



**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 2017**



## CORPORATE INFORMATION

### LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

### STOCK CODE

1177

### COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

### PLACE OF INCORPORATION

Cayman Islands

### DATE OF LISTING ON MAIN BOARD

8 December, 2003

### DATE OF LISTING ON GEM BOARD

29 September, 2000

### DIRECTORS

#### Executive Directors

Miss Tse, Theresa Y Y (*Chairlady*)

Mr. Tse Ping (*Chief Executive Officer*)

Ms. Cheng Cheung Ling (*Vice Chairlady*)

Mr. Tse Hsin

Mr. Wang Shanchun

Mr. Tian Zhoushan

Ms. Li Mingqin

#### Independent Non-executive Directors

Mr. Lu Zhengfei

Mr. Li Dakui

Ms. Lu Hong

Mr. Zhang Lu Fu

#### Executive Board Committee

Miss Tse, Theresa Y Y (*Chairlady*)

Mr. Tse Ping

Ms. Cheng Cheung Ling

Mr. Tse Hsin

### AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)

Mr. Li Dakui

Ms. Lu Hong

### REMUNERATION COMMITTEE

Mr. Zhang Lu Fu (*Chairman*)

Mr. Lu Zhengfei

Ms. Lu Hong

### NOMINATION COMMITTEE

Miss Tse, Theresa Y Y (*Chairlady*)

Mr. Tse Ping

Mr. Lu Zhengfei

Ms. Lu Hong

Mr. Zhang Lu Fu

### COMPANY SECRETARY

Mr. Chan Oi Nin Derek

### QUALIFIED ACCOUNTANT

Ms. Yu Chau Ling, FCCA, CPA

### AUTHORISED REPRESENTATIVES

Mr. Tse Ping

Mr. Chan Oi Nin Derek

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

Ms. Tse Wun

### PRINCIPAL BANKERS

China CITIC Bank International Limited

166 Hennessy Road

Wanchai

Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

## CORPORATE INFORMATION

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

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

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

## LEGAL ADVISERS

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

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Boundary Hall, 2nd Floor  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
KY1-1111  
Cayman Islands

*As to PRC Law:*  
Navigator Law Office  
308A, Tower C2, Oriental Plaza  
No. 1 East Chang An Ave  
Dong Cheng District  
Beijing  
PRC

## AUDITORS

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

## INVESTOR RELATIONS CONSULTANT

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

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2017, the Group recorded the following unaudited operational results:

- Revenue was approximately RMB7,482.86 million, an increase of approximately 10.6% over same period last year;
- Before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to the Group was approximately RMB1,076.34 million and approximately RMB1,100.58 million, respectively, approximately 22.9% and approximately 25.7% higher than that of same period last year, respectively;
- Based on the profit attributable to the Group before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share were approximately RMB14.52 cents and approximately RMB14.85 cents, respectively, approximately 22.9% and approximately 25.7% higher than that of same period last year, respectively;
- Sales of new products accounted for approximately 11.6% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2017 was approximately RMB3,859.64 million.

The board of directors of the Company (the "Board") declared the payment of a second quarterly dividend of HK2 cents per share for the three months ended 30 June, 2017. Together with the quarterly dividend of HK1.5 cents per share paid for the first quarter, the total dividend of the two quarters amounted to HK3.5 cents per share.

## CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company”), together with its subsidiaries (the “Group”), is an integrated pharmaceutical enterprise. Applying advanced modernized Chinese and biomedical technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicines and chemical medicines. The Group’s products can be grouped under the two major therapeutic categories of hepatitis and cardio-cerebral diseases. It also actively develops medicines for treating tumors, analgesia, orthopedic diseases, anti-infection, parenteral nutrition, respiratory system diseases, anorectal diseases, diabetes and other diseases to meet the increasing demands of the market, medical practitioners and patients. In order to enhance our sustainable competitiveness, the Group also actively seeks for cooperation with the international enterprises, promotes the enlarged healthcare industry strategy, nurtures the internet plus business and develops specialty hospitals.

### Principal products:

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

## CORPORATE PROFILE

### Products with great potential:

Hepatitis medicines:	Tianding (Entecavir Maleate) tablets
Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections, Yifanli Xylitol injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections, Yinshu (Dasatinib) tablets, Qingweike (Decitabine for injections), Gelike (Imatinib Mesylate) capsules, Shoufu (Capecitabine) tablets
Orthopedic medicines:	Yigu (Misole Phosphate) injections
Respiratory system medicines:	Zhongchang (Fudosteine) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets

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

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

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

## CORPORATE PROFILE

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

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

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

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

The Company has been included on Forbes Asia’s “Fabulous 50” list for 2016 among Asia Pacific’s biggest publicly-traded companies on 25 August, 2016.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

