SINO BIOPHARMACEUTICAL LIMITED
中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2018

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September, 2018, the Group recorded the following unaudited operational results:

– Revenue was approximately RMB15,730.16 million, an increase of approximately 37.4% over the same period last year;

– Before accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to the owners of the parent was approximately RMB2,247.48 million, approximately 29.9% higher than that of same period last year;

– Before accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share attributable to the owners of the parent were approximately RMB18.11 cents, approximately 21.6% higher than that of the same period last year;

– Profit attributable to the owners of the parent was approximately RMB2,201.26 million, approximately 22.0% higher than that of the same period last year;

– The basic earnings per share attributable to the owners of the parent were approximately RMB17.74 cents, approximately 14.2% higher than that of the same period last year;

– Sales of new products accounted for approximately 18.1% of the Group's total revenue; and

– Cash and bank balances as at 30 September, 2018 was approximately RMB6,300.78 million.

The board of directors (the "Board") of the Company has declared the payment of a third quarterly dividend of HK2 cents per share for the three months ended 30 September, 2018. Together with the first quarterly dividend of HK2 cents per share and the second quarterly dividend of HK2 cents per share paid, the total dividend of the first three quarters amounted to HK6 cents per share.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the "Company"), together with its subsidiaries (the "Group"), is a leading, innovative and R&D driven pharmaceutical conglomerate in the People's Republic of China ("China" or "PRC"). Our business encompasses a fully integrated chain in pharmaceutical products which covers an array of R&D platforms, a line-up of intelligent production and a strong sales system. The Group's products have gained a competitive foothold in various therapeutic categories with promising potentials, comprising a variety of biopharmaceutical, chemical medicines for treating tumours, liver disease, cardio-cerebral diseases, analgesia, respiratory system diseases and orthopedic diseases. In order to enhance our sustainable competitiveness, the Group attaches great importance to R&D breakthroughs and is positioned as an industry leader in terms of R&D expenditures and product innovation. The Group also actively establishes and extends co-operations with leading domestic and overseas pharmaceutical institutes and enterprises, with a view to bringing about world-frontier R&D results and the ecology for commercialization to benefit the mankind. To take advantage of the development in technology and policy changes and capitalize on opportunities arising from extension of our principal business, the Group adopts a comprehensive strategic layout of development in the greater healthcare segment. Meanwhile, the Group actively utilize new technologies in Big Data, Artificial Intelligence and Financial Technology to continuously enhance the efficiency of our management, R&D, manufacturing and sales activities.

Principal products:

Hepatitis medicines:	Runzhong (Entecavir) dispersible tablets, Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianding (Entecavir Maleate) tablets, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Mingzheng (Adefovir Dipivoxil) capsules, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules
Cardio-cerebral medicines:	Kaishi (Alprostadil) injections, Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Kaina (Beraprost Sodium) tablets, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Focus V (Anlotinib Hydrochloride) capsules, Saiweijian (Raltitrexed) injections, Tianqingyitai (Zoledronic Acid) injections, Genike (Imatinib Mesylate) capsules, Qingweike (Decitabine for injections), Zhiruo (Palonosetron Hydrochloride) injections, Shoufu (Capecitabine) tablets, Yinishu (Dasatinib) tablets,
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections, Debaian (Flurbiprofen) Cataplasms

Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Jiuli (Glucosamine Hydrochloride) tablets
Digestive system medicines:	Aisuping (Esomeprazole Sodium) injections, Getai (Diosmin) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections, Tianjie (Tigecycline for injections)
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng (Fructose) injections

Products with great potential:

Hepatitis medicines:	Ganze (Entecavir) capsules, Qingzhong (Tenofovir Disoproxil Fumarate) tablets
Cardio-cerebral medicines:	Tianqingganan (Glycerin and Fructose) injections, Yifanli (Xylitol) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections
Analgesic medicines:	Debaining (Lidocaine) Cataplasm
Orthopedic medicines:	Yigu (Zoledronic Acid) injections
Digestive system medicines:	Deyou (Pronase) Granules
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.

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

Named by the Ministry of 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.

