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, 2019

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2019, the Group recorded the following audited results:

– Revenue was approximately RMB24,234.03 million, an increase of approximately 16.0% over the last year;

– Underlying profit(Note) attributable to the owners of the parent was approximately RMB3,131.77 million, approximately 10.2% higher than that of the last year;

– Earnings per share, based on the underlying profit(Note) attributable to the owners of the parent, were approximately RMB24.97 cents, approximately 8.7% higher than that of the last year;

– Profit attributable to the owners of the parent was approximately RMB2,706.79 million, approximately 70.1% lower than that of the last year (the decrease was only due to the absence of a substantial one-off gain on step acquisition recorded in the last year);

– Basic earnings per share attributable to the owners of the parent were approximately RMB21.58 cents, approximately 70.5% lower than that of the last year (the decrease was only due to the absence of a substantial one-off gain on step acquisition recorded in the last year);

– Sales of new products accounted for approximately 20.7% of the Group's total revenue; and

– Cash and bank balances as at 31 December, 2019 was approximately RMB11,911.21 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, 2019. 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.

Note: Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) a one-off gain on step acquisition and the annual amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide; and (ii) unrealized fair value losses (net) 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 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 liver diseases, tumors, cardio-cerebral diseases, orthopedic diseases, digestive system diseases, infections and respiratory system 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 utilizes new technologies in Big Data, Artificial Intelligence and Financial Technology to continuously enhance the efficiency of our management, R&D, manufacture and sales.

Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Oncology medicines:	Saiweijian (Raltitrexed) injections, Yinishu (Dasatinib) tablets, Shoufu (Capecitabine) tablets, Anxian (Lenalidomide) capsules, Qianping (Bortezomib for injections)
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Kaina (Beraprost Sodium) tablets
Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, 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), Tianli (Linezolid and Glucose) injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder,
Others:	Debaian (Flurbiprofen) cataplasms

The medicines which have received Good Manufacturing Practice ("GMP") certifications issued by the National Medical Products 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"), Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong") and Shanghai Tongyong Pharmaceutical Co., Ltd. ("Shanghai Tongyong") 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 National Medical Products 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 was selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December 2019.

The Company was selected as a constituent stock of Hang Seng Connect Biotech 50 Index on 23 March 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the year under review, the escalating global trade disputes, rising geopolitical tensions, the downturn in the manufacturing industry and trading led to a significant slowdown in global economic and trade growth. The growth of key developed economies continued to slow while that of emerging economies faced greater downward pressure. Nonetheless, the Chinese government has overcome various difficulties by fueling its economic development through implementing supply-side structural reform as its main strategy. Consequently, the national economy remained stable as a whole. Driven by ongoing improvement of its economic structure, China achieved a year-on-year GDP growth of 6.1% for the year.

In the pharmaceutical industry, the Chinese government introduced a series of major policy initiatives to further extend the medical and health system reform. The implementation of the centralized drug procurement programme in "4+7" cities, which prioritized Consistency Evaluation, led to a substantial drop in price of selected drugs, and thus a notable contraction in their profit, while also significantly influencing the business model and product structure of pharmaceutical enterprises. Clinical use of drugs has been optimized through various measures such as the adjustment of the National Medical Reimbursement Drug List, the launch of the National Key Monitoring Drug List and the national trials of payment categorized under Diagnosis-Related Groups ("DRG"), the acceleration of the approval for release of new medicines with urgent clinical needs, and the inclusion of medicines for coverage under medical insurance schemes through price negotiations. Product structure, or even the entire pharmaceutical industry, will undergo fundamental changes. Some of the pharmaceutical enterprises took the initiative to apply for the withdrawal of the permits for pharmaceutical manufacturing and operation. Hence, the pharmaceutical industry in China has reached a turning point of consolidation characterized by the survival of outperformers and elimination of underperformers.

Business Review

Highlights of 2019 Results:

- Sino Biopharm ranked 42nd in U.S. magazine Pharm Exec's "Top 50 Companies 2019", as one of the only two Chinese companies on the list.