During the period under review, the global economy continued to show signs of moderate recovery, with the US economy, those in the Euro zone and that of Japan all warming up. The PRC economy continued to record a steady upward trend with GDP growth at 6.9%, increased by 0.2 percentage point compared to the corresponding period last year, and better than expected. New industries including emerging strategic sectors and high-tech industries became the main drivers of stable economic growth. Industrial economic forces appear to be gathering growth momentum and more apparently is advancing on a stable and positive path. Regarding the country's medical policies, although some pharmaceutical operations and enterprises have benefited to some extent from policies and provisions including cross-province medical insurance settlement, enhanced medical insurance standards, adjustment of the medicine lists for basic medical insurance, work injuries insurance and maternity insurance, etc., the pharmaceutical industry is still going through in-depth adjustment. Government policies including lowering tender prices, public medical institutions implementing a "two-invoice" system for medicine procurement, cancellation of mark-up of medicines across the country and separation of prescribing and dispensing of medicines have had relatively bigger impacts on the medicine circulation system and existing medicine sales model.

### BUSINESS REVIEW

During the period under review, the new round of lowering tender prices and renegotiation of prices by hospitals affected the Group's medicine sales. However, the Group managed to maintain satisfactory growth in sales of existing leading products: hepatitis and cardio-cerebral products. Building on that, the Group continued to step up brand building effort including organizing more training for marketing and sales staff to strengthen their professionalism and communication ability. During the period, sales of respiratory system medicines including Tianqingsule, oncology medicines including Gelize and Yinishu, analgesic medicines including Flurbiprofen Axetil Injection and Flurbiprofen Cataplasm, and cardio-cerebral medicines including Beraprost sodium tablets grew rapidly. Research and Development ("R&D") is always a major emphasis and area of investment of the Group. During the period, phase III clinical trial of the innovative medicine Anlotinib capsule for treating terminal non-small cell lung cancer was completed with satisfactory results. Anlotinib is a new macromolecule kinase inhibitor of receptor tyrosine that pinpoints multiple targets, such as VEGFR, PDGFR, FGFR and c-Kit. It has obvious resistance against new angiogenesis, and can inhibit tumor growth. In the first half of 2017, the Company filed 12 new clinical applications and 17 production applications and obtained 46 clinical approvals, 27 invention patents and 1 apparel design patent. It also filed 137 invention patent applications and 10 apparel design patent applications.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

The Group recorded revenue of approximately RMB7,482.86 million during the period under review, an increase of approximately 10.6% over the same period last year. Before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to the Group was approximately RMB1,076.34 million and approximately RMB1,100.58 million, respectively, approximately 22.9% and approximately 25.7% higher than that of the same period last year, respectively. Based on the profit attributable to the Group before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share were approximately RMB14.52 cents and approximately RMB14.85 cents, respectively, approximately 22.9% and approximately 25.7% higher than that of the same period last year, respectively. Cash and bank balances totaled approximately RMB3,859.64 million.

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

#### *Hepatitis medicines*

For the six months ended 30 June, 2017, the sales of hepatitis medicines amounted to approximately RMB3,328.39 million, representing approximately 44.5% of the Group's revenue.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combat hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice have the dual effects of liver protection and lowering enzyme level. For the six months ended 30 June, 2017, its sales amounted to approximately RMB54.45 million. After the expiration of the protection period of the product, many replicas have emerged in the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine amounted to approximately RMB200.09 million in the period under review. In 2005, CT Tianqing launched the patented medicine Tianqingganmei injections, which are made with Isoglycyrrhizinate separated from Licorice and have bright prospects. During the period under review, the product recorded the sales of approximately RMB980.37 million, an increase of approximately 5.0% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Hepatitis medicines (continued)*

The Group launched a patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the six months ended 30 June, 2017, its sales amounted to approximately RMB176.92 million.

CT Tianqing's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval certificate and production approval in February 2010, making CT Tianqing the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market in March 2010. For the six months ended 30 June, 2017, the sales amounted to approximately RMB1,619.76 million, an increase of approximately 7.0% against the same period last year. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine used mainly for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Entecavir was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines. Another product, Tianding tablets, was launched in April 2013, its sales amounted to approximately RMB196.75 million for the six months ended 30 June, 2017, an increase of approximately 99.2% against the same period last year. For the six months ended 30 June, 2017, the sales of Ganze (Entecavir) capsules amounted to approximately RMB56.81 million, an increase of approximately 64.1% against the same period last year.

#### *Cardio-cerebral medicines*

For the six months ended 30 June, 2017, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of cardio-cerebral medicines amounted to approximately RMB1,527.75 million, representing approximately 16.7% of the adjusted enlarged revenue of the Group. The consolidated sales of cardio-cerebral medicines of the Group amounted to approximately RMB774.30 million, representing approximately 10.3% of the Group's revenue.

