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, 2019

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September, 2019, the Group recorded the following unaudited results:

– Revenue was approximately RMB19,320.77 million, an increase of approximately 22.8% over the same period last year;

– Profit attributable to the owners of the parent was approximately RMB2,255.52 million, approximately 2.5% higher than that of the same period last year;

– Basic earnings per share attributable to the owners of the parent were approximately RMB17.92 cents, approximately 1.0% higher than that of the same period last year;

– Underlying profit* attributable to the owners of the parent was approximately RMB2,599.62 million, approximately 15.7% higher than that of the same period last year;

– Earnings per share, based on the underlying profit* attributable to the owners of the parent, were approximately RMB20.65 cents, approximately 14.0% higher than that of the same period last year;

– Sales of new products accounted for approximately 20.6% of the Group's total revenue; and

– Cash and bank balances as at 30 September, 2019 was approximately RMB6,135.65 million.

The Board of the Company has declared the payment of a quarterly dividend of HK2 cents per share for the three months ended 30 September, 2019. Together with the first quarterly dividend of HK2 cents per share and the second quarterly dividend of HK2 cents paid, the total dividend of the three quarters amounted to HK6 cents per share.

* Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) amortization expenses of new identifiable intangible 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 has been set out under the section headed "Underlying Profit" of this announcement.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the "Company" or "Sino Biopharm"), 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, respiratory system diseases, analgesia, cardio-cerebral 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, to bring about the ecological commercialization of world-frontier R&D results to benefit 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, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Oncology medicines:	Focus V (Anlotinib Hydrochloride) capsules, Saiweijian (Raltitrexed) injections, Yinishu (Dasatinib) tablets, Genike (Imatinib Mesylate) capsules, Tianqingyitai (Zoledronic Acid) injections, Shoufu (Capecitabine) tablets, Qingweike (Decitabine for injections), Anxian (Lenalidomide) capsules, Qianping (Bortezomib for injections)
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Kaishi (Alprostadil) injections, Kaina (Beraprost Sodium) tablets, Tianqingning (Hydroxyethylstarch 130) injections

Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections, Debaian (Flurbiprofen) Cataplasms
Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Jiuli (Glucosamine Hydrochloride) tablets, Yigu (Zoledronic Acid) injections
Digestive system medicines:	Aisuping (Esomeprazole Sodium) injections, Getai (Diosmin) tablets, Deyou (Pronase) granules
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, Zhongchang (Fudosteine) tablets
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng (Fructose) injections
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". 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.

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.

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

The Company is selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period under review, affected by trade frictions worldwide and political uncertainties in the US and the EURO areas, the global economy was apparently slowing down. Downward pressure increased on the Chinese economy and, in the first three quarters, the country's GDP grew year-on-year by 6.2%. For the pharmaceutical industry, the centralized drug procurement program in "4+7" cities continued, and sales of drugs covered saw obvious growth. However, prices of the drugs dropped sharply, thus profit growth slowed. In July, the "Catalogue of the First Batch of Key Drugs for Rational Use under National Supervision and Control (Chemical Drugs and Biological Products)" was published for the purpose of supervising and controlling irrational use of some drugs. The drugs included in the catalogue were notably affected. For industry leading enterprises though, their high value new drugs enjoyed fast growth. The phenomenon indicated that drug enterprises have become more and more polarized.

Business Review

Results highlights for the period under review:

- The Group's major product Anlotinib obtained approval for a new indication for the treatment of small cell lung cancer.

- Important overseas registration made: the United States Food and Drug Administration ("FDA") approved abbreviated new drug application ("ANDA") for Ticagrelor Tablet.

- Production approval secured for 8 drugs with strong growth potential: the first line or second line prostate cancer drug Abiraterone Acetate Tablet, 3 specifications for new indications of Anlotinib Hydrochloride Capsules, Rivaroxaban Tablets, Tofacitinib Citrate Tablets (a new oral Janus kinase (JAK) inhibitor for rheumatoid arthritis treatment), Azacitidine for Injection and Moxifloxacin Hydrochloride Injection.

