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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER, 2018

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2018, the Group recorded the following audited operational results:

– Revenue was approximately RMB20,888.58 million, an increase of approximately 41.0% over the last year;

– Profit attributable to the owners of the parent was approximately RMB9,046.35 million, approximately 316.7% higher than that of the last year;

– Basic earnings per share attributable to the owners of the parent were approximately RMB73.16 cents, approximately 274.6% higher than that of the last year;

– Underlying profit* attributable to the owners of the parent was approximately RMB2,841.32 million, approximately 37.0% higher than that of the last year;

– Basic earnings per share, based on the underlying profit* attributable to the owners of the parent, were approximately RMB22.98 cents, approximately 23.2% higher than that of the last year;

– Sales of new products accounted for approximately 18.7% of the Group's total revenue; and

– Cash and bank balances as at 31 December, 2018 was approximately RMB6,676.04 million.

The Board of the Company has recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December, 2018. Together with the quarterly dividend of HK2 cents per share paid for each of the first three quarters, the total dividend of the year amounted to HK8 cents per share.

* Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) gain on step acquisition and amortization expenses of new identifiable assets arising from the acquisition of 24% interests in Beijing Tide; and (ii) unrealized fair value gains and losses on equity investments and financial assets. A reconciliation between profit attributable to the owners of the parent and underlying profit have been set out under the section headed "Underlying Profit" of this announcement.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the "Company"), together with its subsidiaries (the "Group"), is a leading, innovative and research and development ("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 and 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 the ecological commercialization of world-frontier R&D results 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 field. 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 Group Co. Ltd. (“CT Tianqing”), Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (“Jiangsu CT Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (“Jiangsu CT Qingjiang”), CP Pharmaceutical (Qingdao) Co., Ltd. (“CP Qingdao”) and 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 (Commerce and Industry) 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 (Rosuvastatin Calcium) tablet became the only drug that was approved in the Consistency Evaluation among a whole variety of drugs within Jiangsu Province and was the first of the same kind of drugs in the PRC.

In May 2018, a new 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 year under review, the trade conflict weakened the growth momentum of the global economy, though the PRC economy still developed steadily, achieving GDP growth of 6.6%. As for the industry, many key policies were launched to pursue healthcare reform, including Consistency Evaluation; priority evaluation and approval of innovative medicines; acceptance of clinical trial data from overseas; acceleration of examination and approval of imported scarce medicines such as oncology medicines; restriction on adjuvant drugs and lower percentage of proceeds contribution by medicines to hospitals; and adjustments to the National Drug Reimbursement List, all of which have significantly influenced the product structure and landscape of the industry. Led by the newly established National Healthcare Security Administration ("NHSA"), another round of discussions on the inclusion of new cancer treatment drugs on the List, as well as the centralized drug procurement program in "4+7" cities have placed unprecedented pressure on the profitability of medicines, including innovative medicines, and will expedite restructuring within the industry.

Business Review

Major achievements and awards of the Group during the year:

- The self-developed Category 1.1 multiple-targets new oncology medicine Anlotinib was launched and gained widespread recognition, including title "Award for Innovative Drug with Most Clinical Value" from China Pharmaceutical Innovation and Research Development Association et al. The review committee included honorary chairman academician Sang Guowei, Chief Engineer of National Major Innovative Drug Projects, chairman academician Chen Kaixian, from Chinese Academy of Sciences, and nearly 40 academicians and experts from the healthcare innovation sector.

- According to "Notice for inclusion of 17 oncology medicines on the Class B Medicine List for National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance" (關於將17種抗癌藥納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知) published by NHSA, Anlotinib Hydrochloride Capsule (Focus V) is the only domestic self-developed innovative medicine that is being included on the National Drug Reimbursement List in this round of discussions. The price of this new medicine is significantly lower than similar imported medicines, and this medicine thus can notably reduce the financial burden on patients in China who need quality patented oncology medicines, as well as benefit more patients.

- In the ChemPharm Annual Summit 2018 organized by China Pharmaceutical Industry Association et al., CT Tianqing, a member of the Group, received 12 awards, including ranking 5th among the "2018 Top 100 Industrial Enterprises in the PRC Pharmaceutical Industry – Comprehensive Strength". Beijing Tide, another member of the Group, also received 3 awards, including ranking 31st on the Comprehensive Strength list.

- CT Tianqing was recognized as the "2018 Top Industrial Enterprise for Medicine Pipelines in the PRC" by the China National Pharmaceutical Industry Information Center.

- Beijing Tide was included among "2018 Innovative Pharmaceutical Enterprises in the PRC" in the 11th China Pharmaceutical Strategy Conference 2018, organized by China National Pharmaceutical Industry Information Center et al.

- Production line of Tenofovir (Qingzhong) of CT Tianqing received European Union GMP certification.

- During the year under review, the Group was granted 18 production approvals and 23 clinical approvals, 18 of which were for Category 1.1 new medicines and 2 for biosimilar medicines. All serve as a testament to the Group's leading capability in the industry to develop innovative medicines.