NJCTT's Tianqingning injections is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the six months ended 30 June, 2017, the product recorded the sales of approximately RMB83.36 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately RMB323.07 million for the six months ended 30 June, 2017, a year-on-year increase of approximately 16.8%. For the six months ended 30 June, 2017, the sales of Tuotuo calcium tablets amounted to approximately RMB292.10 million, a year-on-year increase of approximately 10.8%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

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

Kaishi injections works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first lipo-microsphere targeted sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market and occupy a large portion of market share. It received many awards from various countries since launched and has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. For the six months ended 30 June, 2017, the sales of Kaishi injections amounted to approximately RMB584.87 million. Applying the technology of micro-solid dispersion with microgram precision, Beraprost Sodium tablets can explicitly improve the ulcer, intermittent claudication, pain and cold symptom from the chronic arterial occlusion. For the six months ended 30 June, 2017, the sales of Beraprost sodium tablets amounted to approximately RMB168.57 million, an increase of approximately 20.1% as compared with the same period last year.

#### *Oncology medicines*

For the six months ended 30 June, 2017, the sales of oncology medicines amounted to approximately RMB807.20 million, representing approximately 10.8% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the six months ended 30 June, 2017, sales of Zhiruo injections amounted to approximately RMB140.84 million. The sales of Saiweijian injections amounted to approximately RMB167.33 million during the period under review, an increase of approximately 13.3% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately RMB106.94 million during the period under review. For the six months ended 30 June, 2017, the sales of a new product, Qingweike injections, amounted to approximately RMB75.66 million, an increase of 17.7% as compared with the same period last year. Shoufu tablets was launched in February 2014. For the six months ended 30 June, 2017, its sales amounted to approximately RMB86.19 million, an increase of approximately 17.7% as compared with the same period last year. Sales of Gelike capsules for the six months ended 30 June, 2017 amounted to approximately RMB84.47 million, an increase of approximately 35.3% as compared with the same period last year. Sales of Yinishu tablets for the six months ended 30 June, 2017 amounted to approximately RMB50.36 million, an increase of approximately 43.3% as compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Analgesic medicines*

For the six months ended 30 June, 2017, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of analgesic medicines amounted to approximately RMB912.26 million, representing approximately 10.0% of the adjusted enlarged revenue of the Group.

Launched in 2005, the analgesic medicine Kaifen injections is a Flurbiprofen Axetil lipo-microsphere targeted sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is developed and manufactured by Beijing Tide and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the six months ended 30 June, 2017 amounted to approximately RMB716.99 million, approximately 27.7% higher than that of the same period last year. Another product for relieving non-surgical joint soft tissue pain is Flurbiprofen Cataplasm, its sales for the six months ended 30 June, 2017 amounted to approximately RMB174.68 million, approximately 43.4% higher than that of the same period last year.

#### *Orthopedic medicines*

For the six months ended 30 June, 2017, the sales of orthopedic medicines amounted to approximately RMB601.38 million, representing approximately 8.0% of the Group's revenue.

The main product of orthopedic medicines is the New Ossified Triol capsules. For the six months ended 30 June, 2017, its sales amounted to approximately RMB417.31 million, rose by approximately 19.1% as compared with the same period last year. For the six months ended 30 June, 2017, the sales of another product, Jiuli tablets, amounted to approximately RMB109.24 million, an increase of approximately 34.8% against the same period last year.

#### *Anti-infectious medicines*

For the six months ended 30 June, 2017, the sales of anti-infectious medicines amounted to approximately RMB454.09 million, representing approximately 6.1% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the six months ended 30 June, 2017, its sales amounted to approximately RMB354.54 million. For the six months ended 30 June, 2017, the sales of another product, Tianjie tablets, amounted to approximately RMB75.09 million, an increase of approximately 45.4% against the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Parenteral nutritious medicines*

For the six months ended 30 June, 2017, the sales of parenteral medicines amounted to approximately RMB353.93 million, representing approximately 4.7% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the six months ended 30 June, 2017, its sales amounted to approximately RMB250.72 million. For the six months ended 30 June, 2017, the sales of Fenghaineng fructose injections amounted to approximately RMB98.82 million.

#### *Respiratory system medicines*

For the six months ended 30 June, 2017, the sales of respiratory medicines amounted to approximately RMB332.38 million, representing approximately 4.4% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the six months ended 30 June, 2017, its sales amounted to approximately RMB213.41 million, an increase by approximately 32.6% as compared with the same period last year. For the six months ended 30 June, 2017, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately RMB85.88 million.

#### *Anorectal medicines*

For the six months ended 30 June, 2017, the sales of anorectal medicines amounted to approximately RMB312.08 million, representing approximately 4.2% of the Group's revenue.

The main product of anorectal medicines is Getai tablets. For the six months ended 30 June, 2017, its sales amounted to approximately RMB111.24 million, an increase by approximately 22.3% as compared with the same period last year. A new product, Aisuping (Esomeprazole Sodium) injection was launched in May 2016. Its sales amounted to approximately RMB165.36 million for the six months ended 30 June, 2017, a significant increase by approximately 6559.5% as compared with the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### *Diabetic medicines*

For the six months ended 30 June, 2017, the sales of diabetic medicines amounted to approximately RMB55.16 million, representing approximately 0.7% of the Group's revenue.

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 100 million diabetics in the PRC and the Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilize a patient's blood sugar level. For the six months ended 30 June, 2017, the sales of the product amounted to approximately RMB44.79 million, an increase by approximately 18.5% as compared with the same period last year.