- Subsidiary companies CT Tianqing ranked 16th and Beijing Tide ranked 41st among the "2018 Top 100 Pharmaceutical Companies in China" announced at the "2019 (36th) National Pharmaceutical Industry Annual Information Conference".

- CT Tianqing and Akeso Biopharma signed a joint venture contract to set up Chia Tai Tianqing Akeso (Shanghai) Biomedical Technology Company Limited in Shanghai. The two parties will cooperate on pursuing development of the tumor immunotherapy PD-1 antibody drug (AK105 Project), which has apparent differentiated advantages.

- CT Tianqing ranked 26th among the "Top 500 Chinese Enterprises with the Most Patents" announced at the "2019 China Marketing International Conference and China Creation Forum".

- Sino Biopharm ranked 1st among the "Top 20 Competitive Chinese Listed Pharmaceutical Companies in 2019" and also ranked 2nd of First Tier of "Top 100 Chinese Innovative Pharmaceutical Enterprises", awarded jointly by China Pharmaceutical Enterprises Association and China Medicinal Biotech Association.

During the period under review, the Group's self-developed heavyweight medicine Anlotinib managed greater academic influence thus maintained high growth. The strong academic influence also translated into a strong boost of the results of other oncology products including Shoufu, Yinishu, Saiweijian and Qianping. The chronic disease management model combined with market penetration strategy saw drugs which have passed Consistency Evaluation such as Yilunping and Tuotuo boost the performance of other cardio-cerebral drugs such as Kaina and Xijia. Digestive system medicines such as Aisuping, Deyou and Getai, respiratory system medicines such as Tianqingsule and Zhongchang, hepatitis medicine Ganping, anti-infectious medicines Tianjie and Tianli, orthopedic medicine Yigu, and diabetic medicine Taibai all performed satisfactorily. With a portfolio of growth products more diverse and balanced in terms of revenue contribution, risk resistance of the Group has been strengthened.

On the R&D front, the Group boasted fruitful results. During the third quarter, the Group obtained 8 production approvals (as abovementioned) and had 6 products passed Consistency Evaluation, including Abiraterone Acetate Tablet (deemed), Metformin Hydrochloride Extended-Release Tablets (deemed), Rivaroxaban Tablets (deemed), Imatinib Mesylate Capsules, Tofacitinib Citrate Tablets (deemed) and Azacitidine for Injection (deemed). It also obtained 5 clinical trial approvals, and submitted 8 Consistency Evaluation applications and 5 clinical trial applications for new Category 1 medicines, all accepted for review. In addition, the Group was granted 27 invention patents and filed 91 applications for invention patents.

The Group recorded revenue of approximately RMB19,320.77 million during the period under review, representing an increase of approximately 22.8% over the same period last year. Profit attributable to the owners of the parent was approximately RMB2,255.52 million, approximately 2.5% higher than that of the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB17.92 cents, approximately 1.0% higher than that of the same period last year. Excluding the impact of the amortization expenses of new identifiable intangible 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 RMB2,599.62 million, approximately 15.7% higher than that of the same period last year. Based on underlying profit attributable to the owners of the parent, the earnings per share were approximately RMB20.65 cents, approximately 14.0% higher than that of the same period last year. Cash and bank balances totaled approximately RMB6,135.65 million at the period end. Upon the completion of the acquisition of 24% interests in Beijing Tide on 1 March, 2018, the financial figures of Beijing Tide have been consolidated with the consolidated financial statements of the Company since then.