During the year under review, the Group closely cooperated with oncology experts all over the country and commenced extensive and prudent post-launch studies on the indications for different types of oncology diseases, capitalizing on the sensational performance by its heavyweight self-developed oncology medicine Anlotinib and the well-established product line of oncology medicines. In addition to the ongoing and exceptional growth of Anlotinib, other oncology medicines such as Saiweijian, Gelike and Yinishu, as well as newly launched Qianping (Bortezomib for Injection), also delivered solid growth. Benefiting from a number of measures, such as setting up a dedicated team targeting low- and mid-tier markets; working with professional online platforms; expanding new marketing and sales channels; expanding coverage for pharmacies as well as low-to mid-tier hospitals; and implementing a chronic disease management model to enhance patient education and service quality, the Group's "patient-oriented" philosophy and values have gained increasing recognition from the market and patients. The Group's leading analgesic products, such as Kaifen and Flurbiprofen Cataplasm, orthopedic product Gaisanchun, digestive product Aisuping, cardio-cerebral products that have passed Consistency Evaluation, including Tuotuo and Yilunping, and respiratory product Tianqingsule have recorded strong sales growth, securing solid positions in the market. As for hepatitis medicine, a field in which the Group consistently has competitive edges, the newly approved medicine Qinzhong has also delivered remarkable performance.

With regard to R&D, the Group has made outstanding achievements during the year. It obtained 18 production approvals involving oncology medicines of 4 products and 8 specifications, which have significantly enhanced its line of oncology medicines. The Group also obtained 23 clinical approvals, including 18 Category 1.1 chemical medicines and 2 biosimilar medicines. 4 products have passed the Consistency Evaluation, and 20 applications for Consistency Evaluation have been accepted. Furthermore, it obtained 92 invention patent approvals and 358 applications for invention patents have been made.

The Group recorded revenue of approximately RMB20,888.58 million during the year under review, representing an increase of approximately 41.0% over the last year. The significant increase in revenue was mainly attributable to (i) substained organic growth of the principal businesses of the Group, and (ii) consolidation of the financial figures of Beijing Tide into the consolidated financial statements of the Company upon completion of the acquisition of 24% interests in Beijing Tide ("Acquisition"), starting from 1 March, 2018. For details of the Acquisition, please refer to the section headed "Significant Investments and Acquisitions" of this announcement.

During the year, profit attributable to owners of the parent amounted to approximately RMB9,046.35 million, representing an increase of approximately 316.7% as compared with the last year. After the Acquisition, the Company's interests in Beijing Tide was increased from 33.6% to 57.6% and in terms of accounting treatment, Beijing Tide was reclassified from an associate to a subsidiary of the Company. For such acquisition achieved in stages, the Company (i) recognized a substantial one-off gain of approximately RMB6,598.69 million arising from the deemed disposal of the 33.6% interest previously held by the Company in Beijing Tide (i.e. gain on step acquisition) in profit or loss, and (ii) assumed the annual amortization expenses of Beijing Tide's certain new identifiable assets (net of related deferred tax expenses and non-controlling interests) of approximately RMB350.24 million. The above-mentioned gain on step acquisition, although its impact was been partly offset by the additional amortization expenses, led to a substantial year-on-year increase in the profit attributable to the owners of the parent.

Excluding the impact of the gain on step acquisition and amortization expenses of new identifiable assets arising from the acquisition of 24% interests in Beijing Tide, as well as the unrealized fair value gains and losses on equity investments and financials assets, underlying profit attributable to the owners of the parent was approximately RMB2,841.32 million, approximately 37.0% higher than that of the last year. Based on underlying profit attributable to the owners of the parent, the basic earnings per share were approximately RMB22.98 cents, approximately 23.2% higher than that of the last year. Cash and bank balances totaled approximately RMB6,676.04 million at the end of the year.

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 year ended 31 December, 2018, the sales of hepatitis medicines amounted to approximately RMB6,417.06 million, representing approximately 30.7% 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 year ended 31 December, 2018, its sales amounted to approximately RMB92.32 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 RMB428.77 million in the year, an increase of approximately 6.2% against last year. In addition, CT Tianqing launched the patented medicine Tianqingganmei injections, which are made with Isoglycyrrhizinate separated from Licorice. During the year under review, the product recorded the sales of approximately RMB1,709.32 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 year ended 31 December, 2018, its sales amounted to approximately RMB219.91 million. A medicine for treating hepatitis B, Runzhong (Entecavir) dispersible tablet, is self-developed by CT Tianqing and is recognized as one of the most efficacious hepatitis B medicines. CT Tianqing was the first pharmaceutical manufacturer to gain the approval for this product in the PRC. For the year ended 31 December, 2018, the sales amounted to approximately RMB3,258.18 million, an increase of approximately 2.8% against the 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. Another product, Tianding tablets, was launched in April 2013, its sales amounted to approximately RMB422.23 million for the year ended 31 December, 2018, an increase of approximately 8.4% against the last year. For the year ended 31 December, 2018, the sales of Ganze (Entecavir) capsules amounted to approximately RMB135.99 million, an increase of approximately 5.4% against the last year.