### AVAILABLE-FOR-SALE INVESTMENTS

As at 30 June, 2017, the Group had the non-current available-of-sale ("AFS") investment of approximately RMB530.97 million (31 December, 2016: approximately RMB369.45 million (*restated*)) and current AFS investment of approximately RMB2,825.59 million (31 December, 2016: approximately RMB2,122.36 million (*restated*)). Non-current AFS investments are certain unlisted equity investments and current AFS investments are the wealth management products and trust funds. For wealth management products and trust funds, the Group has entered the investment contracts with several PRC banks, including China Communication Bank (approximately RMB627 million), Ping An Trust (approximately RMB573.63 million), Jiangsu Bank (approximately RMB520 million), Xiamen International Bank (approximately RMB380 million), China Construction Bank (approximately RMB210 million) and other banks (approximately RMB514.96 million) during the period. These investments, representing approximately 14.4% of the total assets of the Group, mainly consisted of the principal-guaranteed with floating return products with relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June, 2017, the Group had (i) non-current financial assets designated as at fair value through profit or loss of approximately RMB160.25 million (31 December, 2016: approximately RMB147.93 million (*restated*)) which are the convertible bonds of Karolinska Development AB with an aggregate nominal value of SEK272,858,294 and 8% interest per annum; and (ii) current equity investments at fair value through profit or loss of approximately RMB703.74 million (31 December, 2016: approximately RMB408.56 million (*restated*)) which were investments in various listed shares. The Group recorded the realized gain on the disposal of the equity investments of approximately RMB67.72 million and unrealized fair value gain and loss of the financial assets and equity investments of approximately RMB24.24 million for the six months ended 30 June, 2017. The Board believes that the investment in financial assets and equity investments 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 its R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the second quarter, the Group was granted 19 clinical approvals, 9 new clinical applications and 11 production applications. Cumulatively, a total of 451 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 53 were for cardio-cerebral medicines, 32 for hepatitis medicines, 187 for oncology medicines, 22 for respiratory system medicines, 24 for diabetic medicines and 133 for other medicines.

Over the years, the Group has been placing high importance on R&D and innovation, as well as through collaboration and imitation, to raise both R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of the Group's development, the Group continues to devote into more resources. For the six months ended 30 June, 2017, the R&D expenditure of approximately RMB1,155.53 million, which accounted for approximately 15.4% of the Group's revenue, was charged to the statement of profit or loss.

The Group also places major emphasis on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the second quarter, the Group has received 17 authorized patent notices (all were invention patents) and filed 74 new patent applications (71 invention patents, 2 utility model patents and 1 apparel design patent). Cumulatively, the Group has obtained 559 invention patent approvals, 13 utility model patents and 56 apparel design patents.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the period under review, the Group's primary sources of funds were cash derived from operating activities and bank borrowings. As at 30 June, 2017, the Group's cash and bank balances were approximately RMB3,859.64 million (31 December, 2016: approximately RMB3,765.79 million (*restated*)).

### CAPITAL STRUCTURE

As at 30 June, 2017, the Group had short term loans of approximately RMB998.82 million (31 December, 2016: approximately RMB1,369.47 million (*restated*)) and had long term loans of approximately RMB1,632.53 million (31 December, 2016: approximately RMB1,678.97 million (*restated*)).

### CHARGE ON ASSETS

As at 30 June, 2017, the Group had the charge on assets of approximately RMB422.76 million (31 December, 2016: approximately RMB459.52 million (*restated*)).

### CONTINGENT LIABILITIES

As at 30 June, 2017, the Group and the Company had no material contingent liabilities (31 December, 2016: Nil).

### ASSETS AND GEARING RATIO

As at 30 June, 2017, the total assets of the Group amounted to approximately RMB19,606.37 million (31 December, 2016: approximately RMB18,340.08 million (*restated*)) whereas the total liabilities amounted to approximately RMB8,694.36 million (31 December, 2016: approximately RMB7,598.17 million (*restated*)). The gearing ratio (total liabilities over total assets) was approximately 44.3% (31 December, 2016: approximately 41.4% (*restated*)).

### EMPLOYEE AND REMUNERATION POLICIES

The Group had 16,821 employees as at 30 June, 2017 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff cost (including Directors' remuneration) for the period was approximately RMB601,134,000 (2016: approximately RMB548,394,000 (*restated*)).

## MANAGEMENT DISCUSSION AND ANALYSIS

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

### PROSPECTS

In the second half year, there will be more factors conducive to the continuing recovery of the global economy, but risks will still exist. Factors including increase in domestic consumption, boost of new economic engines and contribution from tertiary industry will bolster the overall PRC economy helping it gain yet more stable footing. As for industry-related policies, the complete cancellation of mark-up of medicines by hospitals and the “two-invoice” procurement system will continue to pose significant impacts on the pharmaceutical sector and the sales model of pharmaceutical products, and hospitals’ practices in relation to medicine tendering and price negotiation will affect the sales profit of pharmaceutical products in the second half year. On the other hand, policies such as expansion and adjustment of the national and provincial medical insurance catalogues and cross-province settlement of medical insurance claims, etc. will present opportunities to related enterprises. Although the pharmaceutical industry is still facing relatively strong operating pressure in the second half year, presented with both challenges and opportunities, the Group will, at the effective guidance of the Board, strive to adapt to changes in market conditions and bring sustainable lucrative returns to shareholders.

