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**CSPC**

**CSPC PHARMACEUTICAL GROUP LIMITED**

**石藥集團有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*

**(Stock code: 1093)**

**QUARTERLY RESULTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the three months ended 31 March</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
Revenue by business units:			
Finished drugs	<b>5,021,745</b>	4,244,972	+18.3%
Vitamin C	<b>426,297</b>	523,610	-18.6%
Antibiotics	<b>207,772</b>	346,963	-40.1%
Others	<b>469,419</b>	377,685	+24.3%
Total revenue	<b>6,125,233</b>	5,493,230	+11.5%
Gross profit	<b>4,529,281</b>	3,841,465	+17.9%
Operating profit	<b>1,162,749</b>	1,156,154	+0.6%
Profit attributable to shareholders	<b>1,159,450</b>	951,831	+21.8%
Basic earnings per share	<b>RMB18.59 cents</b>	RMB15.26 cents	+21.8%

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 three months ended 31 March 2020 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

	<b>For the three months ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	6,125,233	5,493,230
Cost of sales	<u>(1,595,952)</u>	<u>(1,651,765)</u>
Gross profit	4,529,281	3,841,465
Other income	35,025	31,533
Other gains or losses	34,973	(10,101)
Selling and distribution expenses	(2,550,933)	(2,063,738)
Administrative expenses	(277,784)	(175,875)
Research and development expenses	(568,138)	(461,010)
Other expenses	<u>(39,675)</u>	<u>(6,120)</u>
Operating profit	1,162,749	1,156,154
Finance costs	(2,177)	(14,274)
Share of results of joint ventures	8,412	15,741
Share of results of an associate	96	—
Gain on disposal of a subsidiary	<u>286,232</u>	<u>—</u>
Profit before tax	1,455,312	1,157,621
Income tax expense	<u>(283,175)</u>	<u>(210,460)</u>
Profit for the period	<u><u>1,172,137</u></u>	<u><u>947,161</u></u>
Profit for the period attributable to:		
Owners of the Company	1,159,450	951,831
Non-controlling interests	<u>12,687</u>	<u>(4,670)</u>
	<u><u>1,172,137</u></u>	<u><u>947,161</u></u>
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share		
Basic	<u><u>18.59</u></u>	<u><u>15.26</u></u>
Diluted	<u><u>18.59</u></u>	<u><u>15.26</u></u>

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

*For the three months ended 31 March 2020*

	<b>For the three months ended 31 march</b>	
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period	<u>1,172,137</u>	<u>947,161</u>
<b>Other comprehensive income (expense)</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on investments in financial assets measured at fair value through other comprehensive income	63,045	(16,918)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(1,663)</u>	<u>320</u>
Other comprehensive income (expense) for the period, net of income tax	<u>61,382</u>	<u>(16,598)</u>
Total comprehensive income for the period	<u><b>1,233,519</b></u>	<u><b>930,563</b></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,220,832	935,233
Non-controlling interests	<u>12,687</u>	<u>(4,670)</u>
	<u><b>1,233,519</b></u>	<u><b>930,563</b></u>

## NOTES:

### 1. Principal Accounting Policies

The principal accounting policies and methods of computation used in the preparation of the financial data for the three months ended 31 March 2020 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2019.

### 2. Profit for the Period

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of other intangible assets	3,132	4,296
Depreciation of right-of-use assets	22,222	18,734
Depreciation of property, plant and equipment	168,260	142,955
Total depreciation and amortisation	193,614	165,985
Fair value changes on structured bank deposits (included in other gains or losses)	(18,021)	(25,378)
Government grant income (included in other income)	(29,935)	(15,073)
Interest income on bank balances (included in other income)	(13,913)	(15,208)
Net foreign exchange (gain) loss (included in other gains or losses)	(17,674)	15,508

*Note:* Cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss for the three months ended 31 March 2020 and 2019.

### 3. Gain on Disposal of a Subsidiary

During the period, the Group entered into sales and purchase agreements with an independent third party to dispose of its 99.39% equity interest in Shijiazhuang Zhongrun Pharmaceutical Technology Limited for a total cash consideration of approximately RMB503,046,000, resulting in a gain of RMB286,232,000.