Cardio-cerebral medicines

For the year ended 31 December, 2018, the sales of cardio-cerebral medicines amounted to approximately RMB2,743.21 million, representing approximately 13.1% 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 year ended 31 December, 2018, the product recorded the sales of approximately RMB148.11 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately RMB783.63 million for the year ended 31 December, 2018, a year-on-year increase of approximately 23.6%. For the year ended 31 December, 2018, the sales of Tuotuo calcium tablets amounted to approximately RMB656.25 million, a year-on-year increase of approximately 15.7%.

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 year ended 31 December, 2018, the sales of Kaishi injections amounted to approximately RMB756.44 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 year ended 31 December, 2018, the sales of Beraprost sodium tablets amounted to approximately RMB410.07 million, an increase of approximately 12.2% as compared with the last year.

Oncology medicines

For the year ended 31 December, 2018, the sales of oncology medicines amounted to approximately RMB3,187.99 million, representing approximately 15.3% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the year ended 31 December, 2018, sales of Zhiruo injections amounted to approximately RMB142.30 million. The sales of Saiweijian injections amounted to approximately RMB512.35 million during the year under review, an increase of approximately 53.5% as compared with the last year. The sales of Tianqingyitai injections amounted to approximately RMB208.15 million during the year under review. For the year ended 31 December, 2018, the sales of Qingweike injections amounted to approximately RMB215.83 million, an increase of 27.3% as compared with the last year. For the year ended 31 December, 2018, the sales of Shoufu tablets amounted to approximately RMB169.19 million, an increase of 4.9% as compared with the last year. Sales of Genike capsules for the year ended 31 December, 2018 amounted to approximately RMB240.06 million, an increase of approximately 37.9% as compared with the last year. Sales of Yinishu tablets for the year ended 31 December, 2018 amounted to approximately RMB164.41 million, an increase of approximately 51.3% as compared with the last year.

Analgesic medicines

For the year ended 31 December, 2018, the sales of analgesic medicines amounted to approximately RMB2,269.49 million, representing approximately 10.9% 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 year ended 31 December, 2018 amounted to approximately RMB1,900.39 million, approximately 20.8% higher than that of the last year. Another product for relieving non-surgical joint soft tissue pain is Flurbiprofen Cataplasm, its sales for the year ended 31 December, 2018 amounted to approximately RMB749.05 million, approximately 73.1% higher than that of the last year.

Orthopedic medicines

For the year ended 31 December, 2018, the sales of orthopedic medicines amounted to approximately RMB1,563.41 million, representing approximately 7.5% of the Group's revenue.

The main product of orthopedic medicines is the Gaisanchun capsules. For the year ended 31 December, 2018, its sales amounted to approximately RMB1,000.79 million, rose by approximately 18.1% as compared with the last year. For the year ended 31 December, 2018, the sales of another product, Jiuli tablets, amounted to approximately RMB313.76 million, an increase of approximately 29.3% against the last year. For the year ended 31 December, 2018, the sales of Yigu injections amounted to approximately RMB186.64 million, an increase of approximately 82.4% against the last year.

Digestive system medicines

For the year ended 31 December, 2018, the sales of digestive system medicines amounted to approximately RMB1,177.61 million, representing approximately 5.6% of the Group's revenue.

The main product of digestive system medicines is Getai tablets. For the year ended 31 December, 2018, its sales amounted to approximately RMB237.92 million, an increase by approximately 9.1% as compared with the last year. A new product, Aisuping injection was launched in May 2016. Its sales amounted to approximately RMB750.26 million for the year ended 31 December, 2018, a significant increase by approximately 59.9% as compared with the last year.

Anti-infectious medicines

For the year ended 31 December, 2018, the sales of anti-infectious medicines amounted to approximately RMB878.62 million, representing approximately 4.2% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the year ended 31 December, 2018, its sales amounted to approximately RMB567.44 million. For the year ended 31 December, 2018, the sales of another product, Tianjie injections, amounted to approximately RMB224.05 million, an increase of approximately 44.5% against the last year.

Respiratory system medicines

For the year ended 31 December, 2018, the sales of respiratory medicines amounted to approximately RMB834.40 million, representing approximately 4.0% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the year ended 31 December, 2018, its sales amounted to approximately RMB504.91 million, an increase by approximately 22.2% as compared with the last year. For the year ended 31 December, 2018, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately RMB203.03 million, an increase by approximately 17.8% as compared with the last year.

Parenteral nutritious medicines

For the year ended 31 December, 2018, the sales of parenteral medicines amounted to approximately RMB685.89 million, representing approximately 3.3% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the year ended 31 December, 2018, its sales amounted to approximately RMB491.61 million. For the year ended 31 December, 2018, the sales of Fenghaineng fructose injections amounted to approximately RMB182.16 million.