### APPRECIATION

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

## RESULTS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June, 2017 together with the comparative consolidated results for 2016 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June,	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
<b>REVENUE</b>	3	<b>7,482,859</b>	6,768,203
Cost of sales		<b>(1,568,413)</b>	(1,452,802)
Gross profit		<b>5,914,446</b>	5,315,401
Other income and gains	3	<b>223,739</b>	124,687
Selling and distribution costs		<b>(3,169,426)</b>	(2,830,705)
Administrative expenses		<b>(254,581)</b>	(417,999)
Other expenses		<b>(1,173,558)</b>	(954,357)
Finance cost	4	<b>(34,127)</b>	(27,862)
Share of profits and losses of associates		<b>177,776</b>	172,294
<b>PROFIT BEFORE TAX</b>	5	<b>1,684,269</b>	1,381,459
Income tax expense	6	<b>(285,637)</b>	(219,617)
<b>PROFIT FOR THE PERIOD</b>		<b>1,398,632</b>	1,161,842
Profit attributable to:			
Owners of the parent		<b>1,100,582</b>	875,596
Non-controlling interests		<b>298,050</b>	286,246
		<b>1,398,632</b>	1,161,842
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
– Basic and diluted		<b>RMB14.85 cents</b>	RMB11.81 cents

Details of the dividend payable and declared for the period are disclosed in note 7 of this announcement.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		<i>(Restated)</i>
<b>PROFIT FOR THE PERIOD</b>	<b>1,398,632</b>	1,161,842
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(113,300)	108,491
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(113,300)	108,491
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,285,332</b>	1,270,333
Attributable to:		
Owners of the parent	988,528	983,602
Non-controlling interests	296,804	286,731
	<b>1,285,332</b>	1,270,333

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June, 2017</b>	31 December, 2016
<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
		<i>(Restated)</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>2,866,296</b>	2,658,160
Investment properties	<b>397,442</b>	421,494
Prepaid land lease payments	<b>519,927</b>	465,061
Goodwill	<b>99,384</b>	99,384
Other intangible assets	<b>177,243</b>	176,203
Investments in associates	<b>1,017,212</b>	946,660
Available-for-sale investments	<b>530,972</b>	369,447
Financial assets designated at fair value through profit or loss	<b>160,246</b>	147,926
Deferred tax assets	<b>245,522</b>	260,817
Prepayments	<b>360,671</b>	40,013
Total non-current assets	<b>6,374,915</b>	5,585,165
<b>CURRENT ASSETS</b>		
Inventories	<b>873,899</b>	917,868
Trade and bills receivables	<b>2,399,646</b>	1,995,827
Prepayment, deposit and other receivables	<b>2,568,941</b>	3,195,323
Dividend due from an associate	<b>–</b>	349,199
Available-for-sale investments	<b>2,825,588</b>	2,122,358
Equity investments at fair value through profit or loss	<b>703,742</b>	408,557
Cash and bank balances	<b>3,859,639</b>	3,765,786
Total current assets	<b>13,231,455</b>	12,754,918
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	<b>1,165,229</b>	826,734
Tax payable	<b>96,293</b>	193,024
Other payables and accruals	<b>4,641,820</b>	3,271,494
Interest-bearing bank borrowings	<b>998,823</b>	1,369,474
Total current liabilities	<b>6,902,165</b>	5,660,726
<b>NET CURRENT ASSETS</b>	<b>6,329,290</b>	7,094,192
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>12,704,205</b>	12,679,357

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		<b>30 June, 2017</b>	31 December, 2016
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b> <i>(Restated)</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred government grants		<b>133,986</b>	201,603
Interest-bearing bank borrowings		<b>1,632,527</b>	1,678,968
Deferred tax liabilities		<b>25,683</b>	56,875
Total non-current liabilities		<b>1,792,196</b>	1,937,446
Net assets		<b>10,912,009</b>	10,741,911
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	12	<b>170,033</b>	170,033
Reserves		<b>8,474,044</b>	7,813,402
		<b>8,644,077</b>	7,983,435
Non-controlling interests		<b>2,267,932</b>	2,758,476
Total equity		<b>10,912,009</b>	10,741,911