#### 4. Earnings Per Share

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

	For the three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>1,159,450</u>	<u>951,831</u>
	For the three months ended 31 March	
	2020 '000	2019 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,236,338	6,236,338
Effect of dilutive potential ordinary shares: Unvested shares under share award scheme	<u>1,038</u>	<u>2,126</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,237,376</u>	<u>6,238,464</u>

The weighted average number of ordinary shares for the calculation of basic earnings per share has been adjusted for the effect of shares held by the Trustee pursuant to the share award scheme.

#### SEGMENT INFORMATION

Information reported to executive directors, being collectively the chief operating decision maker (“CODM”), for the purposes 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.

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

*For the three months ended 31 March 2020 (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	5,021,745	426,297	207,772	469,419	6,125,233	—	6,125,233
Inter-segment sales	—	1,484	47,856	4,102	53,442	(53,442)	—
TOTAL REVENUE	<u>5,021,745</u>	<u>427,781</u>	<u>255,628</u>	<u>473,521</u>	<u>6,178,675</u>	<u>(53,442)</u>	<u>6,125,233</u>
SEGMENT PROFIT	<u>1,007,060</u>	<u>43,479</u>	<u>2,826</u>	<u>95,869</u>	<u>1,149,234</u>		1,149,234
Unallocated income							42,797
Unallocated expenses							<u>(29,282)</u>
Operating profit							1,162,749
Finance costs							(2,177)
Share of results of joint ventures							8,412
Share of results of an associate							96
Gain on disposal of a subsidiary							<u>286,232</u>
Profit before tax							<u>1,455,312</u>

**For the three months ended 31 March 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	4,244,972	523,610	346,963	377,685	5,493,230	—	5,493,230
Inter-segment sales	—	559	14,408	987	15,954	(15,954)	—
TOTAL REVENUE	<u>4,244,972</u>	<u>524,169</u>	<u>361,371</u>	<u>378,672</u>	<u>5,509,184</u>	<u>(15,954)</u>	<u>5,493,230</u>
SEGMENT PROFIT	<u>913,063</u>	<u>165,615</u>	<u>25,314</u>	<u>57,520</u>	<u>1,161,512</u>		1,161,512
Unallocated income							40,586
Unallocated expenses							<u>(45,944)</u>
Operating profit							1,156,154
Finance costs							(14,274)
Share of results of joint ventures							<u>15,741</u>
Profit before tax							<u>1,157,621</u>

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

Inter-segment sales are charged at prevailing market rates.

## **BUSINESS REVIEW**

The nationwide implementation of closed-off management amid the novel coronavirus outbreak has affected both the outpatient visits and hospitalization rates, and hindered marketing activities and drug distribution. As a result, sales of the Group's finished drug products have been affected to various degrees. During the epidemic, the Group actively responded to various prevention and control measures of the government, and made the best effort to manufacture products with urgent clinical needs such as arbidol. On the other hand, the Group has stepped up online academic meetings and lectures in order to alleviate the impact on sales from the epidemic.

The results for the first quarter of the year have inevitably been negatively impacted by the epidemic, with growth of sales and core profit both below expectation. During the period under review, the Group has recorded revenue of RMB6,125 million and profit attributable to shareholders of RMB1,159 million, representing increase of 11.5% and 21.8% over the same period of last year respectively.

### **Finished Drug Business**

For the first quarter, the finished drug business has recorded sales of RMB5,022 million, representing an increase of 18.3% over the same period of last year. The sales performance of products by major therapeutic area is as follows.

Nervous system disease products, major products including NBP (butylphthalide soft capsules and injections) and Oulaining (oxiracetam capsules and lyophilised powder injections), have achieved sales of RMB1,654 million, representing a year-on-year decrease of 4.3%. Among which, the sales of NBP have increased by 18.1% whereas Oulaining has suffered a significant sales decline of 63.7% due to the impact from the key drug monitoring list and removal from provincial reimbursement lists.