Diabetic medicines

For the year ended 31 December, 2018, the sales of diabetic medicines amounted to approximately RMB130.87 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 year ended 31 December, 2018, the sales of the product amounted to approximately RMB114.66 million, an increase by approximately 28.3% as compared with the last year.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

On 5 January 2018, the Company entered into two agreements with France Investment (China 1) Group Limited ("Vendor") in relation to the acquisition of 24% 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 ("Shares") at the issue price of HK$12.73 per Share to the Vendor at completion. The Acquisition was completed on 1 March 2018 and the new shares of the Company were issued to the Vendor at the price of HK$14.76 per share at that date, 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. Details of the Acquisition have been set out in the announcements of the Company dated 5 January, 2018 and 1 March, 2018, respectively, and the circular of the Company dated 26 January, 2018.

UNDERLYING PROFIT

Addition information is provided below to reconcile profit attributable to the owners of the parent and underlying profit. The reconciling items principally adjust for the impact of a one-off gain on step acquisition and the annual amortization expenses of new identifiable assets (net of deferred tax and non-controlling interests) arising from the acquisition of 24% interests of Beijing Tide in 2018, and the unrealized fair value gain or loss of equity investments and financial assets.

	For the year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Profit attributable to the owners of the parent	**9,046,347**	2,170,951
Adjustments related to the acquisition of 24% interests in Beijing Tide:		
Gain on deemed disposal of previously held 33.6% interests in Beijing Tide	**(6,598,691)**	–
Amortization expenses of new identifiable assets (net of deferred tax and non-controlling interests)	**350,236**	–
Unrealized fair value gain or loss of equity investments and financial assets, net	**43,432**	(97,132)
Underlying profit	**2,841,324**	2,073,819
Basic earnings per share		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	**2,841,324**	2,073,819
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**12,365,704,690**	11,118,288,313
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	**22.98**	18.65

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

As at 31 December, 2018, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain unlisted equity investments) of approximately RMB743.28 million (31 December 2017: approximately RMB 540.14 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB146.81million (31 December, 2017: approximately RMB943.73 million).

In addition, as at 31 December, 2018, the Group had the current financial assets at fair value through profit or loss, including (i) the convertible bonds of Karolinska Development AB of approximately RMB138.40 million (31 December 2017: approximately RMB190.42 million) and (ii) certain wealth management products and trust funds of approximately RMB1,715.48 million (31 December 2017: approximately RMB2,647.43 million), including Jiangsu Bank (approximately RMB494.61 million), Huaxia Bank (approximately RMB486.76 million), Industrial Bank (approximately RMB225.99 million), Bank of Communication (approximately RMB170.40 million), Construction Bank (approximately RMB137.30 million), Minsheng Bank (approximately RMB97.11 million), and other banks and trusts (approximately RMB103.31 million). The wealth management products mainly consisted of the principal-guaranteed with floating return and 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.

These investments amounted to approximately RMB2,743.97 million in total, representing approximately 5.5% of the total assets of the Group. For the year ended 31 December, 2018, the Group recorded the realized gain on the disposal of the equity investments and financial assets of approximately RMB68.29 million and unrealized fair value loss of the equity investments and financial assets of approximately RMB43.43 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group has continued to focus its R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the fourth quarter, the Group was granted 1 clinical approval, 5 production approvals, and made 4 new production applications, 1 approval for Consistency Evaluation, 9 applications for Consistency Evaluation and 10 production applications after the completion of bioequivalency. Cumulatively, a total of 497 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, 38 for hepatitis medicines, 206 for oncology medicines, 25 for respiratory system medicines, 26 for diabetic medicines and 148 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 year ended 31 December, 2018, the R&D expenditure of approximately RMB2,090.57 million, which accounted for approximately 10.0% of the Group's revenue, was charged to the statement of profit or loss.

The Group also emphasizes 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 fourth quarter, the Group has received 40 authorized patent notices (31 invention patents, 1 utility model patent and 8 apparel design patents) and filed 115 new patent applications (89 invention patents, 1 utility model patent and 25 apparel design patents). Cumulatively, the Group has obtained 683 invention patent approvals, 20 utility model patents and 75 apparel design patents.

INVESTOR RELATIONS

For years, the Group has been committed to maintaining high corporate governance standards to ensure its long-term development. During the year under review, it has proactively approached investors via a variety of channels to deepen their understanding of the Group's latest developments. At the same time, the Group has made an effort to solicit investors' opinions with the objective of further elevating its corporate governance standards.

During the year under review, the Group took the initiative of delivering its latest business development information to investors by organizing events including its 2018 Interim Results Investor Presentation, which attracted over 350 analysts, fund managers and other investors. Apart from large-scale investor conferences, the Group also organized a media conference on its results and performance to help retail investors keep abreast of the Group's latest business status and development prospects via different media channels. Furthermore, during the year, the management participatd in over 20 investment summits held by large investment banks and securities companies including Morgan Stanley, Bank of America Merrill Lynch, and Credit Suisse in Hong Kong, Shanghai, Beijing and Singapore. The management also introduced the Group's business and competitive advantages to investors through roadshows, teleconferences, one-on-one meetings, factory site visits, and more.