- Sino Biopharm garnered several awards at "The All-Asia-Executive Team 2019" held by Institutional Investor, and ranked 3rd among the "Honored Companies".

- Sino Biopharm was the only Chinese pharmaceutical company named among Forbes' "Asia 200 Best Over a Billion 2019".

- The quality control study "Shortening the Lyophilization Cycle of Product 'F'" presented by CT Tianqing, a subsidiary of the Company, won the International Quality Gold Award at the 44th International Convention on Quality Control Circles (ICQCC) held in Tokyo, Japan.

- At the "China ChemPharm Annual Summit 2019", Sino Biopharm's subsidiaries, namely CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai and CP Qingdao, were included in the Top 100 List of "Outstanding Enterprises and Outstanding Product Brands in China's Chemical Pharmaceutical Industry 2019". CT Tianqing again led the "Ranking of Top 100 R&D Capabilities of Chinese Chemicals Enterprises in 2019" and ranked 2nd in the "2019 Top 100 Enterprises in the PRC Pharmaceutical Industry – Comprehensive R&D Strength".

- CT Tianqing ranked 16th and Beijing Tide ranked 41st in the list of the "2018 Top 100 Pharmaceutical Companies in China" released at the "2019 (36th session) National Pharmaceutical Industry Annual Information Conference".

- Sino Biopharm ranked 1st among the "Top 20 Most Competitive Listed Chinese Pharmaceutical Companies" released at the "2019 China Healthcare Summit of Entrepreneurs, Scientists and Investors", and at the same time also ranked 2nd in the first-tier category of "Top 100 Innovative Pharmaceutical Enterprises in China".

- Eight new drug studies conducted by CT Tianqing were recognised as "National Major Innovative Drug Projects". The number of drug studies approved was among the highest in the country.

- Chia Tai Tianqing Akeso (Shanghai) Biomedical Technology Company Limited, a joint-venture company invested jointly by CT Tianqing and Akeso Biopharma, was officially set up in Shanghai. The joint venture is engaged in the development of the differentiated tumor immunotherapy PD-1 antibody drugs.

- Commanding a total investment of RMB3 billion and occupying an area of 520 mu, CT Tianqing's new drug R&D and production base opened, significantly boosting the Group's integrated strength in the biopharmaceutical area.

- A total of 28 products including Lenalidomide capsules, Abiraterone Acetate tablet and several indications of Anlotinib capsules obtained the approval for drug registration granted by the National Medical Products Administration. Over 40% of these products are oncology drugs and the competitive edge of our oncology product line has been substantially enhanced. Some 19 products have passed (or are deemed to have passed) the Consistency Evaluation.

During the year, the Group has secured the bid of two rounds of centralized drug procurements for 5 products, for which it has consistently displayed competitive advantages. Both sales performance and profit of these products were lower than expected due to a drop in prices. The inclusion of Kaishi in the National Adjuvant Drug List has posed a greater impact on its sales and led to drop in sales performance of the product. However, centralized drug procurement has allowed the Group to re-locate more resources in strengthening R&D and focus its academic promotion on oncology drugs and other new products with less competition. Two new indications of Anlotinib capsules have been approved and subsequently achieved great sales success. Other oncology drugs including Yinishu, Yigu, Shoufu, Qianping, Saiweijian and a recently approved product, Yijiu, analgesic medicines including Flurbiprofen cataplasm, cardio-cerebral medicines including Kaina and Xijia, digestive system medicines including Aisuping, Getai and Deyou and anti-infectious medicines including Tianjie and Tianli all enjoyed rapid growth. Markets for infusion solution products including Fenghaina, Qingkeping and the newly-launched contrast agent product Qingliming also expanded, leading to fast growth in sales. The Group's overall results for the year continued to show considerable growth. The share of revenue contributed by new products in the Group's total revenue also increased notably, demonstrating its mature integrated capability in launching and promoting innovative products.