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

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

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

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

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

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

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

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

In May 2018, a new chemical Category 1 drug of antitumor – Focus V (Anlotinib Hydrochloride) capsule obtained the approval for drug registration granted by State Food and Drug Administration of the PRC.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period under review, the macro economy was affected by the Sino-US trade disputes. Except for the US economy which maintained relatively faster growth, other developed economies such as those in Europe and also Japan slowed down, and some emerging economies were facing higher risks. As for the Chinese economy, it was still feeling the impacts of the on-going structural reform with Gross Domestic Product growth at 6.5% in the third quarter, lower than in the two previous quarters.

As for the industry, as the medical reform in the country continues to deepen, such initiatives as implementing the hierarchical diagnosis and treatment system, enhancing the quality yet lowering the price of pharmaceuticals, and control on medical insurance expenditures, are being rolled out gradually. Some cities and provinces have suspended online tendering for generic drugs of unconfirmed quality consistency, and for cancer drugs that passed Consistency Evaluation, the "green passage" system applies. Regarding key monitored drug types, with the lowest prices in the country taken as reference and the adoption of centralised procurement policy in price negotiations, the profit of corresponding drugs has shrunk rather markedly. Furthermore, with major hospitals in cities including Shanghai, Tianjin and Zhengzhou laying down restrictions on conduct of pharmaceutical sales agents, the sales model of pharmaceuticals is under pressure to transform. Thanks to faster evaluation and conditional acceptance of overseas clinical trial data, the approval process has been hastened for innovative drugs, drugs available in market overseas but not on the mainland, and clinical products in demand, in particular oncology products. That resulted in a number of new antibody-based tumor fighting drugs gaining approval for sale during the period. Moreover, the country has started to adjust the national essential drug catalogue and intends to set up a dynamic adjustment mechanism to fast track inclusion of products which have been medically proven for their effectiveness and safety, and are also highly cost effective.

These national policies are favorable for pharmaceutical companies, like the Company, which boast strong innovation capability, solid research and development ("R&D") foundation and premium quality products. Such companies can be expected to see their competitive edges sharpened, enabling them to enlarge market share.

Business Review

The Group recorded brilliant results during the period under review:

- The Company was included as a Hang Seng Index constituent for its outstanding business performance on 10 September, 2018

- Focus V (Anlotinib), the new Category 1 small molecule tyrosine kinase inhibitor of multi-targets for fighting tumors, which the Group developed itself therefore owns related intellectual property right, was very well received after mass launch, gaining recognition from doctors and patients, hence reported strong results

- ◆ In the National Medical Insurance Bureau led negotiation on cancer medicines to be included for medical insurance coverage in 2018, Focus V, representative of domestic innovative drugs, was considered a worthy addition to the National Drug Catalogue for basic medical insurance, work-related injury insurance, and maternity insurance, which means the product is looking at guaranteed demand in the market

- ◆ Outstanding R&D performance: clinical approval was secured for 5 Category 1 new drugs and 128 new patent applications were filed, suggesting that the Company's effort on developing proprietary new drugs has started to bear fruits

During the period under review, the Group's sales grew notably at the push of "heavyweight" new antitumor medicines, and that force rippled and benefited sales of other oncology medicines such as Qingweike, Genike and Yinishu. Continuous academic promotion and education helped the sales of the new digestive system product Aisuping and Deyou and oncology product Saiweijian maintain rapid growth. Products that passed the Consistency Evaluation including Tuotuo, Yilunping and Runzhong recorded stable growth in sales. The increasingly mature sales model for pain relief and chronic disease management products drove the steady growth in sales of analgesic products, including Kaifen and Debaian, and also respiratory system medicine Tianqingsule. Academic promotion for the orthopedic medicine Gaisanchun also achieved satisfactory results.

The Group's continuous investment in R&D has started to bring harvest. During the third quarter, the Group obtained 3 production approvals (3 specifications of Bortezomib for Injection), and 8 clinical approvals (including 5 Category 1.1 chemical medicines, 1 Category 2.1 chemical medicine, 1 Category 2 biopharmaceutical product and 1 Consistency Evaluation product). 6 new production applications (including 3 innovative drugs), 4 production applications after the completion of bioequivalency and 3 applications for Consistency Evaluation were made. 16 authorized patent notices were received all for invention patents, and 133 new patent applications were made, including 128 invention patents, 1 utility model patent and 4 apparel design patents.