In the meantime, the Group posts its annual and interim reports, and issues quarterly, interim and annual result 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 voluntary announcements to inform shareholders and investors about its latest business developments in keeping with its commitment to increase 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December, 2018 except for the deviation from Code Provision A.6.7 in relation to attendance of general meetings of the Company by Independent Non-Executive Director ("INED"). Two INEDs were unable to attend the extraordinary general meeting and the annual general meeting of the Company held on 12 February, 2018 and 29 May, 2018, respectively, 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 year ended 31 December, 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 year under review, the Group's primary sources of funds were cash derived from operating activities. As at 31 December, 2018, the Group's cash and bank balances were approximately RMB6,676.04 million (31 December, 2017: approximately RMB4,188.14 million).

CAPITAL STRUCTURE

As at 31 December, 2018, the Group had short term loans of approximately RMB2,905.58 million (31 December, 2017: approximately RMB741.31 million) and had long term loans of approximately RMB507.07 million (31 December, 2017: approximately RMB2,209.90 million).

CHARGE ON ASSETS

As at 31 December, 2018, the Group had charge on assets of approximately RMB400.96 million (31 December, 2017: approximately RMB401.76 million).

CONTINGENT LIABILITIES

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

ASSETS AND GEARING RATIO

As at 31 December, 2018, the total assets of the Group amounted to approximately RMB49,780.21 million (31 December, 2017: approximately RMB20,935.34 million) whereas the total liabilities amounted to approximately RMB12,230.68 million (31 December, 2017: approximately RMB8,324.29 million). The gearing ratio (total liabilities over total assets) was approximately 24.6% (31 December, 2017: approximately 39.8%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 21,498 employees as at 31 December, 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 year was approximately RMB2,337,880,000 (2017: approximately RMB1,474,967,000).

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 31 December 2018, (i) no option in respect of the Shares have been granted under the 2013 Share Option Scheme; and (ii) 47,667,000 Shares purchased at a total consideration of approximately HK$484.69 million were held on trust under the 2018 Share Award Scheme and no Shares have been granted to any selected participant yet.

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

Despite various concerns in 2019, such as international trade disputes that are expected to negatively affect the economic growth of the world, including the PRC, the fundamentals which underpin the PRC's economic growth will not have major changes. As for the industry, price negotiations on oncology medicines and centralized drug procurement in "4+7" cities reflect the strong influence that the new government management system has had on drug prices; hence, restructuring and transformation of the pharmaceutical industry is expected to gather pace. The medical reform carried out by the government aims to promote the upgrade of the medicine supply, enhance accessibility to high efficacy medicines and phase out redundant and underperforming production capacity. In the future, the adjustment of the National Drug Reimbursement List and the policies on encouraging innovation, accelerating new drug evaluation and approval, and new drug launches are expected to present a larger market and more development opportunities to enterprises like Sino Biopharm that have a strong R&D foundation and capacity to develop innovative drugs.

The Group recognized a few years ago that targeted drugs of biological macromolecular were becoming an increasingly important category of drugs for clinical uses, with wide application prospects. It consequently deployed its group companies to conduct R&D, which has facilitated the ongoing output of targeted drugs of biological macromolecular. It believes that the drug will benefit patients in general and reinforce the Group's industry leadership, leading to the delivery of maximum investment returns to shareholders.

APPRECIATION

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

RESULTS

The board of directors (the "Board") announces the audited consolidated results of the Group for the year ended 31 December, 2018 together with the comparative consolidated results for 2017 as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 December,	
	Notes	**2018**	2017
		RMB'000	*RMB'000*
		(Audited)	(Audited)
REVENUE	*4*	**20,888,584**	14,819,302
Cost of sales		**(4,196,932)**	(3,090,625)
Gross profit		**16,691,652**	11,728,677
Other income and gains	*4*	**7,443,161**	642,861
Selling and distribution costs		**(8,078,544)**	(5,917,879)
Administrative expenses		**(2,189,501)**	(986,945)
Other expenses		**(2,344,333)**	(1,602,006)
Including: Research and development costs		***(2,090,567)***	*(1,595,312)*
Finance costs	*5*	**(153,264)**	(77,945)
Share of profits and losses of associates		**59,910**	409,076
PROFIT BEFORE TAX	*6*	**11,429,081**	4,195,839
Income tax expense	*7*	**(696,236)**	(542,292)
PROFIT FOR THE YEAR		**10,732,845**	3,653,547
Profit attributable to:			
Owners of the parent		**9,046,347**	2,170,951
Non-controlling interests		**1,686,498**	1,482,596
		10,732,845	3,653,547
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic and diluted		**RMB73.16 cents**	RMB19.53 cents

Details of the final dividend recommended for the year are disclosed in note 8 of this announcement.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December, 2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PROFIT FOR THE YEAR	**10,732,845**	3,653,547
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**83,552**	(264,544)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**83,552**	(264,544)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(68,025)**	–
Income tax effect	**–**	–
	(68,025)	–
Gain on property revaluation	**97,265**	82,647
Income tax effect	**(15,356)**	(14,727)
	81,909	67,920
Share of other comprehensive income/(loss) of associates	**6,624**	(943)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**20,508**	66,977
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**104,060**	(197,567)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,836,905**	3,455,980
Attributable to:		
Owners of the parent	**9,117,482**	1,955,372
Non-controlling interests	**1,719,423**	1,500,608
	10,836,905	3,455,980

