CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1093)

QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

	For the nine months ended 30 September		
	2019	2018	Change
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited) (Restated)	
Revenue by business units:			
Finished drugs	**13,387,380**	9,911,876	**+35.1%**
Vitamin C	**1,595,692**	1,384,388	**+15.3%**
Antibiotics	**715,060**	863,851	**-17.2%**
Others	**1,062,642**	982,428	**+8.2%**
Total revenue	**16,760,774**	13,142,543	**+27.5%**
Gross profit	**11,887,616**	8,569,407	**+38.7%**
Operating profit	**3,522,786**	2,849,471	**+23.6%**
Profit attributable to shareholders	**2,811,167**	2,267,441	**+24.0%**
Basic earnings per share	**RMB45.15 cents**	RMB36.32 cents	**+24.3%**

The Board of Directors of CSPC Pharmaceutical Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2019

	For the nine months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Revenue	**16,760,774**	13,142,543
Cost of sales	**(4,873,158)**	(4,573,136)
Gross profit	**11,887,616**	8,569,407
Other income	**162,383**	112,080
Other gains or losses	**52,327**	94,460
Selling and distribution expenses	**(6,457,985)**	(4,496,309)
Administrative expenses	**(583,461)**	(499,003)
Research and development expenses	**(1,501,552)**	(915,644)
Other expenses	**(36,542)**	(15,520)
Operating profit	**3,522,786**	2,849,471
Finance costs	**(30,190)**	(50,422)
Share of results of joint ventures	**34,530**	29,343
Profit before tax	**3,527,126**	2,828,392
Income tax expense	**(680,311)**	(574,263)
Profit for the period	**2,846,815**	2,254,129
Profit for the period attributable to:		
Owners of the Company	**2,811,167**	2,267,441
Non-controlling interests	**35,648**	(13,312)
	2,846,815	2,254,129
	RMB cents	*RMB cents*
	(Unaudited)	(Unaudited) (Restated)
Earnings per share		
— Basic	**45.15**	36.32
— Diluted	**45.14**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

	For the nine months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Profit for the period	**2,846,815**	2,254,129
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value gain on investments in financial assets measured at fair value through other comprehensive income	**81,458**	69,114
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(9,449)**	(1,678)
Other comprehensive income for the period	**72,009**	67,436
Total comprehensive income for the period	**2,918,824**	2,321,565
Total comprehensive income for the period attributable to:		
Owners of the Company	**2,883,176**	2,334,877
Non-controlling interests	**35,648**	(13,312)
	2,918,824	2,321,565

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies and methods of computation used in the preparation of the financial data for the nine months ended 30 September 2019 are consistent with those followed in the preparation of the Group's interim financial statements for the six months ended 30 June 2019.

The functional currency of the Company is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial years was Hong Kong dollar ("HK$"). In view of the fact that the Group's operation is mainly located in the PRC with transactions mainly denominated in RMB, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the financial performance and financial position of the Group effective from 1 January 2019, and the comparative information has been restated to reflect the change in presentation currency to RMB accordingly.

2. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

(a) Finished drugs — research and development, manufacture and sale of pharmaceutical products;

(b) Vitamin C — manufacture and sale of vitamin C products in bulk form;

(c) Antibiotics — manufacture and sale of antibiotic products in bulk form; and

(d) Others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), glucose products and provision of healthcare services.

Vitamin supplements are included as functional food products in the segment of others for the period, while they were included in the segment of finished drugs in prior financial years. The comparative information has been restated to conform with current period's presentation.

Under HKFRS 15 *Revenue from Contracts with Customers*, revenue from manufacture and sales of products is recognised at a point in time when the customer obtains control of the distinct goods.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the nine months ended 30 September 2019 (Unaudited):

	Finished Drugs *RMB'000*	**Vitamin C** *RMB'000*	**Antibiotics** *RMB'000*	**Others** *RMB'000*	**Segment total** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
SEGMENT REVENUE							
External sales	**13,387,380**	**1,595,692**	**715,060**	**1,062,642**	**16,760,774**	**—**	**16,760,774**
Inter-segment sales	**—**	**4,403**	**73,302**	**4,348**	**82,053**	**(82,053)**	**—**
TOTAL REVENUE	**13,387,380**	**1,600,095**	**788,362**	**1,066,990**	**16,842,827**	**(82,053)**	**16,760,774**
SEGMENT PROFIT	**2,927,360**	**357,654**	**14,954**	**218,542**			**3,518,510**
Unallocated income							**117,187**
Unallocated expenses							**(112,911)**
Operating profit							**3,522,786**
Finance costs							**(30,190)**
Share of results of joint ventures							**34,530**
Profit before tax							**3,527,126**

For the nine months ended 30 September 2018 (Unaudited) (Restated):

	Finished Drugs *RMB'000*	Vitamin C *RMB'000*	Antibiotics *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE							
External sales	9,911,876	1,384,388	863,851	982,428	13,142,543	—	13,142,543
Inter-segment sales	—	34,072	60,242	3,642	97,956	(97,956)	—
TOTAL REVENUE	9,911,876	1,418,460	924,093	986,070	13,240,499	(97,956)	13,142,543
SEGMENT PROFIT	2,078,174	516,816	31,965	210,694			2,837,649
Unallocated income							127,712
Unallocated expenses							(115,890)
Operating profit							2,849,471
Finance costs							(50,422)
Share of results of joint ventures							29,343
Profit before tax							2,828,392

Segment profit represents the profit earned by each segment without allocation of interest income, fair value gain on structured bank deposits, finance costs, central administrative expenses and share of results of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities are not regularly provided to the CODM for review.

