 30 June, 2023, the above mentioned wealth management products (approximately RMB3,807.02 million), representing approximately 5.8% of the total assets of the Group.

Each of the transactions of acquisition or disposal of wealth management products was entered into with third party who was not a connected person (as defined in the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”)) of the Company, and did not constitute a notifiable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios were less than 5%, calculated either on a standalone basis or by aggregation of the transactions with the same counterparty pursuant to the Rule 14.22 of the Listing Rules.

For the six months ended 30 June, 2023, the Group recorded fair value gain (net) of the equity investments of approximately RMB61.25 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group has continued to focus R&D efforts on new medicines in four therapeutic areas, namely oncology, liver diseases, respiratory system and the surgery/analgesia. At the end of the reporting period, the Group had 127 products under development, including 60 oncology products, 10 liver disease products, 21 respiratory system products, 17 surgery/analgesia products, and 19 products in other categories, 69 of which were Category I innovative products.

Management Discussion and Analysis

Always placing utmost importance on R&D, the Group has continuously improved its R&D capabilities and speed by embracing the R&D concept of combining independent innovation, collaborative development, and development of both innovative and generic drugs. It considers R&D as the foundation for its sustainable development and has kept increasing R&D investment. For the six months ended 30 June, 2023, it incurred a total R&D expenditure amounted to approximately RMB2,604.95 million, accounted for approximately 17.1% of the Group's revenue, most of which was charged to the statement of profit or loss.

INVESTOR RELATIONS

The Group is committed to maintaining high corporate governance standards to ensure its long-term sustainable development. It also values communication with shareholders and investors. During the period, the Group seized the opportunity after anti-pandemic measures restricting social activities were lifted to continue to actively approach a wide range of investors in various regions via diverse channels, so as to maintain close and good relations and ensure adequate two-way communication with investors. While making sure investors had a thorough understanding of its latest business development and strategies, through the exchange with investors, the Group was able to gauge the worthy views and feedback of the investment community to help it raise corporate governance standards.

In late March, the Group held an online and offline combined investor presentation, during which it explained in depth its 2022 annual results and latest business updates. The event attracted more than 300 participants, including analysts and fund managers. On 1 August, after the review period, the Group hosted an Investor Day for Innovative Platforms and Products, to introduce its leading innovative research and development technology platform and blockbuster innovative products. The event had more than 300 enthusiastic participants, including analysts and fund managers. The Group also issued timely press releases on its financial results to the media to help it reach and keep retail investors informed about its latest business status and prospects. Apart from results press releases, the Group also dispatched via the media information, such as the Company buying back shares and purchasing shares pursuant to its restricted share award scheme, with the hope of strengthening the confidence of shareholders and investors through maintaining a high level of transparency.

In addition, during the reporting period, the Group participated in many investment summits and roadshows hosted by large investment banks and securities companies, including the Bank of America, Citi, J.P. Morgan, Morgan Stanley, UBS, Goldman Sachs, CICC, CITIC, CSC Financial, HTSC, Haitong and China Industrial Securities, to let investors understand its business development and competitive advantages.

As always, the Group publishes at adequate time its annual reports, interim reports, disclosures and circulars on both its corporate website and the website of the Hong Kong Exchanges and Clearing Limited. Moreover, it voluntarily issues announcements to inform shareholders and investors about its latest business endeavors to maintain high corporate transparency and market interest.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the period, the Group's primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. On 17 February, 2023, the Company redeemed a principal amount of EUR487.582 million in aggregate of the convertible bonds. On 31 May, 2023, the Company prepaid the senior term loan of USD500 million with variable interest rate under the facility agreement entered into by the Company on 1 December, 2021 to reduce the finance costs. As at 30 June, 2023, the Group's cash and bank balances classified under current assets were approximately RMB11,577.19 million (31 December, 2022: approximately RMB12,066.22 million). Bank deposit classified under non-current assets were approximately RMB4,225 million (31 December, 2022: approximately RMB6,352 million).

CAPITAL STRUCTURE

As at 30 June, 2023, the Group had short term loans of approximately RMB10,484.95 million (31 December, 2022: approximately RMB6,217.15 million) and had long term loans of approximately RMB685.63 million (31 December, 2022: approximately RMB3,933.86 million). Debt component of the convertible bonds amounted to approximately RMB16.45 million as at 30 June, 2023 (31 December, 2022: RMB3,446.26 million). In addition, total lease liabilities (classified under current and non-current liabilities) amounted to approximately RMB367.04 million as at 30 June, 2023 (31 December, 2022: RMB384.69 million).

CHARGE ON ASSETS

As at 30 June, 2023, the Group had charge on assets of approximately RMB1,822.04 million (31 December, 2022: approximately RMB2,113.50 million).

CONTINGENT LIABILITIES

As at 30 June, 2023, the Group and the Company had no material contingent liabilities (31 December, 2022: Nil).

Management Discussion and Analysis

ASSETS AND GEARING RATIO

As at 30 June, 2023, the total assets of the Group amounted to approximately RMB65,640.89 million (31 December, 2022: approximately RMB64,064.28 million) whereas the total liabilities amounted to approximately RMB29,182.08 million (31 December, 2022: approximately RMB26,120.74 million). The gearing ratio (total liabilities over total assets) was approximately 44.5% (31 December, 2022: approximately 40.8%). The Group was in a net cash position of approximately RMB4,248.12 million (31 December, 2022: approximately RMB4,436.25 million), being the aggregate of cash and bank balances classified under current assets and bank deposit classified under non-current assets less the aggregate of short term loans, long terms loans, debt component of the convertible bonds and total lease liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 26,079 employees as at 30 June, 2023 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) in selling and distribution costs and administrative expenses for the period was approximately RMB2,343.24 million (2022: approximately RMB2,514.43 million).