The Group recorded revenue of approximately RMB15,730.16 million during the period under review, an increase of approximately 37.4% 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 owners of the parent was approximately RMB2,247.48 million and approximately RMB2,201.26 million, respectively, approximately 29.9% and approximately 22.0% higher than that of the same period last year, respectively. Based on the profit attributable to the owners of the parent before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share attributable to the owners of the parent were approximately RMB18.11 cents and approximately RMB17.74 cents, respectively, approximately 21.6% and approximately 14.2% higher than that of the same period last year, respectively. Cash and bank balances totaled approximately RMB6,300.78 million at the end of review period.

On 5 January 2018, the Company entered into two agreements with France Investment (China 1) Group Limited ("Vendor") in relation to the acquisition of equity interests in Beijing Tide. The consideration for the acquisition was HK$12,895,516,937 in total which was satisfied by the Company by the issuance of 1,013,002,116 shares of the Company at the issue price of HK$12.73 per share to the Vendor at completion. The transaction was completed on 1 March 2018, and the Company's interests in Beijing Tide have been increased from 33.6% to 57.6% and Beijing Tide has become an indirect non-wholly owned subsidiary of the Company. Since 1 March 2018, the financial figures of Beijing Tide have been consolidated with the consolidated financial statements of the Company.

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, digestive system medicines, anti-infectious medicines, respiratory system medicines, parenteral nutritious medicines and diabetic medicines, etc.

Hepatitis medicines

For the nine months ended 30 September, 2018, the sales of hepatitis medicines amounted to approximately RMB5,001.39 million, representing approximately 31.8% 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 nine months ended 30 September, 2018, its sales amounted to approximately RMB74.14 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 RMB330.11 million in the period under review, an increase of approximately 6.2% against the same period last year. In addition, CT Tianqing launched the patented medicine Tianqingganmei injections, which are made with Isoglycyrrhizinate separated from Licorice. During the period under review, the product recorded the sales of approximately RMB1,343.23 million. 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.

Mingzheng capsule is a first-tier synthetic drug for combating hepatitis virus in the international market. For the nine months ended 30 September, 2018, its sales amounted to approximately RMB180.77 million. A medicine for treating hepatitis B, Runzhong (Entecavir) dispersible tablet, is self-developed by CT Tianqing. CT Tianqing was the first pharmaceutical manufacturer to gain the approval for this product in the PRC. For the nine months ended 30 September, 2018, the sales amounted to approximately RMB2,572.86 million, an increase of approximately 3.4% 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 RMB330.02 million for the nine months ended 30 September, 2018, an increase of approximately 10.3% against the same period last year. For the nine months ended 30 September, 2018, the sales of Ganze (Entecavir) capsules amounted to approximately RMB109.59 million, an increase of approximately 19.5% against the same period last year.

Cardio-cerebral medicines

For the nine months ended 30 September, 2018, the sales of cardio-cerebral medicines amounted to approximately RMB1,373.21 million, representing approximately 8.7% 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 nine months ended 30 September, 2018, the product recorded the sales of approximately RMB118.38 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately RMB607.33 million for the nine months ended 30 September, 2018, a year-on-year increase of approximately 26.6%. For the nine months ended 30 September, 2018, the sales of Tuotuo calcium tablets amounted to approximately RMB495.54 million, a year-on-year increase of approximately 14.7%.

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 nine months ended 30 September, 2018, the sales of Kaishi injections amounted to approximately RMB584.16 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 nine months ended 30 September, 2018, the sales of Beraprost sodium tablets amounted to approximately RMB303.62 million, an increase of approximately 15.9% as compared with the same period last year.

Oncology medicines

For the nine months ended 30 September, 2018, the sales of oncology medicines amounted to approximately RMB2,292.98 million, representing approximately 14.6% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the nine months ended 30 September, 2018, sales of Zhiruo injections amounted to approximately RMB116.13 million. The sales of Saiweijian injections amounted to approximately RMB388.49 million during the period under review, an increase of approximately 50.3% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately RMB163.16 million during the period under review. For the nine months ended 30 September, 2018, the sales of Qingweike injections amounted to approximately RMB170.67 million, an increase of 37.0% as compared with the same period last year. For the nine months ended 30 September, 2018, the sales of Shoufu tablets amounted to approximately RMB133.59 million. Sales of Genike capsules for the nine months ended 30 September, 2018 amounted to approximately RMB180.73 million, an increase of approximately 37.1% as compared with the same period last year. Sales of Yinishu tablets for the nine months ended 30 September, 2018 amounted to approximately RMB123.06 million, an increase of approximately 51.4% as compared with the same period last year.