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

Hepatitis medicines

For the nine months ended 30 September, 2019, the sales of hepatitis medicines amounted to approximately RMB4,966.18 million, representing approximately 25.7% 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. Tianqingganping enteric 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, 2019, its sales amounted to approximately RMB421.36 million, an increase of approximately 27.7% against the same period last year. In addition, during the period under review, the patented medicine Tianqingganmei injections launched by CT Tianqing, which are made with Isoglycyrrhizinate separated from Licorice, recorded the sales of approximately RMB1,480.43 million, an increase of approximately 10.2% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

A medicine for treating hepatitis B, Runzhong 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. 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 low risk of triggering the emergence of medicine-resistant virus. For the nine months ended 30 September, 2019, its sales amounted to approximately RMB2,335.21 million. For the nine months ended 30 September, 2019, the sales of Ganze capsules amounted to approximately RMB115.37 million, an increase of approximately 5.3% against the same period last year.

Oncology medicines

For the nine months ended 30 September, 2019, the sales of oncology medicines amounted to approximately RMB4,202.33 million, representing approximately 21.8% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the nine months ended 30 September, 2019, sales of Saiweijian injections amounted to approximately RMB543.48 million, an increase of approximately 39.9% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately RMB170.18 million during the period under review, an increase of approximately 4.3% as compared with the same period last year. For the nine months ended 30 September, 2019, the sales of Qingweike injections amounted to approximately RMB168.37 million. Sales of Yinishu tablets for the nine months ended 30 September, 2019 amounted to approximately RMB181.62 million, a significant increase of approximately 47.6% as compared with the same period last year. For the nine months ended 30 September, 2019, the sales of Shoufu tablets amounted to approximately RMB173.41 million, an increase of 29.8% as compared with the same period last year. Sales of Genike capsules for the nine months ended 30 September, 2019 amounted to approximately RMB160.15 million. The sales of new product Anxian capsules for the nine months ended 30 September, 2019 amounted to approximately RMB137.32 million. The sales of another new product Qianping injections for the nine months ended 30 September, 2019 amounted to 127.89 million, a sharp increase of 211.6% as compared with the same period last year.

Cardio-cerebral medicines

For the nine months ended 30 September, 2019, the sales of cardio-cerebral medicines amounted to approximately RMB2,495.13 million, representing approximately 12.9% of the Group's revenue.

For the nine months ended 30 September, 2019, Tianqingning injections recorded the sales of approximately RMB113.35 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately RMB733.53 million for the nine months ended 30 September, 2019, a year-on-year increase of approximately 20.8%. For the nine months ended 30 September, 2019, the sales of Tuotuo calcium tablets amounted to approximately RMB612.68 million, a year-on-year increase of approximately 23.6%.

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, 2019, the sales of Kaishi injections amounted to approximately RMB503.94 million. Applying the technology of micro-solid dispersion with microgram precision, Kaina tablets can explicitly improve the ulcer, intermittent claudication, pain and cold symptom from the chronic arterial occlusion. For the nine months ended 30 September, 2019, the sales of Kaina tablets amounted to approximately RMB372.44 million, an increase of approximately 22.7% as compared with the same period last year.

Analgesic medicines

For the nine months ended 30 September, 2019, the sales of analgesic medicines amounted to approximately RMB1,652.73 million, representing approximately 8.6% 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, 2019 amounted to approximately RMB919.18 million. Another product for relieving non-surgical joint soft tissue pain is Debaian Cataplasm. Its sales for the nine months ended 30 September, 2019 amounted to approximately RMB716.74 million, increased by approximately 41.5% over the same period last year.

Orthopedic medicines

For the nine months ended 30 September, 2019, the sales of orthopedic medicines amounted to approximately RMB1,405.62 million, representing approximately 7.3% of the Group's revenue.

The main product of orthopedic medicines is the Gaisanchun capsules. For the nine months ended 30 September, 2019, its sales amounted to approximately RMB820.31 million, an increase of approximately 5.2% against the same period last year. For the nine months ended 30 September, 2019, the sales of another product, Jiuli tablets, amounted to approximately RMB290.05 million, an increase of approximately 31.3% against the same period last year. For the nine months ended 30 September, 2019, the sales of Yigu injections amounted to approximately RMB246.68 million, a remarkable increase of approximately 77.3% against the same period last year.