The Group adopted a share option scheme on 15 June, 2023 (the "2023 Share Option Scheme") and a share award scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. For the six months ended 30 June, 2023, (i) no option in respect of the shares of the Company ("Shares") had been granted under the 2023 Share Option Scheme; and (ii) no Share had been granted to any selected participant under the 2018 Share Award Scheme and as at the period end, 401,977,877 Shares were held on trust by the trustee.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars, Euro and HK dollars. The Group has hedged part of the Euro risk in financial liabilities by entering into foreign exchange forward contracts, and hedged part of the RMB risk in net foreign operations by borrowing RMB loan and will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

Management Discussion and Analysis

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Upholding its long-term commitment on corporate sustainability and social responsibility, Sino Biopharm is committed to, via high-quality ESG management, fulfilling its corporate mission of “Improving the Quality and Protecting the Dignity of Human Life”, for it believes health technologies can bring warmth to more lives. With its “CARE” ESG governance strategy, encapsulating four core directions, namely Cure (treatment of diseases), Accessible (access to health care), Relationship (a win-win relationship) and Environmental (environmentally friendly), giving it guidance, the Group has kept promoting sustainable development of the Company, its workforce, and society and the environment.

In early 2023, the Group laid down its “2023 ESG Work Plans”, focusing on four core areas – “taking its ESG management system to greater depth”, “optimizing ESG disclosure”, “enhancing dedicated ESG governance” and “promoting ESG philosophy and culture”, and 11 annual ESG-related key tasks and goals were set. In the first half of the year, the Board and the Group convened a total of five ESG special committee meetings. The Group and its member companies have embarked on a number of key tasks at good pace, and assured by its three-level “Board decision, Group management, and Member company execution” management system, achieved the results expected:

In “taking its ESG management system to greater depth”, through continuous improvement and extension of the reach of its ESG management system from the Group to its member companies, the Board and the Group fulfilled their leading roles in ESG matters. At the same time, the synergy, consistency and overall level of the ESG management of key member companies have been enhanced.

Regarding “optimizing ESG disclosure”, complying with the requirements of the Stock Exchange, the Group issued its 2022 ESG Report on 28 April. The seventh in a row, the report fully, truthfully and comprehensively presented to stakeholders all the management work done by Sino Biopharm and their results in 2022.

Regarding “enhancing dedicated ESG governance”, taking reference to survey findings of existing ESG management status, the Group ascertained major areas to improve for the year. They are “employee satisfaction management, talent development plan, hazardous waste reduction and water conservation, responsible supply chain construction, ISSB (International Sustainability Standards Board) sustainable disclosure principles and Carbon Neutral Pathway Plan”. It had completed drawing up the work plans, which have been implemented effectively.

On “promoting ESG philosophy and culture”, the Group has completed general ESG training for the staff of key member companies. It had also, based on the annual dedicated ESG governance enhancement plan, formulated a series of ESG courses and promotion plans for the year to ensure employees have the knowledge to help ensure the smooth rollout of subsequent work.

Management Discussion and Analysis

The Group's ESG efforts and achievements have been widely recognized at home and overseas. On 28 June, 2023, boasting sustainable development advantages in the industry, the Group stood out among close to 1,600 companies and became one of the 88 included in S&P Global's "The Sustainability Yearbook 2023 (China Edition)". That is yet another recognition it earned after it leaped 45 points in 2022 in the S&P CSA-ESG ranking, better than 91% of the participating enterprises from around the world. Also, on 28 June, 2023, the Group made the "China ESG Listed Company Pioneer 100 (中國 ESG 上市公司先鋒100)" list published by the Financial Program Center of China Media Group together with such parties as the State-owned Assets Supervision and Administration Commission of the State Council and All-China Federation of Industry and Commerce. With high-quality ESG management and excellent ESG performance, the Group beat 855 participating listed companies and placed 57th on the ESG Index, and was named among "Leading ESG Development Standard Listed Companies (上市公司 ESG 發展領先水平)".

PROSPECTS

With the COVID-19 pandemic easing gradually, economic and social activities have gone back on the normal track. The pharmaceutical industry has also been gathering growth momentum and is expected to fully recover within the year. The Group continues to closely monitor market trends and actively optimized its development strategies, making timely adjustments along the entire industrial chain, including with procurement, production and sales, to mitigate the impact of the pandemic. At the same time, it focuses diligently on innovation and development in the four major therapeutic areas of oncology, liver diseases, respiratory system, and surgery/analgesia, and accelerate deployment for globalizing its business, to the end of building a healthier, more diversified and sustainable revenue system.

The Group prides strong in-house research and development capabilities and has continued to invest in business development, and with this dual-engine, drive innovation and transformation. To date, the Group has achieved significant progress in transforming its business and has entered the harvest period of abundant results of its innovative endeavors. In the next three years, close to 10 innovative drugs will be launched to market, and more than 40 innovative drugs under research and development have the potential to be launched by 2030, which will further strengthen the Group's dominance in the four stated therapeutic areas, and provide a strong impetus for its long-term sustainable growth.

The globalization strategy is another core growth driver of the Group. The Group will continue to adhere to its dual-pronged approach, that is, to bring global pharmaceutical innovations into China to benefit Chinese patients and to go global and open up new markets thereby speeding up the resolution of unmet clinical needs worldwide. The Group targets to make annual revenue of HK\$100 billion by 2030 and become a world-class innovative pharmaceutical group.

APPRECIATION

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

Interim Condensed Consolidated Statement of Profit or Loss

RESULTS

The Board of the Company announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 June, 2023 together with the comparative figures for 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	3	15,277,037	15,193,738
Cost of sales		(3,256,505)	(2,959,599)
Gross profit		12,020,532	12,234,139
Other income	3	604,085	290,817
Other gains/(losses), net	3	18,300	(31,552)
Selling and distribution costs		(5,382,213)	(5,751,550)
Administrative expenses		(1,062,151)	(1,182,354)
Other expenses		(2,450,811)	(2,138,772)
<i>Including: Research and development costs</i>		<i>(2,357,257)</i>	<i>(2,048,604)</i>
Finance costs	4	(304,137)	(169,271)
Share of profits and losses of associates and a joint venture		(219,438)	503,155
PROFIT BEFORE TAX	5	3,224,167	3,754,612
Income tax expense	6	(524,743)	(571,391)
PROFIT FOR THE PERIOD		2,699,424	3,183,221
Profit attributable to:			
Owners of the parent		1,258,784	1,921,037
Non-controlling interests		1,440,640	1,262,184
		2,699,424	3,183,221
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		RMB6.78 cents	RMB10.30 cents
– Diluted		RMB6.78 cents	RMB9.20 cents