Consolidated Statement of Financial Position

	Notes	**31 December, 2018** *RMB'000* **(Audited)**	31 December, 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**5,804,369**	3,483,253
Investment properties		**367,664**	370,163
Prepaid land lease payments		**1,222,099**	789,362
Goodwill	*10*	**13,896,976**	88,926
Other intangible assets	*11*	**8,349,174**	219,249
Investments in associates		**326,329**	1,048,155
Equity investments designated at fair value through other comprehensive income		**743,280**	–
Available-for-sale investments		**–**	540,138
Financial assets at fair value through profit or loss		**–**	190,421
Deferred tax assets		**470,559**	382,574
Prepayments		**61,633**	42,979
Total non-current assets		**31,242,083**	7,155,220
CURRENT ASSETS			
Inventories		**1,209,160**	918,819
Trade and bills receivables	*12*	**2,924,045**	2,051,290
Prepayments, other receivables and other assets		**5,728,193**	3,030,718
Equity investments designated at fair value through profit or loss		**146,814**	943,726
Available-for-sale investments		**–**	2,647,426
Financial assets at fair value through profit or loss		**1,853,871**	–
Cash and bank balances	*13*	**6,676,042**	4,188,140
Total current assets		**18,538,125**	13,780,119
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,832,166**	928,607
Tax payable		**246,498**	292,595
Other payables and accruals		**4,684,382**	3,725,942
Interest-bearing bank borrowings		**2,905,575**	741,307
Total current liabilities		**9,668,621**	5,688,451

	Notes	31 December, 2018 RMB'000 (Audited)	31 December, 2017 RMB'000 (Audited)
NET CURRENT ASSETS		**8,869,504**	8,091,668
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,111,587**	15,246,888
NON-CURRENT LIABILITIES			
Deferred government grants		**532,941**	241,912
Interest-bearing bank borrowings		**507,066**	2,209,897
Deferred tax liabilities		**1,522,056**	184,030
Total non-current liabilities		**2,562,063**	2,635,839
Net assets		**37,549,524**	12,611,049
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**278,846**	170,033
Treasury shares		**(457,288)**	–
Reserves		**29,391,280**	9,038,761
		29,212,838	9,208,794
Non-controlling interests		**8,336,686**	3,402,255
Total equity		**37,549,524**	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 designated at fair value through other comprehensive income/profit or loss, and financial assets at fair value through profit or loss 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.

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 year ended 31 December, 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

3. 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 year ended 31 December, 2018

	Chemical medicines and biopharmaceutical medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**20,335,710**	–	**552,874**	**20,888,584**
Segment results	**4,983,288**	**(201,145)**	**106,714**	**4,888,857**
Reconciliation:				
Interest and unallocated gains				**6,744,559**
Share of profits and losses of associates				**59,910**
Unallocated expenses				**(264,245)**
Profit before tax				**11,429,081**
Income tax expense				**(696,236)**
Profit for the year				**10,732,845**
Assets and liabilities				
Segment assets	**43,517,085**	**4,180,656**	**1,285,579**	**48,983,320**
Reconciliation:				
Investments in associates				**326,329**
Other unallocated assets				**470,559**
Total assets				**49,780,208**
Segment liabilities	**6,786,791**	**3,306,774**	**368,565**	**10,462,130**
Reconciliation:				
Other unallocated liabilities				**1,768,554**
Total liabilities				**12,230,684**
Other segment information:				
Depreciation and amortisation	**1,168,877**	**26,692**	**14,655**	**1,210,224**
Capital expenditure	**1,624,898**	**28,808**	**39,033**	**1,692,739**
Other non-cash expenses	**3,374**	–	–	**3,374**

The segment results for the year ended 31 December, 2017

	Chemical medicines and biopharmaceutical medicines	Investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	14,368,898	–	450,404	14,819,302
Segment results	3,683,381	312,435	96,408	4,092,224
Reconciliation:				
Interest and unallocated gains				65,940
Share of profits and losses of associates				409,076
Unallocated expenses				(371,401)
Profit before tax				4,195,839
Income tax expense				(542,292)
Profit for the year				3,653,547
Assets and liabilities				
Segment assets	13,593,055	4,756,297	1,155,258	19,504,610
Reconciliation:				
Investments in associates				1,048,155
Other unallocated assets				382,574
Total assets				20,935,339
Segment liabilities	4,540,580	3,048,506	258,579	7,847,665
Reconciliation:				
Other unallocated liabilities				476,625
Total liabilities				8,324,290
Other segment information:				
Depreciation and amortisation	316,207	30,223	11,192	357,622
Capital expenditure	1,142,608	24,599	292,973	1,460,180
Other non-cash expenses	300	–	–	300