Digestive system medicines

For the nine months ended 30 September, 2019, the sales of digestive system medicines amounted to approximately RMB1,194.06 million, representing approximately 6.2% of the Group's revenue.

For the nine months ended 30 September, 2019, the sales of Getai tablets amounted to approximately RMB227.20 million, an increase by approximately 21.3% as compared with the same period last year. The sales of Aisuping injection amounted to approximately RMB776.27 million for the nine months ended 30 September, 2019, an increase by approximately 35.1% as compared with the same period last year. The sales of Deyou granule for the nine months ended 30 September, 2019 amounted to approximately RMB133.83 million, a remarkable increase of approximately 89.3% as compared with the same period last year.

Respiratory system medicines

For the nine months ended 30 September, 2019, the sales of respiratory medicines amounted to approximately RMB843.22 million, representing approximately 4.4% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the nine months ended 30 September, 2019, its sales amounted to approximately RMB501.72 million, an increase by approximately 30.7% as compared with the same period last year. For the nine months ended 30 September, 2019, the sales of another product, Chia Tai Suke tablets, amounted to approximately RMB181.07 million, an increase by approximately 17.6% as compared with the same period last year. For the nine months ended 30 September, 2019, the sales of Zhongchang tablets amounted to approximately RMB121.01 million, a sharp increase by approximately 102.3% as compared with the same period last year.

Anti-infectious medicines

For the nine months ended 30 September, 2019, the sales of anti-infectious medicines amounted to approximately RMB838.41 million, representing approximately 4.3% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the nine months ended 30 September, 2019, its sales amounted to approximately RMB476.09 million, an increase of approximately 2.2% against the same period last year. For the nine months ended 30 September, 2019, the sales of another product, Tianjie injections, amounted to approximately RMB257.54 million, an increase of approximately 42.6% against the same period last year. For the nine months ended 30 September, 2019, the sales of Tianli (Linezolid and Glucose) injections amounted to approximately RMB77.88 million, a significant increase of approximately 93.2% against the same period last year.

Parenteral nutritious medicines

For the nine months ended 30 September, 2019, the sales of parenteral medicines amounted to approximately RMB537.95 million, representing approximately 2.8% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the nine months ended 30 September, 2019, its sales amounted to approximately RMB400.60 million, an increase of approximately 6.2% against the same period last year. For the nine months ended 30 September, 2019, the sales of Fenghaineng fructose injections amounted to approximately RMB127.27 million.

Diabetic medicines

For the nine months ended 30 September, 2019, the sales of diabetic medicines amounted to approximately RMB121.98 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. 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, 2019, the sales of the product amounted to approximately RMB109.70 million, an increase by approximately 26.8% as compared with the same period last year.

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 the amortization expenses of new identifiable intangible assets (net of deferred tax and non-controlling interests) arising from the acquisitions of 24% interests of Beijing Tide in 2018 (Note), and the unrealized fair value gains and losses of equity investments and financial assets.

Note: 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.

	For the nine months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the parent	**2,255,517**	2,201,258
Adjustments related to the acquisition of 24% interests in Beijing Tide:		
Amortization expenses of new identifiable intangible assets (net of deferred tax and non-controlling interests)	**315,213**	—
Unrealized fair value losses of equity investments and financial assets, net	**28,890**	46,219
Underlying profit	**2,599,620**	2,247,477
Basic earnings per share		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	**2,599,620**	2,247,477
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (Shares)	**12,589,456,253**	12,408,142,268
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	**20.65**	18.11

To supplement the consolidated results of the Group prepared in accordance with HKFRS (Hong Kong Accounting Standards and Interpretations), underlying profit is presented in this results announcement as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group's core operations by excluding certain non-cash items and impact arising from acquisitions. Underlying profit is to be considered in addition to, and not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS.