During the year, the Group achieved an outstanding R&D performance and the Group obtained 28 production approvals and had 19 products passed Consistency Evaluation. Also, 23 products obtained clinical approval. The Group has made 25 new production applications and filed 19 new clinical trial applications. In addition, some 26 new applications for Consistency Evaluation have been accepted. The Group has obtained 83 invention patent approvals and filed 341 applications for invention patents.

In addition, Tenofovir Disoproxil Fumarate tablet (Qingzhong) has obtained Marketing Authorization (MA) from the EU, marking a milestone for the Group to officially enter into the international mainstream market.

Some newly approved products:

- **New indication of Anlotinib Capsules (brand name: FOCUS V®):**

  Anlotinib Capsules has obtained the approval for a new indication for soft tissue sarcoma, becoming the first such targeted drug approved in China. Soft tissue sarcoma is a rare and infractory cancer that begins in the tissues, such as fat, fascia, muscle, fiber, lymph and blood vessels. For decades, no first-line treatment that can improve the lifetime of soft tissue sarcoma patients have been approved. The approval of Anlotinib Capsules is the country's pioneering targeted treatment of the above indication, and has been included in the guidelines for the diagnosis and treatment of soft tissue sarcoma by the Chinese Society of Clinical Oncology.

- **Gadoxetic Acid Disodium Injection (brand name: Xian'ai):**

  This liver-specific magnetic resonance contrast agent is the first generic drug of its type in China. The product is able to increase the detection rate of small liver tumors, facilitating early diagnosis and treatment of liver lesions. It is also expected to replace invasive examinations and has piqued the widespread interest of the industry.

- **Iodixanol Injection:**

  Iodixanol is the only X-ray diagnostic contrast agent that is isotonic with blood, and has the advantages of high cardiac safety, excellent kidney tolerance, greater comfort to patients and less interference with cardiopulmonary circulation. Iodixanol is recognized and recommended by numerous domestic and international clinical guidelines and expert consensus for enhancing the lesion detection rate and functioning as diagnostic identification in the examinations of organ disease in the nervous and cardiovascular systems, chest, abdomen, pelvis, etc. As the third generic drug of its type in China, this product is expected to complement Xian'ai in the area of marketing.

- **Rivaroxaban Tablet:**

  This selective anticoagulant factor Xa inhibitor is an important product for preventing vein thrombosis after orthopedic operations. The branded product was first approved by the European Medicines Agency (EMA) in 2008, and approved by the US Food and Drug Administration (FDA) in 2011. Since its launch, its global market has been growing rapidly with a market scale of several billion Renminbi in the PRC. The Group has succeeded in producing and launching the first generic drug for this medicine and providing a new choice for patients.

- **Apixaban Tablet:**

  Similar to Rivaroxaban Tablet, Apixaban is also an oral, reversible, selective factor Xa inhibitor applicable to adult patients who have undergone hip joint or knee joint elective replacement to prevent venous thromboembolism. Compared with traditional anticoagulants, Apixaban has better safety and tolerance. Application is more convenient as the dosage is fixed and no routine coagulation monitoring or dosage adjustment is required. Apixaban has a wider therapeutic window and broader market prospects.

  Both Apixaban and Rivaroxaban tablets have been included in the New National Medical Reimbursement Drug List and are expected to become major new products in the portfolio of the Group.

- **Abiraterone Acetate Tablet (brand name: Qingkeshu):**

  Abiraterone Acetate Tablet is a drug for prostate cancer treatment of new mechanism of action. The product is an androgen biosynthesis inhibitor which prevents tumors by inhibiting CYP17 activity. With clinical advantages of strong activity and high selectivity, the combination treatment plan of Abiraterone Acetate has been designated as a first-line or second-line treatment option for prostate cancer by European and American clinical guidelines. The approval given to Qingkeshu will provide more product choices with different price ranges but the same quality to patients in Mainland China. Prostate cancer is the second most common type of tumor in men worldwide. In China, prostate cancer is the most common genitourinary cancer in men.