Analgesic medicines

For the nine months ended 30 September, 2018, the sales of analgesic medicines amounted to approximately RMB1,639.91 million, representing approximately 10.4% of the Group' revenue.

The analgesic medicine Kaifen injections is developed and manufactured by Beijing Tide. The product is a Flurbiprofen Axetil lipo-microsphere targeted sustained release injection produced based on the DDS theory and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the nine months ended 30 September, 2018 amounted to approximately RMB1,378.38 million, approximately 23.4% 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 nine months ended 30 September, 2018 amounted to approximately RMB506.71 million, approximately 75.0% higher than that of the same period last year.

Orthopedic medicines

For the nine months ended 30 September, 2018, the sales of orthopedic medicines amounted to approximately RMB1,188.29 million, representing approximately 7.6% of the Group's revenue.

The main product of orthopedic medicines is the Gaisanchun capsules. For the nine months ended 30 September, 2018, its sales amounted to approximately RMB779.44 million, rose by approximately 20.0% as compared with the same period last year. For the nine months ended 30 September, 2018, the sales of another product, Jiuli tablets, amounted to approximately RMB220.94 million, an increase of approximately 23.7% against the same period last year.

Digestive system medicines

For the nine months ended 30 September, 2018, the sales of digestive system medicines amounted to approximately RMB900.24 million, representing approximately 5.7% of the Group's revenue.

The main product of digestive system medicines is Getai tablets. For the nine months ended 30 September, 2018, its sales amounted to approximately RMB187.25 million, an increase by approximately 9.5% as compared with the same period last year. A new product, Aisuping injection was launched in May 2016. Its sales amounted to approximately RMB574.61 million for the nine months ended 30 September, 2018, a significant increase by approximately 72.6% as compared with the same period last year.

Anti-infectious medicines

For the nine months ended 30 September, 2018, the sales of anti-infectious medicines amounted to approximately RMB714.99 million, representing approximately 4.5% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the nine months ended 30 September, 2018, its sales amounted to approximately RMB465.97 million. For the nine months ended 30 September, 2018, the sales of another product, Tianjie injections, amounted to approximately RMB180.59 million, an increase of approximately 56.0% against the same period last year.

Respiratory system medicines

For the nine months ended 30 September, 2018, the sales of respiratory medicines amounted to approximately RMB629.50 million, representing approximately 4.0% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the nine months ended 30 September, 2018, its sales amounted to approximately RMB383.90 million, an increase by approximately 23.2% as compared with the same period last year. For the nine months ended 30 September, 2018, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately RMB153.99 million, an increase by approximately 23.4% as compared with the same period last year.

Parenteral nutritious medicines

For the nine months ended 30 September, 2018, the sales of parenteral medicines amounted to approximately RMB523.83 million, representing approximately 3.3% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the nine months ended 30 September, 2018, its sales amounted to approximately RMB377.15 million. For the nine months ended 30 September, 2018, the sales of Fenghaineng fructose injections amounted to approximately RMB136.96 million.

Diabetic medicines

For the nine months ended 30 September, 2018, the sales of diabetic medicines amounted to approximately RMB99.82 million, representing approximately 0.6% 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 nine months ended 30 September, 2018, the sales of the product amounted to approximately RMB86.51 million, an increase by approximately 26.7% as compared with the same period last year.

AVAILABLE-FOR-SALE INVESTMENTS

As at 30 September, 2018, the Group had the non-current available-of-sale ("AFS") investment of approximately RMB777.94 million (31 December, 2017: approximately RMB540.14 million) and current AFS investment of approximately RMB4,163.42 million (31 December, 2017: approximately RMB2,647.43 million). 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 Industrial Bank (approximately RMB1,267.08 million), Jiangsu Bank (approximately RMB550 million), Huaxia Bank (approximately RMB470 million), Bank of Communication (approximately RMB330 million), CITIC Bank (approximately RMB310 million), Nanjing Bank (approximately RMB280 million), Xiamen International Bank (approximately RMB280 million), and other banks and trusts (approximately RMB676.34 million) during the period. These investments, representing approximately 11.2% 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.