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

As at 30 September, 2019, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain unlisted equity investments) of approximately RMB869.64 million (31 December 2018: approximately RMB 743.28 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB310.29 million (31 December, 2018: approximately RMB146.81 million).

In addition, as at 30 September, 2019, 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 RMB126.20 million (31 December 2018: approximately RMB138.39 million) and (ii) certain wealth management products and trust funds of approximately RMB2,873.49 million (31 December 2018: approximately RMB1,715.48 million), including the wealth management products of Bank of China (approximately RMB680 million), Industrial Bank (approximately RMB588.11 million), Mingsheng Bank (approximately RMB327.11 million), Merchant Commercial Bank (approximately RMB201 million), Ningbo Bank (approximately RMB190 million), Construction Bank (approximately RMB157.30 million), Nanjing Bank (approximately RMB140 million), and other banks. The wealth management products mainly consisted of the principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board of the directors (the "Board") of the Company 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 RMB2,999.69 million in total, representing approximately 5.6% of the total assets of the Group.

For the nine months ended 30 September, 2019, the Group recorded the realized gain on the disposal of the equity investment of approximately RMB15.51 million and unrealized fair value loss (net) of the equity investments and financial assets of approximately RMB28.89 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 hepatitis, oncology, respiratory system, analgesic and cardio-cerebral medicines. During the third quarter, the Group was granted 5 clinical trial approvals, 8 production approvals, and 6 approvals for Consistency Evaluation, and made 5 clinical trial applications, 8 applications for Consistency Evaluation and 4 production applications. Cumulatively, a total of 471 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 32 were for hepatitis medicines, 199 for oncology and oncology auxiliary medicines, 27 for respiratory system medicines, 26 for endocrine, 47 for cardio-cerebral medicines and 140 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, 2019, the R&D expenditure of approximately RMB2,054.34 million, which accounted for approximately 10.6% of the Group's revenue, was charged to the statement of profit or loss.

The Group also emphasizes 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 35 authorized patent notices (27 invention patents and 8 apparel design patents) and filed 112 new patent applications (91 invention patents, 5 utility model patents and 16 apparel design patents). Cumulatively, the Group has obtained 743 invention patent approvals, 23 utility model patents and 90 apparel design patents.

INVESTOR RELATIONS

To drive long-term sustainable development of its business, the Group is committed to maintaining high corporate governance standards. The Group has been proactive in approaching investors through a variety of channels to ensure they have thorough understanding of its latest developments and also to enhance corporate transparency and exposure. Furthermore, the Group gauges the valuable opinions of investors through personal exchanges to help it review and fine tune its development direction.

During the period under review, the Group organized an array of events to inform investors of its latest business development initiatives and status. Its 2019 Interim Results Investor Presentation, which attracted over 280 analysts, fund managers and other investors. Apart from the large-scale investor conference, the management also hosted a media conference on the Group's results to make sure retail investors were also kept up-to-date of the Group's latest business status and development prospects via media coverage.

In addition, during the period, the management participated in many investment summits held in Hong Kong, Shanghai, Beijing and Macau by large investment banks and securities companies, including J.P. Morgan, Morgan Stanley, CLSA, Citibank and UBS, among others. The management also arranged factory site visits for investors that they might gain first-hand update about the Group's business and competitive advantages.

The Group has availed its annual reports, quarterly and annual results announcements, disclosures and circulars on its corporate website, and as always also on the website of Hong Kong Exchanges and Clearing Limited. It has also issued voluntary announcements to inform shareholders and investors about its latest business endeavors, in keeping with its commitment to increasing transparency.

All these efforts and the execution ability, professional investor relations management and corporate governance level the Sino Biopharm management team boasts are well-recognized by the capital market. In the selection of "The All-Asia Executive Team 2019" sponsored by the authoritative international financial magazine Institutional Investor, the Group earned the title of "Honored Company" in the Health Care & Pharmaceuticals sector, also the "Best CEO", "Best IR Professional", "Best IR Program", "Best ESG/SRI Metrics" and "Best Corporate Governance" honors. The Group hereby thanks investors for their votes of confidence and recognition.