Details of the interim dividend declared for the period are disclosed in note 7 to the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	2,699,424	3,183,221
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Net gain on hedge of net investment	63,753	–
Exchange differences on translation of foreign operations	147,151	(376,949)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	210,904	(376,949)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(34,355)	(230,781)
Income tax effect	–	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(34,355)	(230,781)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	176,549	(607,730)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,875,973	2,575,491
Attributable to:		
Owners of the parent	1,434,530	1,313,343
Non-controlling interests	1,441,443	1,262,148
	2,875,973	2,575,491

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June, 2023 RMB'000 (Unaudited)	31 December, 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,897,904	7,759,592
Investment properties		713,651	720,754
Right-of-use assets		1,686,344	1,491,591
Goodwill		812,083	662,611
Intangible assets		2,129,608	1,251,839
Investments in associates and a joint venture		13,083,084	13,198,157
Equity investments designated at fair value through other comprehensive income		1,459,023	1,574,808
Financial assets at fair value through profit or loss		5,496,232	4,104,618
Bank deposit		4,225,000	6,352,000
Deferred tax assets		508,906	505,148
Prepayments and other asset		651,783	508,261
Total non-current assets		38,663,618	38,129,379
CURRENT ASSETS			
Inventories		2,018,498	2,328,844
Trade and bills receivables	10	7,108,970	4,638,396
Prepayments, other receivables and other assets		2,093,515	1,663,260
Amounts due from related companies		79,886	382,742
Equity investments designated at fair value through profit or loss		132,057	312,207
Financial assets at fair value through profit or loss		3,807,019	4,543,239
Equity investments designated at fair value through other comprehensive income		160,135	–
Cash and bank balances	11	11,577,189	12,066,217
Total current assets		26,977,269	25,934,905
CURRENT LIABILITIES			
Trade and bills payables	12	2,137,213	1,637,351
Tax payable		178,077	107,455
Other payables and accruals		13,981,167	8,153,130
Interest-bearing bank borrowings		10,484,951	6,217,153
Amounts due to related companies		30,954	382,579
Contingent consideration		15,264	–
Lease liabilities		37,789	60,431
Derivative financial liabilities		–	110,506
Convertible bonds – debt component		–	3,446,257
Convertible bonds – embedded derivative instrument		–	35,815
Total current liabilities		26,865,415	20,150,677
NET CURRENT ASSETS		111,854	5,784,228
TOTAL ASSETS LESS CURRENT LIABILITIES		38,775,472	43,913,607

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June, 2023 RMB'000 (Unaudited)	31 December, 2022 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		38,775,472	43,913,607
NON-CURRENT LIABILITIES			
Convertible bonds – debt component		16,447	–
Convertible bonds – embedded derivative instrument		15	–
Deferred government grants		525,684	749,070
Interest-bearing bank borrowings		685,632	3,933,859
Lease liabilities		329,246	324,263
Contingent consideration		136,196	131,076
Deferred tax liabilities		623,447	831,791
Total non-current liabilities		2,316,667	5,970,059
Net assets		36,458,805	37,943,548
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	414,615	414,899
Treasury shares		(1,626,773)	(1,432,484)
Reserves		31,201,453	30,764,620
		29,989,295	29,747,035
Non-controlling interests		6,469,510	8,196,513
Total equity		36,458,805	37,943,548

Interim Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the parent

	Share premium		Treasury shares	Capital reserve	Asset revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Contributed surplus	Reserve funds	Exchange fluctuation		Retained profits	Total	Non-controlling interests	Total equity
	Share capital	account							Reserve funds	Reserve funds				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January, 2023 (audited)	414,899	12,461,438	(1,432,484)	(9,310,613)	28,176	65,525	22,691	5,288,365	(860,860)	23,069,898	29,747,035	8,196,513	37,943,548	
Profit for the period	-	-	-	-	-	-	-	-	-	1,258,784	1,258,784	1,440,640	2,699,424	
Other comprehensive income for the period:														
Fair value changes of financial assets	-	-	-	-	-	(34,355)	-	-	-	-	(34,355)	-	(34,355)	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	210,101	-	210,101	803	210,904	
Total comprehensive income for the year	-	-	-	-	-	(34,355)	-	-	210,101	1,258,784	1,434,530	1,441,443	2,875,973	
Share of associates' equity movement	-	-	-	19,521	-	-	-	-	-	-	19,521	-	19,521	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	42,763	42,763	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(3,211,209)	(3,211,209)	
Repurchase of shares for cancellation	-	-	(40,661)	-	-	-	-	-	-	-	(40,661)	-	(40,661)	
Repurchase of shares under share award scheme	-	-	(195,039)	-	-	-	-	-	-	-	(195,039)	-	(195,039)	
Cancellation of treasury shares	(284)	(41,127)	41,411	-	-	-	-	-	-	-	-	-	-	
Final 2022 dividend declared	-	-	-	-	-	-	-	-	-	(976,091)	(976,091)	-	(976,091)	
At 30 June, 2023 (unaudited)	414,615	12,420,311	(1,626,773)	(9,291,092)	28,176	31,170	22,691	5,288,365	(650,759)	23,352,591	29,989,295	6,469,510	36,458,805	
At 1 January, 2022 (audited)	415,440	12,555,650	(689,347)	(9,310,613)	28,176	504,902	22,691	4,143,210	(450,393)	23,071,400	30,291,116	7,437,907	37,729,023	
Profit for the period	-	-	-	-	-	-	-	-	-	1,921,037	1,921,037	1,262,184	3,183,221	
Other comprehensive income for the period:														
Fair value changes of financial assets	-	-	-	-	-	(230,781)	-	-	-	-	(230,781)	-	(230,781)	
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(30,879)	-	-	-	30,879	-	-	-	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	(376,913)	-	(376,913)	(36)	(376,949)	
Total comprehensive income for the year	-	-	-	-	-	(261,660)	-	-	(376,913)	1,951,916	1,313,343	1,262,148	2,575,491	
Share of associates' equity movement	-	-	-	11,506	-	-	-	-	-	-	11,506	-	11,506	
Equity-settled share-based payment	-	-	29,723	-	-	-	-	-	-	-	29,723	-	29,723	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(169,600)	(169,600)	
Repurchase of shares for cancellation	-	-	(78,051)	-	-	-	-	-	-	-	(78,051)	-	(78,051)	
Repurchase of shares under share award scheme	-	-	(731,265)	-	-	-	-	-	-	-	(731,265)	-	(731,265)	
Cancellation of treasury shares	(498)	(89,845)	90,343	-	-	-	-	-	-	-	-	-	-	
Final 2021 dividend declared	-	-	-	-	-	-	-	-	-	(622,217)	(622,217)	-	(622,217)	
At 30 June, 2022 (unaudited)	414,942	12,465,805	(1,378,597)	(9,299,107)	28,176	243,242	22,691	4,143,210	(827,306)	24,401,099	30,214,155	8,530,455	38,746,610	

Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	2,671,118	3,948,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(753,908)	(626,972)
Net cash inflow for acquisition of subsidiary/business	458	–
Decrease/(increase) in wealth management products recorded in financial assets at fair value through profit or loss	752,884	(3,372,051)
Decrease in wealth management products recorded in other receivables	–	569,500
Investment in financial assets designated at fair value through profit or loss	(1,137,331)	–
Increase in time deposits with original maturity of more than three months	(2,744,813)	(2,603,575)
Other investing cash (outflows)/inflows, net	(191,989)	43,439
Net cash flows used in investing activities	(4,074,699)	(5,989,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	10,926,260	7,719,271
Redemption/repurchase of convertible bonds	(3,666,276)	(1,542,993)
Repayment of bank loans	(10,203,045)	(6,578,135)
Dividends paid to non-controlling shareholders	(546,045)	(91,896)
Repurchase of shares	(235,700)	(809,316)
Other financing cash outflow, net	(317,281)	(157,458)
Net cash flows used in financing activities	(4,042,087)	(1,460,527)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,445,668)	(3,501,245)
Cash and cash equivalents at beginning of period	8,654,805	9,599,537
Effect of foreign exchange rate changes, net	84,827	(32,850)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,293,964	6,065,442
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,821,838	4,212,456
Time deposits with original maturity of less than three months when acquired	472,126	1,852,986
	3,293,964	6,065,442

Notes to Interim Condensed Consolidated Financial Information

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June, 2023 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December, 2022.

1.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December, 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules*</i>

* The amendments have been issued by the IASB. At the time of issuance of this financial information, the equivalent amendments are expected to be issued shortly by the HKICPA

The revised standards have had no significant financial effect on these financial statements.

2. OPERATING SEGMENT INFORMATION

Management considers the business from a product/service perspective. The three reportable segments are as follows:

- (a) the modernised Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;
- (b) the investment segment is engaged in long term investments; and
- (c) the “others” segment comprises, principally related healthcare and hospital business.

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

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

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

Notes to Interim Condensed Consolidated Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2023 (Unaudited)

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	14,963,976	–	313,061	15,277,037
Segment results	3,631,027	117,909	(125,610)	3,623,326
<i>Reconciliation:</i>				
Interest and unallocated gains				189,014
Share of profits and losses of associates and a joint venture				(219,438)
Unallocated expenses				(368,735)
Profit before tax				3,224,167
Income tax expense				(524,743)
Profit for the period				2,699,424
Other segment information				
Depreciation and amortisation	596,613	36,554	20,041	653,208
Capital expenditure	1,951,599	348	24,070	1,976,017
Other non-cash expenses	13,740	–	64	13,804
As at 30 June, 2023 (Unaudited)				
Assets and liabilities				
Segment assets	40,128,460	10,350,608	1,569,829	52,048,897
<i>Reconciliation:</i>				
Investments in associates and a joint venture				13,083,084
Other unallocated assets				508,906
Total assets				65,640,887
Segment liabilities	20,065,598	7,587,854	727,106	28,380,558
<i>Reconciliation:</i>				
Other unallocated liabilities				801,524
Total liabilities				29,182,082

Notes to Interim Condensed Consolidated Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2022 (Unaudited)

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	14,950,324	736	242,678	15,193,738
Segment results	3,667,728	(139,662)	17,192	3,545,258
<i>Reconciliation:</i>				
Interest and unallocated gains				123,384
Share of profits and losses of associates and a joint venture				503,155
Unallocated expenses				(417,185)
Profit before tax				3,754,612
Income tax expense				(571,391)
Profit for the period				3,183,221
Other segment information				
Depreciation and amortisation	352,902	33,197	22,573	408,672
Capital expenditure	770,854	11,615	7,086	789,555
Other non-cash expenses	-	-	-	-
As at 31 December, 2022 (Audited)				
Assets and liabilities				
Segment assets	39,287,554	9,463,228	1,610,196	50,360,978
<i>Reconciliation:</i>				
Investments in associates and a joint venture				13,198,157
Other unallocated assets				505,149
Total assets				64,064,284
Segment liabilities	13,491,829	10,896,508	793,153	25,181,490
<i>Reconciliation:</i>				
Other unallocated liabilities				939,246
Total liabilities				26,120,736

Notes to Interim Condensed Consolidated Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

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

(b) *Non-current assets*

	30 June 2023	31 December, 2022
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Hong Kong	6,810,256	7,241,145
Mainland China	17,899,806	17,973,761
Other countries/regions	2,264,395	377,899
	26,974,457	25,592,805

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

Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2023 and 2022.