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 year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Hong Kong	**992,045**	1,748,730
Mainland China	**29,009,483**	5,379,774
Others	**26,716**	26,716
	30,028,244	7,155,220

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 year ended 31 December, 2018 and 2017.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Revenue from contracts with customers		
Sale of goods	**20,308,246**	14,368,898
Others	**580,338**	450,404
	20,888,584	14,819,302

	For the year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Other income		
Bank interest income	**145,868**	65,940
Interest income from convertible bonds	**16,855**	17,117
Dividend income	**12,156**	28,270
Government grants	**213,457**	32,656
Sale of scrap materials	**26,745**	7,925
Investment income	**383,310**	266,084
Gross rental income	**5,119**	5,266
Others	**30,721**	25,290
	834,231	448,548
Gains		
Gain on disposal of items of property, plant and equipment	**–**	2,224
Gain on deemed disposal of an associate	**6,598,691**	–
Foreign exchange gains	**–**	94,957
Fair value gains, net		
Equity investments at fair value through profit or loss	**–**	54,637
Financial assets at fair value through profit or loss	**10,239**	42,495
	6,608,930	194,313
Total other income and gains	**7,443,161**	642,861

5. FINANCE COST

	For the year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Interest on bank borrowings	**153,264**	77,945

6. PROFIT BEFORE TAX

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

	For the year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Cost of sales	**4,196,932**	3,090,625
Depreciation of property, plant and equipment	**426,151**	308,175
Depreciation of investment properties	**22,860**	22,563
Recognition of prepaid land lease payments	**34,100**	14,233
Amortization of intangible assets	**727,113**	12,651
Research and development costs	**2,090,567**	1,595,312
Revaluation deficit of property, plant and equipment	**1,421**	20,271
Gain on disposal of items of property, plant and equipment	**–**	(2,224)
Loss on disposal of items of property, plant and equipment	**3,374**	300
Gain on deemed disposal of an associate	**(6,598,691)**	–
Bank interest income	**(145,868)**	(65,940)
Dividend income	**(12,156)**	(28,270)
Investment income	**(383,310)**	(266,084)
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	**53,671**	(54,637)
Financial assets at fair value through profit or loss	**(10,239)**	(42,495)
Minimum lease payments under operating leases:		
Land and building	**219,885**	145,103
Auditors' remuneration	**4,800**	4,400
Staff cost (including directors' remuneration)		
Wages and salaries	**1,950,010**	1,223,150
Pension contributions	**387,870**	251,817
	2,337,880	1,474,967
Accrual of impairment loss of trade receivables	**8,908**	2,336
Impairment of interest in an associate	**41,448**	–
Impairment of financial assets included in prepayments, other receivables and other assets	**15,250**	–
Foreign exchange differences, net	**101,143**	(94,957)

7. INCOME TAX EXPENSE

	For the year ended 31 December,	
	2018	2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China income tax	**792,450**	563,865
Deferred tax	**(96,214)**	(21,573)
Total tax charge for the year	**696,236**	542,292

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 year.

During the year ended 31 December, 2018, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, CP Qingdao and LYG Runzhong were subject to a corporate income tax rate of 15% because they are qualified as "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.

8. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of HK2 cents per ordinary share for the year ended 31 December, 2018 (2017: HK2 cents). Subject to the approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 5 June 2019, the final dividend will be paid to shareholders on Friday, 5 July, 2019 whose names appear on the Register of Members of the Company on Friday, 21 June, 2019.

The Register of Members of the Company will be closed for the following periods:–

(a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 31 May, 2019 to Wednesday, 5 June, 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 30 May, 2019.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Tuesday, 18 June, 2019 to Friday, 21 June, 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 17 June, 2019.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year of approximately RMB9,046,347,000 (2017:approximately RMB2,170,951,000), and the weighted average number of ordinary shares of 12,365,704,690 (2017: 11,118,288,313 as to taking into account the bonus share issued) in issue during the year.

10. GOODWILL

	31 December, 2018 *RMB'000* **(Audited)**	31 December, 2017 *RMB'000* (Audited)
At 1 January	**88,926**	88,926
Acquisition of a subsidiary	**13,808,050**	–
Impairment during the year	**–**	–
	13,896,976	88,926

On 5 January 2018, the Company entered into the acquisition agreements (the "Acquisition Agreements") with France Investment (China 1) Group Limited ("France Investment Hong Kong") and Miss Tse, Theresa YY (Chairwoman and the executive director of the Company). Pursuant to the Acquisition Agreements, (a) France Investment Hong Kong conditionally agreed to sell, and the Company conditionally agreed to acquire 51% of the entire issued share capital of Sino Biopharmaceutical (Beijing) Co., Ltd. for a consideration of HK$9,207 million (approximately equivalent to RMB7,668 million) and (b) France Investment Hong Kong conditionally agreed to sell, and the Company conditionally agreed to acquire 52% of the entire issued share capital of Super Demand Investments Limited for a consideration of HK$3,688 million (approximately equivalent to RMB3,072 million). The consideration for the Acquisition Agreements would be satisfied by the Company by the issuance of 1,013,002,116 shares at the issue price of HK$12.73 per share to France Investment Hong Kong. The Acquisition was completed on 1 March 2018 and the new shares of the Company were issued to France Investment Hong Kong at the price of HK$14.76 per share at that date. Upon the completion, the Company's interest in Beijing Tide has been increased to 57.6% and Beijing Tide has become a non-wholly owned subsidiary of the Company with its financial statements consolidated into the accounts of the Group.