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 nine months ended 30 September, 2019 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 5 June, 2019 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, 2019 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, 2019, the Group's cash and bank balances were approximately RMB6,135.65 million (31 December, 2018: approximately RMB6,676.04 million).

CAPITAL STRUCTURE

As at 30 September, 2019, the Group had short term loans of approximately RMB795.75 million (31 December, 2018: approximately RMB2,905.58 million) and had long term loans of approximately RMB2,482.46 million (31 December, 2018: approximately RMB507.07 million).

CHARGE ON ASSETS

As at 30 September, 2019, the Group had charge on assets of approximately RMB382.80 million (31 December, 2018: approximately RMB391.84 million).

CONTINGENT LIABILITIES

As at 30 September, 2019, the Group and the Company had no material contingent liabilities (31 December, 2018: Nil).

ASSETS AND GEARING RATIO

As at 30 September, 2019, the total assets of the Group amounted to approximately RMB53,774.10 million (31 December, 2018: approximately RMB49,780.21 million) whereas the total liabilities amounted to approximately RMB14,639.71 million (31 December, 2018: approximately RMB12,230.68 million). The gearing ratio (total liabilities over total assets) was approximately 27.2% (31 December, 2018: approximately 24.6%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 23,278 employees as at 30 September, 2019 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 RMB2,312,837,000 (2018: approximately RMB1,465,953,000).

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. As of 30 September, 2019, (i) no option in respect of the shares of the Company ("Shares") had been granted under the 2013 Share Option Scheme; and (ii) 47,667,000 Shares were held on trust under the 2018 Share Award Scheme and no Shares had 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

Looking to the full year, the external environment is still full of uncertainties, as such the global economy will probably continue to slow down. However, for the Chinese economy, positive factors supporting its stable growth have increased. The "4+7" cities centralized drug procurement program and the expansion of the trial cities to cover the entire country will affect the revenue and profit of covered drugs, and the category structure and revenue of drugs in the country's pharmaceutical market will thus change gradually. As such, enterprises, the likes of Sino Biopharm, which offer high-value innovative products and have raw materials and cost advantages will be able to consolidate their market position.

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 the Company announces the unaudited consolidated results of the Group for the nine months ended 30 September, 2019 together with the comparative consolidated results for 2018 as follows:

Consolidated Statement of Profit or Loss

		For the nine months ended 30 September,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**19,320,770**	15,730,163
Cost of sales		**(3,771,185)**	(3,087,103)
Gross profit		**15,549,585**	12,643,060
Other income and gains	*4*	**467,939**	435,991
Selling and distribution costs		**(7,598,108)**	(6,266,927)
Administrative expenses		**(1,714,809)**	(769,991)
Other expenses		**(2,094,028)**	(1,722,640)
Including: Research and development costs		**(2,054,336)**	(1,702,509)
Finance costs	*5*	**(133,296)**	(109,385)
Share of profits and losses of associates		**7,668**	65,498
PROFIT BEFORE TAX	*6*	**4,484,951**	4,275,606
Income tax expense	*7*	**(832,259)**	(784,223)
PROFIT FOR THE PERIOD		**3,652,692**	3,491,383
Profit attributable to:			
Owners of the parent		**2,255,517**	2,201,258
Non-controlling interests		**1,397,175**	1,290,125
		3,652,692	3,491,383
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic and diluted		**RMB17.92 cents**	RMB17.74 cents

Details of the third quarterly dividend declared for the period are disclosed in note 8 of this announcement.