Notes to Interim Condensed Consolidated Financial Information

3. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

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

An analysis of revenue, other income and other gains/(losses), net is as follows:

	For the six months ended 30 June,	
	2023	2022
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of industrial products	15,066,521	14,951,060
Revenue from other sources	210,516	242,678
	15,277,037	15,193,738

	For the six months ended 30 June,	
	2023	2022
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	185,950	122,848
Interest income from an associate	3,150	–
Dividend income	183	74
Government grants	256,855	45,217
Sale of scrap materials	3,915	2,660
Investment income	121,008	91,048
Gross rental income	9,702	–
Others	23,322	28,970
	604,085	290,817

Notes to Interim Condensed Consolidated Financial Information

3. REVENUE, OTHER INCOME AND OTHER GAINS/ (LOSSES), NET (continued)

	For the six months ended 30 June,	
	2023	2022
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Other gains/(losses), net		
Gain on disposal of items of property, plant and equipment	7,411	1,961
Gain on disposal of items of right-of-use assets	64,933	–
Gain on step acquisition from an associate to a subsidiary	60,282	–
Fair value gains/(losses), net		
Equity investments designated at fair value through profit or loss	61,251	(129,086)
Financial assets at fair value through profit or loss	3,313	12,864
Financial assets at fair value through profit or loss (Non-current)	26,622	–
Convertible bond embedded derivative component	143	24,604
Derivative financial instruments	45,918	–
Exchange (losses)/gains, net	(133,708)	67,354
Loss on extinguishment of partial convertible bonds	(117,865)	(9,249)
	18,300	(31,552)

4. FINANCE COSTS

	For the six months ended 30 June,	
	2023	2022
	RMB' 000 (Unaudited)	RMB' 000 (Unaudited)
Interest on bank borrowings	286,543	111,719
Interest on convertible bonds	9,992	46,178
Interest on lease liabilities	7,602	8,438
Interest on loan from a related company	–	2,936
	304,137	169,271

Notes to Interim Condensed Consolidated Financial Information

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2023 RMB' 000 (Unaudited)	2022 RMB' 000 (Unaudited)
Cost of inventories sold	3,256,505	2,959,599
Depreciation of property, plant and equipment	581,106	353,592
Depreciation of investment properties	19,479	15,817
Depreciation of right-of-use assets	41,819	32,918
Amortization of intangible assets	10,804	6,345
Research and development costs	2,357,257	2,048,604
Gain on disposal of items of property, plant and equipment	(7,411)	(1,961)
Gain on disposal of items of right-of-use assets	(64,933)	–
Gain on step acquisition from an associate to a subsidiary	(60,282)	–
Share of profits and losses of associates and a joint venture	219,438	(503,155)
Bank interest income	(185,950)	(122,848)
Interest income from an associate	(3,150)	–
Dividend income	(183)	(74)
Investment income	(121,008)	(91,048)
Loss on extinguishment of partial convertible bonds	117,865	9,249
Fair value (gains)/loss, net:		
Equity investments at fair value through profit or loss	(61,251)	129,086
Financial assets at fair value through profit or loss	(3,313)	(12,864)
Financial assets at fair value through profit or loss (non-current)	(26,622)	–
Convertible bond embedded derivative component	(143)	(24,604)
Derivative financial instruments	(45,918)	–
Auditors' remuneration	2,525	2,517
Staff cost (including directors' remuneration) in selling and distribution costs and administrative expenses:		
Wages and salaries	1,870,428	2,007,649
Pension contributions	472,816	477,062
Equity-settled share-based payments	–	29,723
	2,343,244	2,514,434
Foreign exchange differences, net	133,708	(67,354)
Accrual of impairment losses of trade receivables	12,271	3,801

Notes to Interim Condensed Consolidated Financial Information

6. INCOME TAX

	For the six months ended 30 June,	
	2023	2022
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China	590,758	481,175
Deferred tax	(66,015)	90,216
Total tax charge for the period	524,743	571,391

The Company incorporated in the Cayman Islands are not subject to income or capital gain tax under the law of the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

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

Hong Kong profits tax has been provided at a rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Belgium profits tax has been provided at a rate of 25% on the estimated assessable profits arising in Belgium during the period.

During the period ended 30 June, 2023, NJCTT, CT Tianqing, Beijing Tide, Jiangsu Fenghai, Jiangsu Qingjiang, Shanghai Tongyong Pharmaceutical Co., Ltd., CP Qingdao, Lianyungang Runzhong Pharmaceutical Co., Ltd. and Nanjing Shunxin Pharmaceutical Co., Ltd. were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Notes to Interim Condensed Consolidated Financial Information

6. INCOME TAX (continued)

Other than the above mentioned entities, the other entities located in Mainland China are subject to a corporate income tax rate of 25% in 2023.

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

During the period ended 30 June, 2023, taxes credit related to the share of profits and losses of associates and a joint venture were amounted to approximately RMB14,853,000 (2022: taxes expense of RMB48,868,000).

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

	For the six months ended 30 June,	
	2023	2022
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid:		
Final dividend for 2022: HK6 cents per share (2021: HK4 cents per share)	976,091	622,217
Proposed dividends on ordinary shares:		
Interim dividend for 2023: HK2 cents per share (2022: HK6 cents per share)	340,906	951,133

The proposed dividends on ordinary shares are not recognised as a liability as at 30 June, 2023.

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS (continued)

The Board has declared the payment of an interim dividend of HK2 cents per ordinary share for the six months ended 30 June, 2023 (2022: HK6 cents). The interim dividend will be paid to shareholders on Friday, 27 October, 2023 whose names appear on the register of members of the Company on Monday, 9 October, 2023. For the purpose of determining shareholders who are qualified for the interim dividend, the register of members of the Company will be closed from Friday, 6 October, 2023 to Monday, 9 October, 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Thursday, 5 October, 2023.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the period of approximately RMB1,258,784,000 (2022: approximately RMB1,921,037,000), and the weighted average number of ordinary shares of 18,564,162,723 (2022: 18,658,823,689) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest, exchange difference and fair value change on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The diluted earnings per share for the six months period ended 30 June, 2023 did not assume conversion of the convertible bonds as its conversion be anti-dilutive.