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

As at 30 September, 2018, the Group had (i) non-current financial assets designated as at fair value through profit or loss of approximately RMB185.54 million (31 December, 2017: approximately RMB190.42 million) 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 RMB123.41 million (31 December, 2017: approximately RMB943.73 million) which were investments in various listed shares. The Group recorded the realized gain on the disposal of the equity investments of approximately RMB67.61 million and unrealized fair value loss of the equity investments of approximately RMB46.22 million for the nine months ended 30 September, 2018. 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 third quarter, the Group was granted 8 clinical approvals and 3 production approvals, and made 6 new production applications, 3 applications for Consistency Evaluation and 4 production applications after the completion of bioequivalency. Cumulatively, a total of 489 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 54 were for cardio-cerebral medicines, 37 for hepatitis medicines, 206 for oncology medicines, 25 for respiratory system medicines, 26 for diabetic medicines and 141 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 nine months ended 30 September, 2018, the R&D expenditure of approximately RMB1,702.51 million, which accounted for approximately 10.8% 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 third quarter, the Group has received 16 authorized patent notices (all were invention patents) and filed 133 new patent applications (128 invention patents, 1 utility model patent and 4 apparel design patents). Cumulatively, the Group has obtained 652 invention patent approvals, 19 utility model patents and 67 apparel design patents.

INVESTOR RELATIONS

The Group has committed itself in maintaining high standards of corporate governance to ensure sustainable growth over the long-term. During the period under review, the Group has fulfilled this commitment by maintaining effective communications with local and overseas investors via a variety of channels. These communications have enriched investors' understanding of the Group's operation and also effectively shared its latest business developments. The Group has always been aware of the importance of good investor relations to corporate management, as such, efforts have also been made to solicit opinions and to obtain pertinent information through regular investor meetings in order to further elevate its corporate governance standards.

During the period under review, the Group has proactively delivered the latest business information to investors through organizing events including its 2018 Interim Results Investors Presentation held in late August. The Presentation was enthusiastically received with over 350 Hong Kong and Mainland analysts and fund managers in attendance. Besides exchanging ideas with the investors, the management also delivered a detailed introduction of the Group's business progress, R&D, development of innovative drugs and core competitive advantages at the Presentation. On top of large scale investor conferences, the Group also organized a results press conference so that retail investors could keep updated about its latest business status and development prospects via different media channels. Roadshows, teleconferences, one-on-one meetings, factory site visits and investment summits are also arranged to present the Group's business development and competitive advantages to investors.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules") for the nine months ended 30 September, 2018 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"). Two INEDs were unable to attend the AGM held on 29 May, 2018 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 Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, it was confirmed that for the nine months ended 30 September, 2018 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.

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. As at 30 September, 2018, the Group's cash and bank balances were approximately RMB6,300.78 million (31 December, 2017: approximately RMB4,188.14 million).

CAPITAL STRUCTURE

As at 30 September, 2018, the Group had short term loans of approximately RMB3,014.48 million (31 December, 2017: approximately RMB741.31 million) and had long term loans of approximately RMB544.06 million (31 December, 2017: approximately RMB2,209.90 million).

CHARGE ON ASSETS

As at 30 September, 2018, the Group had the charge on assets of approximately RMB395.40 million (31 December, 2017: approximately RMB316.00 million).

CONTINGENT LIABILITIES

As at 30 September, 2018, the Group and the Company had no material contingent liabilities (31 December, 2017: Nil).

ASSETS AND GEARING RATIO

As at 30 September, 2018, the total assets of the Group amounted to approximately RMB37,293.49 million (31 December, 2017: approximately RMB20,935.34 million) whereas the total liabilities amounted to approximately RMB11,885.07 million (31 December, 2017: approximately RMB8,324.29 million). The gearing ratio (total liabilities over total assets) was approximately 31.9% (31 December, 2017: approximately 39.8%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 21,072 employees as at 30 September, 2018 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) for the period was approximately RMB1,465,953,000 (2017: approximately RMB947,513,000).