Consolidated Statement of Comprehensive Income

	For the nine months ended 30 September,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**3,652,692**	3,491,383
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**65,674**	125,954
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**65,674**	125,954
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,718,366**	3,617,337
Attributable to:		
Owners of the parent	**2,321,821**	2,324,383
Non-controlling interests	**1,396,545**	1,292,954
	3,718,366	3,617,337

Consolidated Statement of Financial Position

	Notes	**30 September, 2019** *RMB'000* **(Unaudited)**	31 December, 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,431,438**	5,804,369
Investment properties		**363,850**	367,664
Right-of-use assets		**100,110**	—
Prepaid land lease payments		**1,289,511**	1,222,099
Goodwill		**13,896,976**	13,896,976
Other intangible assets		**7,879,540**	8,349,174
Investments in associates		**337,077**	326,329
Equity investments designated at fair value through other comprehensive income		**869,644**	743,280
Deferred tax assets		**471,342**	470,559
Prepayments		**278,042**	61,633
Total non-current assets		**31,917,530**	31,242,083
CURRENT ASSETS			
Inventories		**1,591,320**	1,209,160
Trade and bills receivables		**3,791,493**	2,924,045
Prepayment, deposit and other receivables		**7,028,121**	5,728,193
Equity investments designated at fair value through profit or loss		**310,289**	146,814
Financial assets at fair value through profit or loss		**2,999,693**	1,853,871
Cash and bank balances	*10*	**6,135,649**	6,676,042
Total current assets		**21,856,565**	18,538,125
CURRENT LIABILITIES			
Trade and bills payables		**2,365,828**	1,832,166
Tax payable		**321,973**	246,498
Other payables and accruals		**6,594,110**	4,684,382
Lease liabilities		**7,947**	—
Interest-bearing bank borrowings		**795,745**	2,905,575
Total current liabilities		**10,085,603**	9,668,621

	Notes	30 September, 2019 RMB'000 (Unaudited)	31 December, 2018 RMB'000 (Audited)
NET CURRENT ASSETS		**11,770,962**	8,869,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,688,492**	40,111,587
NON-CURRENT LIABILITIES			
Deferred government grants		**426,750**	532,941
Lease liabilities		**70,650**	—
Interest-bearing bank borrowings		**2,482,459**	507,066
Deferred tax liabilities		**1,574,244**	1,522,056
Total non-current liabilities		**4,554,103**	2,562,063
Net assets		**39,134,389**	37,549,524
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**278,452**	278,846
Treasury shares		**(443,432)**	(457,288)
Reserves		**30,741,082**	29,391,280
		30,576,102	29,212,838
Non-controlling interests		**8,558,287**	8,336,686
Total equity		**39,134,389**	37,549,524

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 ("HKAS") 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 2018 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, 2018.

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, 2019. 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. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs which are mandatorily effective for the current interim period:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKFRS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) – Int 15 *Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

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 nine months ended 30 September, 2019

	Chemical medicines and biopharmaceutical medicines *RMB'000*	**Investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Sales to external customers	**18,885,585**	**4,688**	**430,497**	**19,320,770**
Segment results	**4,965,783**	**(279,747)**	**(19,388)**	**4,666,648**
Reconciliation:				
Interest and unallocated gains				**143,603**
Share of profits and losses of associates				**7,668**
Unallocated expenses				**(332,968)**
Profit before tax				**4,484,951**
Income tax expense				**(832,259)**
Profit for the period				**3,652,692**
Assets and liabilities				
Segment assets	**46,386,131**	**5,340,714**	**1,238,831**	**52,965,676**
Reconciliation:				
Investments in associates				**337,077**
Other unallocated assets				**471,342**
Total assets				**53,774,095**
Segment liabilities	**8,830,271**	**3,458,101**	**455,117**	**12,743,489**
Reconciliation:				
Other unallocated liabilities				**1,896,217**
Total liabilities				**14,639,706**
Other segment information:				
Depreciation and amortisation	**990,332**	**19,767**	**19,900**	**1,029,999**
Capital expenditure	**939,778**	**198**	**201,794**	**1,141,770**
Other non-cash expenses	**1,365**	**423**	**916**	**2,704**

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**

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,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**464,715**	10,836,781
Mainland China	**30,082,571**	7,856,530
Others	**29,258**	28,151
	30,576,544	18,721,462

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 six months ended 30 June, 2019 and 2018.