Notes to Interim Condensed Consolidated Financial Information

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share for the six months period ended 30 June, 2022 are based on:

	For the six months ended 30 June, 2022 RMB' 000 (Unaudited)
<hr/>	
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	1,921,037
Interest on convertible bonds	46,178
Exchange gain on convertible bonds – debt component	(182,511)
Fair value gain on convertible bonds – derivative component	(24,604)
	<hr/>
Profit attributable to ordinary equity holders of the parent before interest, exchange gain and fair value gain on convertible bonds	1,760,100
	<hr/>
	No. of shares 2022 (Unaudited)
<hr/>	
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	18,658,823,689
Effect of dilution – weighted average number of ordinary shares: – Convertible bonds	463,918,295
	<hr/>
	19,122,741,984
	<hr/>

Notes to Interim Condensed Consolidated Financial Information

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June, 2023, the Group acquired assets at a cost of RMB753,908,000 (30 June, 2022: RMB626,972,000).

Assets with a net book value of RMB10,134,000 were disposed of by the Group during the six months ended 30 June, 2023 (30 June, 2022: RMB7,211,000), resulting in a net gain on disposal of RMB7,411,000 (30 June, 2022: RMB1,961,000).

10. TRADE AND BILLS RECEIVABLES

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

	30 June, 2023 RMB' 000 (Unaudited)	31 December, 2022 RMB' 000 (Audited)
Current to 90 days	6,499,145	4,050,406
91 days to 180 days	452,544	466,707
Over 180 days	157,281	121,283
	7,108,970	4,638,396

11. CASH AND BANK BALANCES

	30 June, 2023 RMB' 000 (Unaudited)	31 December, 2022 RMB' 000 (Audited)
Cash and bank balances, unrestricted	2,821,838	6,413,982
Time deposits with original maturity of less than three months	472,126	2,240,823
Time deposits with original maturity of more than three months	8,283,225	3,411,412
Cash and bank balances	11,577,189	12,066,217

Notes to Interim Condensed Consolidated Financial Information

12. TRADE AND BILLS PAYABLES

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

	30 June, 2023 RMB' 000 (Unaudited)	31 December, 2022 RMB' 000 (Audited)
Current to 90 days	1,298,717	996,140
91 days to 180 days	529,389	350,513
Over 180 days	309,107	290,698
	2,137,213	1,637,351

13. SHARE CAPITAL

	30 June, 2023 RMB' 000 (Unaudited)	31 December, 2022 RMB' 000 (Audited)
<i>Issued and fully paid:</i>		
18,809,217,230 ordinary shares of HK\$0.025 each (2022: 18,813,867,230 ordinary shares of HK\$0.025 each)	414,615	414,899

14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June, 2023 RMB' 000 (Unaudited)	31 December, 2022 RMB' 000 (Audited)
Contracted, but not provided for:		
– Land, plant and machinery	862,832	773,514
– Capital investments	–	1,037,725
	862,832	1,811,239

Notes to Interim Condensed Consolidated Financial Information

15. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions and outstanding balances with related parties during the period:

	For the six months ended 30 June,	
	2023	2022
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Associates:		
Sales of products (note i)	20,841	66,817
Selling and marketing service income (note (ii))	6,362	47,669
Purchases of products (note (iii))	182,275	70,476
Operating lease rental payable to:		
A company beneficially owned by a director (note (iv))	954	893

Notes :

- (i) The sales to an associate was made according to the published prices and conditions offered to the major customers of the Group. The outstanding balance of amount due from the associate as at 30 June, 2023 was RMB10,786,000 (31 December, 2022: RMB5,047,000).
- (ii) The Group provided selling and marketing service and distribution service to an associate with reference to the market prices. The outstanding balances of the amount due from the associate and the amount due to the associate as at 30 June, 2023 were RMB65,838,000 (31 December, 2022: RMB345,773,000) and RMB29,797,000 (31 December, 2022: RMB246,237,000), respectively.
- (iii) The Group made purchases from the associates according to the prices mutually agreed between both parties. The purchase was netted off by a receivable from the associate with an amount of RMB905,000 (30 June, 2022: RMB109,032,000). The aggregate outstanding balances of the amount due from the associates and the amount due to the associates as at 30 June, 2023 were RMB76,624,000 (31 December, 2022: RMB350,820,000) and RMB29,797,000 (31 December, 2022: RMB246,237,000), respectively.
- (iv) Lease rentals were based on tenancy agreements entered into between the Group and each of the related parties with reference to the market prices.

Notes to Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June, 2023 RMB'000 (Unaudited)	31 December, 2022 RMB'000 (Audited)	30 June, 2023 RMB'000 (Unaudited)	31 December, 2022 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through profit or loss	132,057	312,207	132,057	312,207
Financial assets at fair value through profit or loss	3,807,019	4,543,239	3,807,019	4,543,239
Non-current: Financial assets at fair value through profit or loss	5,496,232	4,104,618	5,496,232	4,104,618
Non-current and current:				
Equity investments designated at fair value through other comprehensive income	1,619,158	1,574,808	1,619,158	1,574,808
Bill receivables	570,817	916,203	570,817	916,203
	11,625,283	11,451,075	11,625,283	11,451,075
Financial liabilities				
Derivative financial instruments	–	110,506	–	110,506
Interest-bearing bank borrowings	11,170,583	10,151,012	11,187,247	10,158,018
Contingent consideration	151,460	131,076	151,460	131,076
Convertible bonds-debt component	16,447	3,446,257	16,657	3,607,012
Convertible bonds-embedded derivative components	15	35,815	15	35,815
	11,338,505	13,874,666	11,355,379	14,042,427

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade and bills receivable, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and dividend due from an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the listed equity investments are based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June, 2023 (Unaudited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through profit or loss	132,057	–	–	132,057
Financial assets at fair value through profit or loss	–	3,807,019	–	3,807,019
Non-current: Financial assets at fair value through profit or loss	–	–	5,496,232	5,496,232
Non-current and current: Equity investments at fair value through other comprehensive income	267,162	–	1,351,996	1,619,158
Bill receivables	–	570,817	–	570,817

Notes to Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

As at 31 December, 2022 (Audited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through profit or loss	312,207	–	–	312,207
Financial assets at fair value through profit or loss	–	4,543,239	–	4,543,239
Non-current: Financial assets at fair value through profit or loss	–	–	4,104,618	4,104,618
Equity investments at fair value through other comprehensive income	265,602	–	1,309,206	1,574,808
Bill receivables	–	916,203	–	916,203

Liabilities measured at fair value

As at 30 June, 2023 (Unaudited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration	–	–	151,460	151,460
Convertible bonds – embedded derivative instruments	–	–	15	15

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

As at 31 December, 2022 (Audited)

	Fair value using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration	–	–	131,076	131,076
Convertible bonds – embedded derivative instruments	–	–	35,815	35,815

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in level 2.