The Group has elected to measure the non-controlling interest in Beijing Tide at the non-controlling interest's proportionate share of Beijing Tide's identifiable net assets.

The fair values of the identifiable assets and liabilities of Beijing Tide as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Consideration transferred for 24% interest acquired on 1 March 2018 satisfied by issuance of the Company's shares at share price of HK$14.76	12,148,025
Non-controlling interests – 42.4% share of fair values of identifiable net assets at the acquisition date	4,229,406
Fair value of initial 33.6% interests on 1 March 2018	7,405,634
	23,738,065
Total identifiable net assets at fair value	9,975,015
Goodwill on acquisition	13,808,050

The consideration transferred was the fair value of 1,013,002,116 new shares issued to France Investment Hong Kong on 1 March 2018 which amounted to HK$14,951,911,000 (RMB12,148,025,000 equivalent on the same date).

The transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Goodwill arose in the acquisition of Beijing Tide because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Beijing Tide. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The Company recognises a gain of RMB6,598,691,000 in profit or loss as a result of remeasuring its existing interest from its equity-accounted amount of RMB806,943,000 at the date of the completion of restructuring and obtaining control to its acquisition-date fair value.

Details of impairment testing of goodwill will be set out in 2018 annual report.

11. OTHER INTANGIBLE ASSETS

31 December, 2018

	Patents and licences *RMB'000*	**Development costs** *RMB'000*	**Trademarks** *RMB'000*	**Customer relationship** *RMB'000*	**Total** *RMB'000*
Cost:					
At 1 January, 2018	**43,291**	**198,194**	**50,690**	**–**	**292,175**
Addition	**41,990**	**84,816**	**234**	**–**	**127,040**
Acquisition of a subsidiary	**10,564**	**271,688**	**2,794,000**	**5,653,746**	**8,729,998**
At 31 December, 2018	**95,845**	**554,698**	**2,844,924**	**5,653,746**	**9,149,213**
Accumulated amortisation:					
At 1 January, 2018	**32,113**	**34,054**	**6,759**	**–**	**72,926**
Provided during the year	**5,780**	**15,665**	**321,984**	**383,684**	**727,113**
At 31 December, 2018	**37,893**	**49,719**	**328,743**	**383,684**	**800,039**
Net carrying amount	**57,952**	**504,979**	**2,516,181**	**5,270,062**	**8,349,174**

31 December, 2017

	Patents and licences *RMB'000*	Development costs *RMB'000*	Trademarks *RMB'000*	Total *RMB'000*
Cost:				
At 1 January, 2017	42,396	148,616	50,690	241,702
Additions	895	49,578	–	50,473
At 31 December, 2017	43,291	198,194	50,690	292,175
Accumulated amortisation:				
At 1 January, 2017	25,014	30,192	5,069	60,275
Provided during the year	7,099	3,862	1,690	12,651
At 31 December, 2017	32,113	34,054	6,759	72,926
Net carrying amount	11,178	164,140	43,931	219,249

12. TRADE AND BILLS RECEIVABLES

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

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

	31 December, 2018	31 December, 2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current to 90 days	**2,404,647**	1,654,569
91 days to 180 days	**455,154**	361,657
Over 180 days	**64,244**	35,064
	2,924,045	2,051,290

13. CASH AND BANK BALANCES

	31 December, 2018	31 December, 2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Cash and bank balances, unrestricted	**3,956,986**	1,135,025
Time deposits with original maturity of less than three months	**2,278,043**	2,557,019
Time deposits with original maturity of more than three months	**441,013**	496,096
	6,676,042	4,188,140

14. TRADE AND BILLS PAYABLES

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

	31 December, 2018	31 December, 2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current to 90 days	**1,517,655**	704,689
91 days to 180 days	**219,309**	189,163
Over 180 days	**95,202**	34,755
	1,832,166	928,607

15. SHARE CAPITAL

	31 December, 2018	31 December, 2017
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Issued and fully paid:		
12,606,800,487 ordinary shares of HK$0.025 each (2017: 7,412,192,209 ordinary shares of HK$0.025 each)	**278,846**	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 will be set out in the 2018 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 audited consolidated financial statements of the Company for the year ended 31 December, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 2018, the Company bought back a total of 41,362,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK$219.20 million before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

		Purchase consideration per Share		
Month	**Number of Shares bought back**	**Highest**	**Lowest**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$*
December	41,362,000	5.45	4.99	219,204,786

Save as disclosed above and other than the Shares purchased by the Company pursuant to the 2018 Shares Award Scheme as set out in the section headed "Employee and Remuneration Policies" of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

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

Hong Kong, 29 March, 2019

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.