Oncology products, major products including Jinyouli (PEG-rhGCSF injections), Duomeisu (doxorubicin hydrochloride liposome injections) and Keaili (paclitaxel for injection (albumin-bound)), have achieved sales of RMB1,552 million, representing a year-on-year increase of 53.7%. Among which, the sales of Keaili and Jinyouli have increased by 114.0% and 64.5% respectively.

Anti-infective products, major products including Shuluoke (meropenem for injection), Nuomoling (amoxicillin capsules), Xianqu/Shiyao (ceftriaxone sodium for injection), Zhongnuo Lixin (cefuroxime sodium for injection), Xinweihong (azithromycin tablets) and Weihong (azithromycin dispersible tablets/capsules/enteric-coated tablets), have achieved sales of RMB775 million, representing a year-on-year decrease of 3.2%.



Cardiovascular disease products, major products including Xuanning (maleate levamlodipine tablets and dispersible tablets), Encun (clopidogrel bisulfate tablets), Abikang (aspirin enteric-coated tablets) and Meiluolin (ticagrelor tablets), have achieved sales of RMB582 million, representing a year-on-year increase of 66.5%. During the period, Encun contributed new sales revenue with its winning at the nationwide expansion tender of the “4+7” centralized procurement last year. Sales growth of Xuanning has also returned to a more desirable level with sales increase of 25.8%.

Respiratory disease products, major products including Qixiao (arbidol hydrochloride tablets), Zhongnuo Like (ambroxol hydrochloride oral solution) and Zhongnuoping (ambroxol hydrochloride extended-release tablets), have achieved sales of RMB191 million, representing a year-on-year increase of 98.9%. Due to the epidemic outbreak, Qixiao has recorded substantial sales during the period after relaunch.

Diabetes products, major products including Linmeixin (glimepiride dispersible tablets) and Shuanglexin (metformin hydrochloride tablets/extended-release tablets), have achieved sales of RMB88 million, representing a year-on-year increase of 56.3%.

Products in other therapeutic areas, major products including Gubang (alendronate sodium tablets/enteric-coated tablets), Debixin/Ouyi (omeprazole enteric-coated capsules), Xianpai (omeprazole injections) and Qimaite (tramadol hydrochloride tablets), have achieved sales of RMB180 million, representing a year-on-year decrease of 11.9%.

### **Vitamin C Business**

With product prices at a lower level as compared with the same period of last year, sales of this quarter have declined by 18.6% to RMB426 million. However, as a result of the epidemic, the market has witnessed a stronger overseas demand and an increase in order price since this March.

### **Antibiotics Business**

The overall market demand and prices of antibiotics have remained at a low level as a result of the national policy of restricting the use of antibiotics over the years. The performance of this business remained weak during the period with sales decreasing by 40.1% to RMB208 million.

### **Other Businesses**

Sales for the period amounted to RMB469 million, representing a year-on-year increase of 24.3%, with both caffeine and glucose products achieving satisfactory growth.

## Research And Development

The Group has continued to scale up its investment in research and development, with its R&D expenses reaching RMB568 million (charged to profit or loss statement) during the period, representing an increase of 23.2% and accounting for approximately 11.3% of the finished drug business revenue. At present, the Group has 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.

Since the beginning of the year, the Group has obtained drug registration approvals for rivaroxaban tablets, montelukast sodium tablets, montelukast sodium chewable tablets and ornithine aspartate injections in China, as well as ANDA approval for omega-3-acid ethyl esters capsules in the U.S.. Currently, there are 26 drug candidates pending drug registration approval, 39 products under clinical trials (including 28 innovative drugs and 11 new preparations) and 7 products under bioequivalence tests.

In the three years ahead, the Group is expected to launch more than 50 new products, over 15 of which will be key products with a market potential exceeding RMB1 billion each, providing strong support for the high quality growth of the Group in the future.

## DIVIDEND

The board of directors of the Company does not declare the payment of an interim dividend for the three months ended 31 March 2020.

## REVIEW OF RESULTS

The financial data for the three months ended 31 March 2020 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, 27 May 2020

*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.*