3. PROFIT BEFORE TAX

	For the nine months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Profit before tax has been arrived at after charging (crediting):		
Amortisation of other intangible assets	**14,613**	12,734
Amortisation of prepaid lease payments	**—**	11,574
Depreciation of property, plant and equipment	**435,825**	425,106
Depreciation of right-of-use assets	**61,825**	—
Total depreciation and amortisation	**512,263**	449,414
Fair value gain on structured bank deposits (included in other gains or losses)	**(66,194)**	(79,685)
Government grant income	**(95,014)**	(22,595)
Interest income on bank balances	**(50,993)**	(29,958)
Net foreign exchange gain	**(16,196)**	(27,282)

Note: For the nine months ended 30 September 2019, cost of inventories recognised as expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss and other comprehensive income.

4. EARNINGS PER SHARE

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

	For the nine months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,811,167**	2,267,441

	For the nine months ended 30 September	
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,226,615**	6,243,018
Effect of dilutive potential ordinary shares:		
Unvested shares under share award scheme	**434**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,227,049**	N/A

For the nine months ended 30 September 2019, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of shares held by the Trustee pursuant to the share award scheme.

No diluted earnings per share is presented for the nine months ended 30 September 2018 as there was no potential ordinary shares in issue during the period.

BUSINESS REVIEW

Results

For the nine months ended 30 September 2019, the Group achieved a revenue of RMB16,761 million, representing a 27.5% growth year-on-year; profit attributable to shareholders of RMB2,811 million, representing a 24.0% growth year-on-year; and basic earnings per share of RMB45.15 cents.

Dividend

The board of directors of the Company does not declare the payment of an interim dividend for the nine months ended 30 September 2019.

Finished Drug Business

During the period under review, the finished drug business maintained robust growth with sales reaching RMB13,387 million, representing a 35.1% growth year-on-year. Of which, the sales of innovative drug products, including NBP (恩必普) (butylphthalide soft capsules and injections), Duomeisu (多美素) (doxorubicin hydrochloride liposome injections), Jinyouli (津優力) (PEG-rhGCSF injections), Keaili (克艾力) (paclitaxel for injection (albumin-bound)), Ailineng (艾利能) (elemene injections), Nuolining (諾利寧) (imatinib mesylate tablets), Oulaining (歐來寧) (oxiracetam capsules and lyophilised powder injections) and Xuanning (玄寧) (maleate levamlodipine tablets), amounted to RMB9,525 million, representing a 51.9% growth year-on-year; and the sales of common generic drug products amounted to RMB3,862 million, representing a 6.0% growth year-on-year.

During the period, NBP maintained rapid growth with sales increasing by 35.7%. It was also listed on the "Guidelines for the Reasonable Medication for Stroke in China", the "Guidelines for Clinical Management of Cerebrovascular Diseases in China" and the "Guidelines for the Diagnosis and Treatment of Cognitive Impairment Related to Cerebral Small Vessel Disease in China". With recommendation from a cumulative total of 14 guidelines and expert consensuses, the clinical efficacy of NBP for treating acute ischemic stroke is fully recognised. Thanks to the continued expansion of hospital coverage and accumulated results of academic promotion, Duomeisu and Jinyouli continued to grow at an accelerating pace, with sales increasing by 118.1% and 129.5% respectively during the period. Since market launch in March last year, Keail has been well recognised by doctors and patients. Sales ramp-up was fast with sales increasing by 590.4% during the period. The Group is committed to developing Keaili into another blockbuster product. During the period, sales of the oncology drug portfolio increased by 170.7%, becoming the new growth driver of the Group and contributing to a more balanced overall revenue structure.

The Clopidogrel Tablets of the Group successfully won at the nationwide expansion tender of the "4+7" centralised procurement held in September, gaining approximately 39% of the guaranteed purchase volume and thus ensuring the sales of the product for the next few years. At present, the Group has 16 products that have passed the quality and efficacy consistency evaluation of

generic drugs. Leveraging the advantages of production cost and self-produced raw materials, the advancement of the centralised procurement will bring opportunities for the Group to quickly gain market share.

Bulk Drug Business

During the period, the Group stepped up its efforts in marketing vitamin C products to capture market share with sales increasing by 15.3% to RMB1,596 million. The market condition of antibiotic products remained sluggish with sales decreasing by 17.2% to RMB715 million during the period.