The fair value of the convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments in level 2 (continued)

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair values of unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non-current) at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the derivative component of convertible bonds has been estimated using the binomial option pricing model.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(c) Financial instruments in level 3 (continued)

The recurring fair value measurement for the Group's financial assets and financial liabilities at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 30 June, 2023. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation techniques	Significant unobservable inputs
Financial assets		
Financial assets at fair value through profit or loss	Discounted cash flow method	Expected return rate
Bills receivable held both to collect cash flows and to sell	Discounted cash flow method	Discount rate per annum
Unlisted equity investments, at fair value	Valuation multiples	Average P/B or P/E multiple of peers
Financial Liabilities		
Contingent consideration	Discounted cash flow method	Profit forecasting
Convertible bonds-Embedded derivative components	Binominal option pricing model	Expected volatility Risk-free rate

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June, 2022: Nil).

Other Information

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

At 30 June, 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors ("Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Notes	Number of Shares held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital
		Capacity/ Nature of interest	Directly beneficially owned	Through controlled corporations		
Ms. Tse, Theresa Y Y	(1)	Beneficial owner	1,500,000	2,279,254,761	2,280,754,761	12.13%
Mr. Tse Ping	(2)	Beneficial owner	171,618,000	1,459,785,124	1,631,403,124	8.67%
Ms. Cheng Cheung Ling	(3)	Beneficial owner	212,034,750	675,000,000	887,034,750	4.72%
Mr. Tse, Eric S Y	(4)	Beneficial owner	-	4,050,000,000	4,050,000,000	21.53%
Mr. Tse Hsin		Beneficial owner	174,247,000	-	174,247,000	0.93%
Dr. Li Kwok Tung Donald		Beneficial owner	71,000	-	71,000	0.00%

Notes:

- (1) Ms. Tse, Theresa Y Y held 2,279,254,761 Shares through France Investment (China 1) Group Limited, 91.33% of the issued share capital of which is owned by Ms. Tse, Theresa Y Y.
- (2) Mr. Tse Ping held 1,459,785,124 Shares through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.
- (3) Ms. Cheng Cheung Ling held 675,000,000 Shares through Chia Tai Bainian Holdings Limited, the entire issued share capital of which is owned by Ms. Cheng Cheung Ling.
- (4) Mr. Tse, Eric S Y held 2,362,500,000 and 1,687,500,000 Shares through Thousand Eagles Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Mr. Tse, Eric S Y.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Long position in shares of associated corporations of the Company

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

Saved as disclosed above, as at 30 June, 2023, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

As at 30 June, 2023, the following persons (not being Directors or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Thousand Eagles Limited	(1)	Beneficial owner	2,362,500,000	12.56%
France Investment (China 1) Group Limited	(2)	Beneficial owner	2,279,254,761	12.12%
Remarkable Industries Limited	(1)	Beneficial owner	1,687,500,000	8.97%
Validated Profits Limited	(3)	Beneficial owner	1,459,785,124	7.76%

Notes:

- (1) Each of Thousand Eagles Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse, Eric S Y.
- (2) France Investment (China 1) Group Limited is an investment holding company owned as to 91.33% by Ms. Tse, Theresa Y Y.
- (3) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.

Save as disclosed above, as at 30 June, 2023, no person (not being Directors or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

2013 Share Option Scheme

On 28 May, 2013, the shareholders of the Company approved the adoption of a share option scheme (the “2013 Share Option Scheme”), which was in force for 10 years from that date, for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The 2013 Share Option Scheme expired on 28 May, 2023, with no share option ever been granted under the scheme since its adoption.

2023 Share Option Scheme

On 15 June, 2023 (the “2023 Scheme Adoption Date”), the shareholders of the Company approved the adoption of another share option scheme (the “2023 Share Option Scheme”), which is valid and effective for 10 years from the 2023 Scheme Adoption Date. The purpose of the scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the eligible participants and to promote the success of the business of the Group, by giving the eligible participants an opportunity to have a personal stake in the Company.

Eligible participants of the 2023 Share Option Scheme (the “Eligible Participant(s)”) are (i) Employee Participants: The directors and employees of any member of the Group, including persons who are granted options under the scheme as inducement to enter into employment contracts with any member of the Group; and (ii) Service Providers: Persons who provide services to any member of the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth and development of the Group, and fall into the categories of (a) consultants and advisors or (b) suppliers, distributors, contractors and agents.

The total number of Shares which may be issued in respect of all options which may be granted at any time under the 2023 Share Option Scheme together with options and awards which may be granted under any other share schemes of the Company shall not exceed 10% of the Shares in issue as at the 2023 Scheme Adoption Date. Within this limit, the total number of Shares which may be issued in respect of all options which may be granted to Service Providers shall not exceed 1% of the Shares in issue as at the 2023 Scheme Adoption Date.

Where any grant of an option to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant in the 12-month period up to and including the date of such grant representing in aggregate exceeding 1% of the Shares in issue, such grant must be separately approved by the Company’s shareholders in a general meeting with such Eligible Participant and the person’s close associates (or associates where applicable) abstaining from voting. The Company must send a circular to its shareholders containing the information required under Rule 17.03D(2) of the Listing Rules.

Other Information

SHARE OPTION SCHEMES *(continued)*

Where any grant of an option to an independent non-executive Director or a substantial shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted to such person in the 12-month period up to and including the date of such grant representing in aggregate exceeding 0.1% of the Shares in issue, such grant of option must be approved by the Company's shareholders in a general meeting in the manner set out in Rule 17.04(4) of the Listing Rules.