- **Fosaprepitant Dimeglumine for Injection:**

  This neurokinin-1 (NK-1) antiemetic drug is recommended in numerous domestic and overseas guidelines. The efficacy is more obvious when combined with 5-HT3 receptor antagonists and Dexamethasone, for the prevention of nausea and vomiting caused by highly vomiting chemotherapy. The Group is one of the first batch of domestic enterprises successfully producing a generic drug of this kind. This product can perfectly complement the Group's oncology medicine product line, which has already enjoyed the advantage, and is expected to become a heavyweight product in its oncology product line.

- **Caspofungin Acetate for Injection:**

  This first new echinocandin antifungal drug has broad-spectrum antifungal activity, showing promising efficacy and is safe for use. It has effective antifungal activities against various azole drugs-resistant fungi, no cross-resistance with azole drugs, and great synergistic effects when combined with other antifungal agents. Therefore, it has become the market's star product among the antifungal drugs for systemic use. The Group has obtained approval for two specifications of 50mg and 70mg, which are consistent with the branded product, providing greater convenience in terms of generic options for clinical doctors.

- **Tofacitinib Citrate Tablet (brand name: Tai'yan):**

  This oral small molecule inhibitor of JAK1/JAK3 blocks the signal transduction of multiple inflammatory cytokine. Research has shown that Tofacitinib has promising efficacy for treating rheumatoid arthritis, ulcerative colitis, active psoriatic arthritis, moderate-to-severe active ulcerative colitis, etc. The product boasts excellent clinical efficacy and safety and the Group is the first in the country to produce generic drug of this kind. The Group has also obtained approval for Celecoxib Capsule, a classic osteoarthritis medicine with wide indications and a mature market. The drug has been included within the National Medical Reimbursement Drug List. With the approval of Taiyan, the value of the osteoarthritis drug product lines has also surged substantially.

The Group recorded revenue of approximately RMB24,234.03 million during the year, representing an increase of approximately 16.0% over the last year. Profit attributable to the owners of the parent was approximately RMB2,706.79 million, approximately 70.1% lower than that of the last year. Earnings per share attributable to the owners of the parent were approximately RMB21.58 cents, approximately 70.5% lower than that of the last year. The year-on-year decreases in profit and earnings per share attributable to the owners of the parent were only due to the absence of a substantial one-off gain on step acquisition recorded in the last year. Excluding the impact of the gain on step acquisition and the annual amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide, as well as the unrealized fair value losses (net) on equity investments and financials assets, underlying profit attributable to the owners of the parent was approximately RMB3,131.77 million, approximately 10.2% higher than that of the last year. Based on underlying profit attributable to the owners of the parent, the earnings per share were approximately RMB24.97 cents, approximately 8.7% higher than that of the last year. Cash and bank balances totaled approximately RMB11,911.21 million at the year 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, orthopedic medicines, digestive system medicines, respiratory system medicines and anti-infectious medicines, etc.

Hepatitis medicines

For the year ended 31 December, 2019, the sales of hepatitis medicines amounted to approximately RMB5,739.72 million, representing approximately 23.7% 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 year ended 31 December, 2019, its sales amounted to approximately RMB525.04 million, an increase of approximately 22.5% against the last year. In addition, during the year, the patented medicine Tianqingganmei injections launched by CT Tianqing, which are made with Isoglycyrrhizinate separated from Licorice, recorded the sales of approximately RMB1,803.57 million, an increase of approximately 5.5% against the 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.

Oncology medicines

For the year ended 31 December, 2019, the sales of oncology medicines amounted to approximately RMB5,427.88 million, representing approximately 22.4% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the year ended 31 December, 2019, sales of Saiweijian injections amounted to approximately RMB704.52 million, an increase of approximately 37.5% as compared with the last year. Sales of Yinishu tablets for the year ended 31 December, 2019 amounted to approximately RMB224.91 million, an increase of approximately 36.8% as compared with the last year. For the year ended 31 December, 2019, the sales of Shoufu tablets amounted to approximately RMB214.16 million, an increase of 26.6% as compared with the last year. The sales of new product Anxian capsules for the year ended 31 December, 2019 amounted to approximately RMB176.06 million. The sales of another new product Qianping injections for the year ended 31 December, 2019 amounted to 166.75 million, a sharp increase of 125.7% as compared with the last year.