The Group adopted the Share Option Scheme on 28 May, 2013 (the "2013 Share Option Scheme") and the Share Award Scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. Details of the 2013 Share Option Scheme and 2018 Share Award Scheme have been disclosed in the circular and the announcement of the Company dated 23 April, 2013 and 5 January, 2018, respectively.

As of 30 September 2018, (i) no option in respect of the shares of the Company ("Shares") have been granted under the 2013 Share Option Scheme; and (ii) 47,667,000 Shares purchased at a total consideration of approximately RMB426.66 million were held on trust under the 2018 Share Award Scheme and no Shares have been granted to any selected participant.

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

Looking to the full year, tough times are expected to persist for the global economy with challenges from sliding trade, climb in inflation, liquidity dwindling and emerging economies' financial volatility. The complicated external environment will add downward pressure on the Chinese economy and the healthcare reform measures to take effect will make operation more difficult for the pharmaceutical industry. Supply-side reform polices including those aiming at improving the availability of new products and making sure generic drugs meet Consistency Evaluation standards, and adjustment of the essential drug catalogue will bring short-term negative impacts on the industry, but at the end they will help speed up upgrade of product quality and structure and see the industry grow in more healthy strides.

To seize this valuable opportunity, the Group will push to exploit its strong R&D pipeline and mastery of excellent product quality to achieve fast expansion and consolidate its industry leadership.

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 nine months ended 30 September, 2018 together with the comparative consolidated results for 2017 as follows:

Consolidated Statement of Profit or Loss

	Notes	For the nine months ended 30 September, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	*3*	**15,730,163**	11,446,729
Cost of sales		**(3,087,103)**	(2,397,271)
Gross profit		**12,643,060**	9,049,458
Other income and gains	*3*	**435,991**	391,219
Selling and distribution costs		**(6,266,927)**	(4,756,239)
Administrative expenses		**(769,991)**	(386,826)
Other expenses		**(1,722,640)**	(1,501,660)
Including: Research and development costs		***(1,702,509)***	*(1,469,177)*
Finance costs	*4*	**(109,385)**	(53,167)
Share of profits and losses of associates		**65,498**	272,230
PROFIT BEFORE TAX	*5*	**4,275,606**	3,015,015
Income tax expense	*6*	**(784,223)**	(504,294)
PROFIT FOR THE PERIOD		**3,491,383**	2,510,721
Profit attributable to:			
Owners of the parent		**2,201,258**	1,804,961
Non-controlling interests		**1,290,125**	705,760
		3,491,383	2,510,721
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic		**RMB17.74 cents**	RMB15.53 cents
– Diluted		**RMB17.73 cents**	RMB15.53 cents

Details of the dividend declared for the third quarter of the year are disclosed in note 7 of this announcement.

Consolidated Statement of Comprehensive Income

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**3,491,383**	2,510,721
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**125,954**	(184,841)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**125,954**	(184,841)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,617,337**	2,325,880
Attributable to:		
Owners of the parent	**2,324,383**	1,622,048
Non-controlling interests	**1,292,954**	703,832
	3,617,337	2,325,880

Consolidated Statement of Financial Position

	Notes	30 September, 2018 RMB'000 (Unaudited)	31 December, 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**5,237,775**	3,483,253
Investment properties		**372,920**	370,163
Prepaid land lease payments		**1,028,019**	789,362
Goodwill		**9,908,639**	88,926
Other intangible assets		**254,788**	219,249
Investments in associates		**355,487**	1,048,155
Available-for-sale investments		**777,944**	540,138
Financial assets designated at fair value through profit or loss		**185,539**	190,421
Deferred tax assets		**456,209**	382,574
Prepayments		**144,142**	42,979
Total non-current assets		**18,721,462**	7,155,220
CURRENT ASSETS			
Inventories		**1,165,798**	918,819
Trade and bills receivables		**3,575,447**	2,051,290
Prepayment, deposit and other receivables		**3,243,166**	3,030,718
Available-for-sale investments		**4,163,421**	2,647,426
Equity investments at fair value through profit or loss		**123,409**	943,726
Cash and bank balances	*9*	**6,300,784**	4,188,140
Total current assets		**18,572,025**	13,780,119
CURRENT LIABILITIES			
Trade and bills payables		**1,663,155**	928,607
Tax payable		**335,365**	292,595
Other payables and accruals		**5,490,419**	3,725,942
Interest-bearing bank borrowings		**3,014,477**	741,307
Total current liabilities		**10,503,416**	5,688,451
NET CURRENT ASSETS		**8,068,609**	8,091,668
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,790,071**	15,246,888