4. 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,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**18,924,303**	15,379,572
Others	**396,467**	350,591
	19,320,770	15,730,163
Other income		
Bank interest income	**143,603**	95,662
Interest income from convertible bonds	**12,266**	12,581
Dividend income	**5,668**	9,397
Government grants	**36,514**	16,367
Sale of scrap materials	**643**	2,986
Investment income	**181,174**	159,359
Gross rental income	**3,987**	3,782
Others	**52,613**	66,795
	436,468	366,929
Gains		
Gain on disposal of items of property, plant and equipment	**15,963**	1,456
Gain on disposal of equity investments	**15,508**	67,606
	31,471	69,062
Total other income and gains	**467,939**	435,991

5. FINANCE COSTS

	For the nine months ended 30 September,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**133,296**	109,385

6. PROFIT BEFORE TAX

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

	For the nine months ended 30 September,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**3,771,185**	3,087,103
Depreciation of property, plant and equipment	**347,164**	304,567
Depreciation of investment properties	**17,085**	16,204
Recognition of prepaid land lease payments	**3,098**	1,089
Amortization of other intangible assets	**662,652**	13,099
Research and development costs	**2,054,336**	1,702,509
Gain on disposal of items of property, plant and equipment	**(15,963)**	(1,456)
Loss on disposal of items of property, plant and equipment	**2,704**	512
Bank interest income	**(143,603)**	(95,662)
Dividend income	**(5,668)**	(9,397)
Investment income	**(181,174)**	(159,359)
Fair value losses, net:		
Equity investments at fair value through profit or loss	**28,890**	46,219
Auditors' remuneration	**3,619**	3,449
Staff cost (including directors' remuneration)		
Wages and salaries	**1,880,850**	1,202,215
Pension contributions	**431,987**	263,738
	2,312,837	1,465,953
Accrual of impairment loss of trade receivables	**8,099**	24,692
Foreign exchange differences, net	**90,922**	87,667

7. INCOME TAX EXPENSE

	For the nine months ended 30 September,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	**—**	—
Current – Mainland China income tax	**787,426**	738,962
Deferred tax	**44,833**	45,261
Total tax charge for the period	**832,259**	784,223

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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

During the nine months ended 30 September, 2019, 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 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 2019.

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 declared the payment of a quarterly dividend of HK2 cents per ordinary share for the three months ended 30 September, 2019 (2018: HK2 cents). The third quarterly dividend will be paid to shareholders on Friday, 27 December, 2019 whose names appear on the register of members of the Company on Friday, 13 December, 2019. 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 Thursday, 12 December, 2019 to Friday, 13 December, 2019, 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, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 11 December, 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 attributable to ordinary equity holders of the parent for the period of approximately RMB2,255,517,000 (2018: approximately RMB2,201,258,000), and the weighted average number of ordinary shares of 12,589,456,253 (2018: 12,408,142,268, having taken into account the bonus shares issued in June 2018) in issue during the period.

10. CASH AND BANK BALANCES

	30 September, 2019	31 December, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances, unrestricted	**2,149,893**	3,956,986
Time deposits with original maturity of less than three months	**2,782,197**	2,278,043
Time deposits with original maturity of more than three months	**1,203,559**	441,013
	6,135,649	6,676,042

11. SHARE CAPITAL

	30 September, 2019	31 December, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
12,588,304,487 ordinary shares of HK$0.025 each (2018: 12,606,800,487 ordinary shares of HK$0.025 each)	**278,452**	278,846

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 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 unaudited consolidated financial statements of the Company for the nine months ended 30 September, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 30 September, 2019, the Company bought back a total of 8,125,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK$37.50 million before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January	8,125,000	4.63	4.57	37,504,188

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

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

Hong Kong, 26 November, 2019

As at the date of this announcement, the Board of the Company comprises eight Executive Directors, namely Miss Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, 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.