Subject to and in accordance with the provisions of the 2023 Share Option Scheme, the Listing Rules, and any other applicable laws and regulations to the Company, the Board shall be entitled at any time to make an offer to an Eligible Participant as it may, in its absolute discretion, select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares at such subscription price as the Board may determine. An Offer shall be made to an Eligible Participant in writing specifying the number of options offered and conditions that must be satisfied before an option can be exercised. An offer shall remain open for acceptance by the Eligible Participant for a period of 21 days from the date of offer, and shall be deemed to have been accepted by the Eligible Participant in respect of all the options which are offered when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a payment in favour of the Company of HK\$1.00 as consideration for the grant thereof, is received by the Company.

Subject to the terms of the 2023 Share Option Scheme, an option may be exercised in whole or in part at any time during the period determined and notified by the Company to the grantee at the time of grant of the option, provided that such period shall not go beyond the day immediately prior to the tenth anniversary of the offer date. Except for the specific and limited circumstances prescribed in the 2023 Share Option Scheme, the Board may not grant options with a vesting period shorter than 1 year, commencing on the offer date and ending on the day immediately prior to the first anniversary thereof.

The subscription price for Shares to be subscribed under the 2023 Share Option Scheme may be determined by the Board at its absolute discretion, provided that it shall not be less than the highest of (i) the closing price of the Shares on the offer date; (ii) the average of the closing prices of the Shares for the 5 consecutive trading days immediately preceding the offer date; and (iii) the nominal value of the Shares.

No share option has been granted under the 2023 Share Option Scheme since its adoption.

SHARE AWARD SCHEME

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

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

The maximum number of Shares which the trustee may purchase with funds contributed by the Group (the “Scheme Limit”) shall not exceed 3% of the total issued share capital of the Company as at the 2018 Scheme Adoption Date. On 26 April, 2022, the Board resolved that the Scheme Limit be refreshed to 3% of the total issued share capital of the Company as at the date of resolutions, in order to reflect the fact that among others, the number of Shares had increased significantly upon completion of two bonus issues of Shares each on the basis of one bonus Share for every two then existing Shares since the 2018 Scheme Adoption Date. The 2018 Share Award Scheme shall terminate upon the expiry of the period of 10 years from the 2018 Scheme Adoption Date.

During the six months ended 30 June, 2023, there was no unvested Share brought forward from previous periods, nor any unvested Share carried forward to the next reporting period, and no Share had been granted to any Selected Participant under the 2018 Share Award Scheme. As at 30 June, 2023, 401,977,877 Shares were held on trust by the trustee under the 2018 Share Award Scheme.

Other Information

CONVERTIBLE BONDS

On 17 February, 2020, the Company completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 (“Convertible Bonds”) by way of debt issues to professional investors only. The net proceeds from the Convertible Bonds were used by the Group for research and development expenditure, construction of manufacturing facilities, sales and marketing and general corporate purposes.

During the six months ended 30 June, 2023, upon request of the holders of the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds, the Company redeemed a principal amount of EUR487,582,000 in aggregate of the Convertible Bonds on 17 February, 2023. Following the cancellation of the redeemed Convertible Bonds, the outstanding principal amount of the Convertible Bonds was reduced to EUR2,150,000. Upon payment of dividends by the Company, the conversion price of the Conversion Bonds was further adjusted from HK\$12.41 to HK\$12.06 per Share under the terms and conditions of the Convertible Bonds during the review period. The maximum number of Shares issuable by the Company upon conversion of all the outstanding Convertible Bonds amounted to 1,535,467 Shares at the period end, while no conversion of the Convertible Bonds had ever been made up to that date.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the Code Provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the six months ended 30 June, 2023 except for the deviation from Code Provision C.1.6 in relation to attendance of the annual general meeting of the Company (the “AGM”) by the independent non-executive Directors (“INEDs”) of the Company. Two INEDs were unable to attend the AGM held on 15 June, 2023 due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, it was confirmed that for the six months ended 30 June, 2023, all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 1 December, 2021, the Company as borrower entered into a facility agreement (the “2021 Facility Agreement”) with certain financial institutions for the grant of senior term loan and revolving credit facilities in an aggregate amount of USD1,000,000,000. Pursuant to the terms of the 2021 Facility Agreement, the Company has undertaken, among others, to ensure that certain shareholdings in the Company and control on the Board will be retained by Mr. Tse Ping, Ms. Cheng Cheung Ling, Ms. Tse, Theresa Y Y, and Mr. Tse, Eric S Y, all being Directors and/or substantial shareholders of the Company, and their respective family members. Details of these performance covenants were disclosed in the announcement of the Company dated 1 December, 2021.

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

During the six months ended 30 June, 2023, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules and has appointed sufficient number of INEDs including two with appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is comprised of four INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June, 2023, the Company bought back a total of 12,650,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$46,032,500 before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share		Consideration paid
		Highest HK\$	Lowest HK\$	
February	4,650,000	4.22	4.05	19,192,500
June	8,000,000	3.41	3.33	26,840,000

Pursuant to the rules of the 2018 Share Award Scheme, the trustee of the scheme purchased on the Stock Exchange a total of 56,200,000 Shares at a total consideration of approximately HK\$215,768,000 during the period.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

Other Information

FORWARD LOOKING STATEMENTS

Certain statements contained in this report may be viewed as “forward-looking statements” with respect to the business outlook, financial performance estimates, and business operations forecast of the Group. These forward-looking statements are based on the current beliefs, assumptions, and expectations of and the information currently available to the Board and the Company, and therefore involve risks and uncertainties. Actual outcome may differ materially from the forecasts and expectations in such forward-looking statements. The Company assume no obligation to update the forward-looking statements contained in this report. In light of the above risks and uncertainties, shareholders of the Company and potential investors should not place undue reliance on such statements.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises seven executive directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Tian Zhoushan and Ms. Li Mingqin and five independent non-executive directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Dr. Li Kwok Tung Donald.

By order of the Board
Sino Biopharmaceutical Limited
Tse, Theresa Y Y
Chairwoman

Hong Kong, 25 August, 2023