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent											
	Issued share capital	Share premium account	Capital reserve	Asset revaluation reserve	Contributed surplus	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December, 2016												
and 1 January, 2017	170,033	1,128,455	(169,686)	185,993	22,691	1,420,955	(83,207)	5,213,051	95,150	7,983,435	2,758,476	10,741,911
Profit for the period	-	-	-	-	-	-	-	1,100,582	-	1,100,582	298,050	1,398,632
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(112,054)	-	-	(112,054)	(1,246)	(113,300)
Total comprehensive income for the period	-	-	-	-	-	-	(112,054)	1,100,582	-	988,528	296,804	1,285,332
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	698	698
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(788,046)	(788,046)
Final 2016 dividend declared	-	-	-	-	-	-	-	-	(95,150)	(95,150)	-	(95,150)
Interim 2017 dividend	-	-	-	-	-	-	-	(232,736)	-	(232,736)	-	(232,736)
Transfer from/(to) retained earnings	-	-	-	-	-	14,022	-	(14,022)	-	-	-	-
As at 30 June 2017	170,033	1,128,455	(169,686)	185,993	22,691	1,434,977	(195,261)	6,066,875	-	8,644,077	2,267,932	10,912,009
At 31 December, 2015												
and 1 January, 2016 ( <i>Restated</i> )	170,033	1,128,455	(169,686)	169,037	22,691	1,074,912	(325,396)	4,335,530	90,121	6,495,697	2,246,168	8,741,865
Profit for the period	-	-	-	-	-	-	-	875,596	-	875,596	286,246	1,161,842
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	108,006	-	-	108,006	485	108,491
Total comprehensive income for the period	-	-	-	-	-	-	108,006	875,596	-	983,602	286,731	1,270,333
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(546,228)	(546,228)
Final 2015 dividend declared	-	-	-	-	-	-	-	-	(90,121)	(90,121)	-	(90,121)
Interim 2016 dividend	-	-	-	-	-	-	-	(190,663)	-	(190,663)	-	(190,663)
As at 30 June 2016	170,033	1,128,455	(169,686)	169,037	22,691	1,074,912	(217,390)	5,020,463	-	7,198,515	1,986,671	9,185,186

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited) <i>(Restated)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,218,565</b>	1,440,863
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(1,585,214)</b>	251,039
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(1,389,331)</b>	(802,576)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>244,020</b>	889,326
Cash and cash equivalents at beginning of year	<b>3,498,538</b>	2,121,086
Effect of foreign exchange rate changes, net	<b>(154,594)</b>	122,659
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,587,964</b>	3,133,071
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>1,696,909</b>	1,808,248
Time deposits with original maturity of less than 3 months when acquired	<b>1,891,055</b>	1,324,823
	<b>3,587,964</b>	3,133,071

## NOTES:

### 1. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and equity investments which have been measured at fair value. Since the Group’s principal operating activities are engaged in China, the Board determined to change the reporting currency of the Group and the Company from Hong Kong dollars to Renminbi (“RMB”) with effect from 1 January, 2017 so as to reflect the actual business position of the Group accurately. Hence, these financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. The comparative figures will also be restated thereof.

The unaudited consolidated financial information should be read in conjunction with the 2016 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2016.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June, 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

## NOTES:

### 1. BASIS OF PREPARATION (continued)

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

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

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

### 2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

## NOTES:

### 2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2017

	Modernized Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers	7,266,830	1,935	214,094	7,482,859
<b>Segment results</b>	<b>1,496,927</b>	<b>96,615</b>	<b>37,261</b>	<b>1,630,803</b>
<i>Reconciliation:</i>				
Interest and unallocated gains				22,302
Share of profits and losses of associates				177,776
Unallocated expenses				(146,612)
Profit before tax				1,684,269
Income tax expense				(285,637)
Profit for the period				1,398,632
<b>Assets and liabilities</b>				
Segment assets	13,146,270	4,585,784	611,582	18,343,636
<i>Reconciliation:</i>				
Investments in associates				1,017,212
Other unallocated assets				245,522
<b>Total assets</b>				<b>19,606,370</b>
Segment liabilities	5,560,958	2,712,396	299,031	8,572,385
<i>Reconciliation:</i>				
Other unallocated liabilities				121,976
<b>Total liabilities</b>				<b>8,694,361</b>
<b>Other segment information:</b>				
Depreciation and amortisation	144,116	15,125	9,200	168,441
Capital expenditure	436,967	69	–	437,036
Other non-cash expenses	527	37	–	564

## NOTES:

### 2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2016 (*Restated*)

	Modernized Chinese medicines and chemical medicines <i>RMB'000</i>	Investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue:</b>				
Sales to external customers	6,550,516	1,814	215,873	6,768,203
<b>Segment results</b>				
	1,460,899	(125,838)	14,754	1,349,815
<i>Reconciliation:</i>				
Interest and unallocated gains				15,535
Share of profits and losses of associates				172,294
Unallocated expenses				(156,185)
Profit before tax				1,381,459
Income tax expense				(219,617)
Profit for the period				1,161,842
<b>Assets and liabilities</b>				
Segment assets	10,277,943	3,116,733	962,865	14,357,541
<i>Reconciliation:</i>				
Investments in associates				1,132,148
Other unallocated assets				237,296
<b>Total assets</b>				15,726,985
Segment liabilities	4,336,810	1,759,783	263,477	6,360,070
<i>Reconciliation:</i>				
Other unallocated liabilities				181,730
<b>Total liabilities</b>				6,541,800
<b>Other segment information:</b>				
Depreciation and amortisation	123,161	14,126	8,957	146,244
Capital expenditure	169,662	11	1,490	171,163
Other non-cash expenses	378	–	–	378

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

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2017 and 2016.