	Notes	**30 September, 2018** *RMB'000* **(Unaudited)**	31 December, 2017 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred government grants		**582,699**	241,912
Interest-bearing bank borrowings		**544,056**	2,209,897
Deferred tax liabilities		**254,902**	184,030
Total non-current liabilities		**1,381,657**	2,635,839
Net assets		**25,408,414**	12,611,049
EQUITY			
Equity attributable to owners of the parent			
Share capital	*10*	**279,208**	170,033
Treasury shares held for share award scheme		**(426,660)**	—
Reserves		**20,869,081**	9,038,761
		20,721,629	9,208,794
Non-controlling interests		**4,686,785**	3,402,255
Total equity		**25,408,414**	12,611,049

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. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited consolidated financial information should be read in conjunction with the 2017 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, 2017.

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 nine months ended 30 September, 2018. 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.

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 chemical medicines and biopharmaceutical medicines segment comprises the manufacture, sale and distribution of the chemical medicine products and modernized Chinese 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.

The segment results for the nine months ended 30 September, 2018

	Chemical medicines and biopharmaceutical medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**15,311,880**	**5,128**	**413,155**	**15,730,163**
Segment results	**4,484,596**	**(101,271)**	**4,688**	**4,388,013**
Reconciliation:				
Interest and unallocated gains				**95,662**
Share of profits and losses of associates				**65,498**
Unallocated expenses				**(273,567)**
Profit before tax				**4,275,606**
Income tax expense				**(784,223)**
Profit for the period				**3,491,383**
Assets and liabilities				
Segment assets	**20,117,155**	**15,248,852**	**1,115,784**	**36,481,791**
Reconciliation:				
Investments in associates				**355,487**
Other unallocated assets				**456,209**
Total assets				**37,293,487**
Segment liabilities	**7,581,030**	**3,331,138**	**382,638**	**11,294,806**
Reconciliation:				
Other unallocated liabilities				**590,267**
Total liabilities				**11,885,073**
Other segment information:				
Depreciation and amortisation	**296,774**	**19,406**	**18,779**	**334,959**
Capital expenditure	**891,105**	**162**	**190,365**	**1,081,632**
Other non-cash expenses	**485**	**27**	**—**	**512**

The segment results for the nine months ended 30 September, 2017

	Chemical medicines and biopharmaceutical medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	11,110,984	3,813	331,932	11,446,729
Segment results	2,653,002	182,128	137,970	2,973,100
Reconciliation:				
Interest and unallocated gains				44,448
Share of profits and losses of associates				272,230
Unallocated expenses				(274,763)
Profit before tax				3,015,015
Income tax expense				(504,294)
Profit for the period				2,510,721
Assets and liabilities				
Segment assets	12,767,300	5,702,433	959,179	19,428,912
Reconciliation:				
Investments in associates				897,649
Other unallocated assets				256,667
Total assets				20,583,228
Segment liabilities	4,878,842	3,223,360	318,374	8,420,576
Reconciliation:				
Other unallocated liabilities				269,212
Total liabilities				8,689,788
Other segment information:				
Depreciation and amortisation	234,642	22,500	15,651	272,793
Capital expenditure	727,978	122	30,803	758,903
Other non-cash expenses	618	37	–	655

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**10,836,781**	1,535,196
Mainland China	**7,856,530**	5,057,319
Others	**28,151**	25,401
	18,721,462	6,617,916

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

Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the nine months ended 30 September, 2018 and 2017.