Other Business

Other business (including caffeine additives and vitamin C supplements) maintained stable growth during the period.

Research and Development

The Group firmly believes in the importance of investing in research and development so that the Group can have strong product and technology innovation capability as well as a rich pipeline of drugs under development. The R&D expenses for the period amounted to RMB1,502 million (charged to profit or loss statement), representing an increase of 64.0% year-on-year and accounting for approximately 11.2% of the finished drug business revenue. At present, there are more than 300 projects in the pipeline, of which over 40 are innovative small molecule drugs, over 50 are innovative macromolecule drugs and over 20 are drugs of new preparation, primarily focusing on the therapeutic areas of oncology, autoimmunity, psychiatry and neurology, digestion and metabolism, cardio-cerebrovascular system and anti-infectives.

The major R&D progress of the Group since the beginning of the year is as follows:

1. 5 drugs were granted drug registration approval in China: clopidogrel bisulfate tablets, ticagrelor tablets, glutathione for injection, metformin hydrochloride extended-release tablets and dronedarone hydrochloride tablets;

2. 1 drug for genitourinary system diseases was granted generic drug tentative approval in the U.S. (ANDA): solifenacin succinate tablets;

3. 10 drugs passed consistency evaluation of generic drugs: ranitidine hydrochloride capsules, cefadroxil tablets, clopidogrel bisulfate tablets (deemed as passed), ticagrelor tablets (deemed as passed), metformin hydrochloride extended-release tablets (deemed as passed), cefuroxime axetil tablets, ibuprofen granules, cephalexin capsules, clindamycin hydrochloride capsules and enalapril maleate tablets;

4. 14 new drug candidates were granted clinical trial approval (11 in China, 2 in the U.S., 1 in Australia): 10 for oncology, 2 for nervous system diseases, 1 for metabolic diseases, 1 antithrombotic agent;

5. 18 new small molecule drug candidates are under clinical trials (17 in China, 1 in the U.S.): 7 for oncology, 5 for nervous system diseases, 2 for metabolic diseases, 2 for respiratory system diseases, 1 antithrombotic agent, 1 anti-infective;

6. 10 new macromolecule drug candidates are under clinical trials (9 in China, 1 in Australia): 7 for oncology, 1 for metabolic diseases, 1 for respiratory system diseases, 1 for nervous system diseases;

7. 8 drug candidates of new preparation are under clinical trials (7 in China, 1 in the U.S.): 6 for oncology, 1 anti-infectives, 1 for cardiovascular diseases;

8. 19 drugs are under bioequivalence study: 6 anti-infectives, 3 for nervous system diseases, 2 for oncology, 2 for metabolic diseases, 2 for cardiovascular system diseases, 1 for digestive system diseases, 1 antithrombotic agent, 2 for other diseases;

9. 26 drugs are pending drug registration approval in China: 5 for nervous system diseases, 4 anti-infectives, 3 for oncology, 3 for metabolic diseases, 3 for respiratory system diseases, 2 for cardiovascular diseases, 1 for digestive system diseases, 1 antithrombotic agent, 4 for other diseases;

10. 1 drug for cardiovascular system diseases is pending approval of new drug application (NDA) in the U.S.;

11. 7 drugs are pending approval of generic drug application (ANDA) in the U.S.: 4 for nervous system diseases, 1 for oncology, 1 for digestive system diseases, 1 for cardiovascular system diseases; and

12. ALMB-0168 (a new macromolecule drug candidate) was granted orphan-drug designation and rare pediatric disease designation by the U.S. FDA.

Apart from in-house research and development, the Group has also been proactively seeking external cooperation and acquisition opportunities. During the period, the Group has 1) entered into a license agreement with Hangzhou Innogate Pharma Co., Ltd. for 5 small molecule compounds; 2) acquired the entire equity interests in Yong Shun Technology Development Co., Ltd. and obtained its R&D platform of antibodies and pipelines; 3) entered into a license agreement with Shanghai Institute of Materia Medica for 4 small molecule compounds; 4) established a joint venture with Shanghai Haihe Pharmaceutical Co., Ltd for the joint development of 5 new drug projects; and 5) entered into a license agreement with Synermore Biologics (Suzhou) Co., Ltd. for omalizumab biosimilar.

The Group also attaches great importance to the protection of intellectual property rights and actively files patent applications for its research and development projects. During the period, the Group has filed 39 applications and obtained 26 approvals for domestic patents; and filed 5 applications and obtained 6 approvals for overseas patents.

REVIEW OF RESULTS

The financial data for the nine months ended 30 September 2019 is based on the internal records and management accounts of the Group and has not been reviewed or audited by the external auditor of the Company.

By order of the Board
CSPC Pharmaceutical Group Limited
Cai Dongchen
Chairman

Hong Kong, 18 November 2019

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LU Hua, Dr. LI Chunlei, Dr. WANG Qingxi and Mr. CHAK Kin Man as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Prof. LO Yuk Lam, Dr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.