## NOTES:

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

	<b>For the six months ended 30 June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<i>(Restated)</i>
<b>Revenue</b>		
Sale of goods	7,297,582	6,583,102
Others	185,277	185,101
	<b>7,482,859</b>	<b>6,768,203</b>
<b>Other income</b>		
Bank interest income	22,302	15,535
Interest income from convertible bonds	8,364	8,567
Dividend income	6,207	9,384
Government grants	14,714	15,555
Sale of scrap materials	2,579	507
Investment income	59,359	50,694
Gross rental income	2,686	2,556
Others	13,612	19,785
	<b>129,823</b>	<b>122,583</b>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment	976	249
Gain on disposal of equity investments	67,721	–
Fair value gains		
Equity investments at fair value through profit or loss		
– held for trading	25,219	1,855
	<b>93,916</b>	<b>2,104</b>
<b>Total other income and gains</b>	<b>223,739</b>	<b>124,687</b>

## NOTES:

### 4. FINANCE COST

	For the six months ended 30 June,	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) <i>(Restated)</i>
Interest on bank borrowings	34,127	27,862

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) <i>(Restated)</i>
Cost of sales	1,568,413	1,452,802
Depreciation of property, plant and equipment	150,863	130,745
Depreciation of investment properties	11,509	10,951
Recognition of prepaid land lease payments	482	482
Amortization of other intangible assets	5,587	4,066
Research and development costs	1,155,532	914,606
Gain on disposal of items of property, plant and equipment	(976)	(249)
Loss on disposal of items of property, plant and equipment	564	378
Bank interest income	(22,302)	(15,535)
Dividend income	(6,207)	(9,384)
Investment income	(59,359)	(50,694)
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss		
– held for trading	(25,219)	(1,855)
Financial assets designated as fair value through profit or loss	978	1,735
Auditors' remuneration	1,921	1,951
Staff cost (including directors' remuneration)		
Wages and salaries	488,427	455,016
Pension contributions	112,707	93,378
	601,134	548,394
Accrual of impairment loss of trade receivables	16,288	64
Foreign exchange differences, net	(70,165)	32,655

## NOTES:

### 6. INCOME TAX EXPENSE

	<b>For the six months ended 30 June,</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
		<i>(Restated)</i>
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	<b>299,058</b>	246,820
Deferred tax	<b>(13,421)</b>	(27,203)
Total tax charge for the period	<b>285,637</b>	219,617

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

During the six months ended 30 June, 2017, CT Tianqing, NJCTT, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier, Shanghai Tongyong and LYG Runzhong were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2017.

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

The Board has declared the payment of a second quarterly dividend of HK2 cents per ordinary share for the three months ended 30 June, 2017 (2016: HK1.5 cents). The dividend will be paid to shareholders on Friday, 29 September, 2017 whose names appear on the Register of Members of the Company on Friday, 15 September, 2017. For the purpose of determining shareholders who are qualified for the second quarterly dividend, the register of members of the Company will be closed from Thursday, 14 September, 2017 to Friday, 15 September, 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second quarterly dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 13 September, 2017.

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the period of approximately RMB1,100,582,000 (2016: approximately RMB875,596,000 (*Restated*)), and the weighted average number of ordinary shares of 7,412,192,209 (2016: 7,412,192,209) in issue during the period.

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

## NOTES:

### 9. TRADE AND BILL RECEIVABLES

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

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

	<b>30 June, 2017</b>	31 December, 2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
		<i>(Restated)</i>
Current to 90 days	2,196,235	1,657,541
91 days to 180 days	161,569	314,366
Over 180 days	41,842	23,920
	<b>2,399,646</b>	1,995,827

### 10. CASH AND BANK BALANCES

	<b>30 June, 2017</b>	31 December, 2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
		<i>(Restated)</i>
Cash and bank balances, unrestricted	1,696,909	1,472,778
Time deposits with original maturity of less than three months	1,891,055	2,025,760
Time deposits with original maturity of more than three months	271,675	267,248
	<b>3,859,639</b>	3,765,786

### 11. TRADE AND BILLS PAYABLES

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

	<b>30 June, 2017</b>	31 December, 2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
		<i>(Restated)</i>
Current to 90 days	962,253	573,680
91 days to 180 days	114,857	215,202
Over 180 days	88,119	37,852
	<b>1,165,229</b>	826,734

## NOTES:

### 12. SHARE CAPITAL

	<b>30 June, 2017 RMB'000 (Unaudited)</b>	31 December, 2016 RMB'000 (Audited) <i>(Restated)</i>
<b><i>Issued and fully paid:</i></b>		
7,412,192,209 ordinary shares of approximately RMB0.02294 each (2016: 7,412,192,209 ordinary shares of approximately RMB0.02294 each)	<b>170,033</b>	170,033