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:

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**15,379,572**	11,149,095
Others	**350,591**	297,634
	15,730,163	11,446,729
Other income		
Bank interest income	**95,662**	44,448
Interest income from convertible bonds	**12,581**	12,681
Dividend income	**9,397**	25,483
Government grants	**16,367**	21,695
Sale of scrap materials	**2,986**	4,855
Investment income	**159,359**	89,107
Gross rental income	**3,782**	3,981
Others	**66,795**	31,233
	366,929	233,483
Gains		
Gain on disposal of items of property, plant and equipment	**1,456**	1,504
Gain on disposal of equity investments	**67,606**	81,974
Fair value gains, net		
Equity investments/Financial assets at fair value through profit or loss	**–**	74,258
	69,062	157,736
Total other income and gains	**435,991**	391,219

4. FINANCE COST

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**109,385**	53,167

5. PROFIT BEFORE TAX

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

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**3,087,103**	2,397,271
Depreciation of property, plant and equipment	**304,567**	245,401
Depreciation of investment properties	**16,204**	17,057
Recognition of prepaid land lease payments	**1,089**	723
Amortization of other intangible assets	**13,099**	9,612
Research and development costs	**1,702,509**	1,469,177
Gain on disposal of items of property, plant and equipment	**(1,456)**	(1,504)
Loss on disposal of items of property, plant and equipment	**512**	655
Bank interest income	**(95,662)**	(44,448)
Dividend income	**(9,397)**	(25,483)
Investment income	**(159,359)**	(89,107)
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss – held for trading	**46,219**	(63,829)
Financial assets at fair value through profit or loss	**–**	(10,429)
Auditors' remuneration	**3,449**	2,871
Staff cost (including directors' remuneration)		
Wages and salaries	**1,202,215**	791,830
Pension contributions	**263,738**	155,683
	1,465,953	947,513
Accrual of impairment loss of trade receivables	**24,692**	31,633
Foreign exchange differences, net	**87,667**	(87,438)

6. INCOME TAX EXPENSE

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China income tax	**738,962**	484,764
Deferred tax	**45,261**	19,530
Total tax charge for the period	**784,223**	504,294

Pursuant to Section 6 of Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

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

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

During the nine months ended 30 September, 2018, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, Qingdao CT 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 2018.

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

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of a third quarterly dividend of HK2 cents per ordinary share for the three months ended 30 September, 2018 (2017: HK2 cents). The dividend will be paid to shareholders on Friday, 21 December, 2018 whose names appear on the register of members of the Company on Monday, 10 December, 2018. For the purpose of determining shareholders who are qualified for the third quarterly dividend, the register of members of the Company will be closed from Friday, 7 December, 2018 to Monday, 10 December, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the third 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 Thursday, 6 December, 2018.

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

The calculation of basic and diluted earnings per share attributable to the owners of the parent is as follows:

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Basic earnings per share		
Profit attributable to the owners of the parent used in the basic earnings per share calculation	**2,201,258**	1,804,961
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *('000)*	**12,408,142**	11,624,789
Basic earnings per share *(RMB' cents)*	**17.74**	15.53

	For the nine months ended 30 September,	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(b) Diluted earnings per share		
Profit attributable to the owners of the parent used in the diluted earnings per share calculation	**2,201,258**	1,804,961
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *('000)*	**12,408,142**	11,624,789
Effect of restricted shares *('000)*	**10,722**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *('000)*	**12,418,864**	11,624,789
Diluted earnings per share *(RMB' cents)*	**17.73**	15.53

9. CASH AND BANK BALANCES

	30 September, 2018 RMB'000 (Unaudited)	31 December, 2017 RMB'000 (Audited)
Cash and bank balances, unrestricted	**2,293,801**	1,135,025
Time deposits with original maturity of less than three months	**3,472,730**	2,557,019
Time deposits with original maturity of more than three months	**534,253**	496,096
	6,300,784	4,188,140

10. SHARE CAPITAL

	30 September, 2018 RMB'000 (Unaudited)	31 December, 2017 RMB'000 (Audited)
Issued and fully paid:		
12,637,791,487 ordinary shares of HK$0.025 each (2017: 7,412,192,209 ordinary shares of HK$0.025 each)	**279,208**	170,033

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

The Company 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 have been set out in the 2017 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the nine months ended 30 September, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 30 September, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Sino Biopharmaceutical Limited
Tse, Theresa Y Y
Chairlady

Hong Kong, 22 November, 2018

As at the date of this announcement, 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.