### 13. RELATED PARTY TRANSACTION

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

	<b>For the six months ended 30 June,</b>	
	<b>2017 RMB'000 (Unaudited)</b>	2016 RMB'000 (Unaudited) <i>(Restated)</i>
Operating lease rental payable to:		
– a company beneficially owned by a director (note a)	<b>531</b>	505
– a company beneficially owned by a director (note a)	<b>1,800</b>	1,800
Consultancy fee receivable from:		
– a company beneficially owned by connected persons (note b)	<b>1,557</b>	1,415

Notes:

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

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

At 30 June, 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

### Long positions in ordinary shares of the Company

Name of Director	Notes	Capacity/Nature of interest	Number of shares held, capacity and nature of interest			Approximate percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations	Total	
Mr. Tse Ping	(1)	Beneficial owner	140,400,000	1,082,126,722	1,222,526,722	16.49%
Ms. Cheng Cheung Ling	(2)	Beneficial owner	63,371,000	1,800,000,000	1,863,371,000	25.14%
Mr. Tse Hsin		Beneficial owner	61,257,000	-	61,257,000	0.83%

Notes:

- (1) Mr. Tse Ping held 1,082,126,722 shares of the Company through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.
- (2) Ms. Cheng Cheung Ling held 1,050,000,000 shares and 750,000,000 shares of the Company through Chia Tai Bainian Holdings Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Ms. Cheng Cheung Ling.

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

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

Name of Director	Name of associated corporation	Note	Capacity	Number of shares	Approximate percentage of shareholding
Miss Tse, Theresa YY	Beijing Tide	(1)	Interest in controlled corporation	288,000,000	57.6%
Mr. Tse Hsin	CT Tianqing NJCTT		Beneficial owner	229,250	0.18%
			Beneficial owner	26,583	0.53%

*Note:*

- (1) Miss Tse, Theresa YY holds interests in France Investment (China 1) Group Limited which indirectly holds interests in Beijing Tide.

Saved as disclosed above, as at 30 June, 2017, 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.

## 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, 2017, the following persons (not being Directors or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Interests in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Validated Profits Limited	(1)	Beneficial owner	1,082,126,722	14.60%
Chia Tai Bainian Holdings Limited	(2)	Beneficial owner	1,050,000,000	14.17%
Remarkable Industries Limited	(2)	Beneficial owner	750,000,000	10.11%

#### Notes:

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

Save as disclosed above, as at 30 June, 2017, no person (not being a Director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

On 28 May, 2013, the shareholders of the Company approved the adoption of a share option scheme (the “2013 Scheme”), which is in force for 10 years from that date, for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

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

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

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

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

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

## SHARE OPTION SCHEME (continued)

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

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

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

## INVESTOR RELATIONS

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

During the period under review, the Group has proactively lobbied with a number of initiatives to deliver the latest business information to investors in a timely manner. It has participated in a number of large scale investor conferences and roadshows, including "The 35th Annual J.P. Morgan Healthcare Conference", "Credit Suisse 20th Annual Asian Investment Conference", "Deutsche Bank 8th Annual dbAccess Asia Conference 2017", "Morgan Stanley Third Annual China Summit" and "J.P. Morgan 13th Global China Summit". Moreover, the Group has arranged factory site visits, teleconferences and one-on-one meetings with international and local institutional investors. Altogether, these investor relations events have helped more than 180 potential investors to increase their knowledge about the Group's latest development and operations, thereby solidifying the confidence of shareholders, investors and customers in the Group's business.

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

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the six months ended 30 June, 2017 except for the deviation from Code Provision A.6.7 in relation to attendance of the annual general meeting of the Company (the “AGM”) by Independent Non-executive Director (INED). An INED was unable to attend the AGM held on 22 June, 2017 due to other business engagements.

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

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, it was confirmed that for the six months ended 30 June, 2017 all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

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

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including two with financial management expertise, details of their biographies had been set out in the 2016 Annual Report of the Company.

The Audit Committee is comprised of three INEDs comprising Mr. Lu Zhengfei as chairman and Mr. Li Dakui and Ms. Lu Hong as members. It had reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the six months ended 30 June, 2017.

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

On 27 September, 2016, the Company has entered into a facility agreement (the “2016 Facility Agreement”) with Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, Bank of Communications Co., Ltd. Hong Kong Branch, Taipei Fubon Commercial Bank Co., Ltd. and CTBC Bank Co., Ltd. for a three-year unsecured loan in the principal sum of USD300,000,000. Pursuant to the terms of the 2016 Facility Agreement, there are covenants regarding certain shareholding in the Company and control on the Board of Directors of the Company to be retained by Mr. Tse Ping, a substantial shareholder and a Director of the Company, and Mr. Tse Ping’s family members.

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2017 to 30 June, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## BOARD OF DIRECTORS

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

By Order of the Board

**Sino Biopharmaceutical Limited**

**Tse, Theresa Y Y**

*Chairlady*

Hong Kong, 21 August, 2017