Cardio-cerebral medicines

For the year ended 31 December, 2019, the sales of cardio-cerebral medicines amounted to approximately RMB3,116.29 million, representing approximately 12.9% of the Group's revenue.

For the year ended 31 December, 2019, the sales of Yilunping tablets amounted to approximately RMB910.34 million, a year-on-year increase of approximately 16.2%. For the year ended 31 December, 2019, the sales of Tuotuo calcium tablets amounted to approximately RMB753.55 million, a year-on-year increase of approximately 14.8%. 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 year ended 31 December, 2019, the sales of Kaina tablets amounted to approximately RMB513.07 million, an increase of approximately 25.1% as compared with the last year.

Orthopedic medicines

For the year ended 31 December, 2019, the sales of orthopedic medicines amounted to approximately RMB1,809.36 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, 2019, its sales amounted to approximately RMB1,047.15 million, an increase of approximately 4.6% against the last year. For the year ended 31 December, 2019, the sales of Yigu injections amounted to approximately RMB315.05 million, a remarkable increase of approximately 68.8% against the last year.

Digestive system medicines

For the year ended 31 December, 2019, the sales of digestive system medicines amounted to approximately RMB1,529.55 million, representing approximately 6.3% of the Group's revenue.

For the year ended 31 December, 2019, the sales of Aisuping injection amounted to approximately RMB949.25 million, an increase by approximately 26.5% as compared with the last year. The sales of Getai tablets amounted to approximately RMB327.29 million for the year ended 31 December, 2019, an increase by approximately 37.6% as compared with the last year. The sales of Deyou granule for the year ended 31 December, 2019 amounted to approximately RMB176.84 million, a remarkable increase of approximately 66.8% as compared with the last year.

Respiratory system medicines

For the year ended 31 December, 2019, the sales of respiratory medicines amounted to approximately RMB1,084.61 million, representing approximately 4.5% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the year ended 31 December, 2019, its sales amounted to approximately RMB627.43 million, an increase by approximately 24.3% as compared with the last year.

Anti-infectious medicines

For the year ended 31 December, 2019, the sales of anti-infectious medicines amounted to approximately RMB1,032.19 million, representing approximately 4.3% of the Group's revenue.

For the year ended 31 December, 2019, the sales of Tiance injections amounted to approximately RMB564.49 million. For the year ended 31 December, 2019, the sales of another product, Tianjie injections, amounted to approximately RMB308.10 million, an increase of approximately 37.5% against the last year. For the year ended 31 December, 2019, the sales of Tianli injections amounted to approximately RMB98.78 million, a significant increase of approximately 101.1% against the last year.

Others

For the year ended 31 December, 2019, the sales of others amounted to approximately RMB4,494.43 million, representing approximately 18.4% of the Group' revenue.

Our product for relieving non-surgical joint soft tissue pain is Debaian cataplasm. Its sales for the year ended 31 December, 2019 amounted to approximately RMB1,066.98 million, increased by approximately 42.4% over the 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 a one-off gain on step acquisition and the annual 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 year ended 31 December,	
	2019	2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Profit attributable to the owners of the parent	**2,706,794**	9,046,347
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 intangible assets (net of deferred tax and non-controlling interests)	**420,283**	350,236
Unrealized fair value losses of equity investments and financial assets, net	**4,688**	43,432
Underlying profit	**3,131,765**	2,841,324
Basic earnings per share		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	**3,131,765**	2,841,324
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (Shares)	**12,540,704,268**	12,365,704,690
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	**24.97**	22.98

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), 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 31 December, 2019, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain unlisted equity investments) of approximately RMB1,211.08 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 RMB491.36 million (31 December, 2018: approximately RMB146.81 million).

In addition, as at 31 December, 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 nil (31 December 2018: approximately RMB138.39 million) after conversion into shares of Karolinska Development AB; and (ii) certain wealth management products and trust funds of approximately RMB1,084.88 million (31 December 2018: approximately RMB1,715.48 million), including the wealth management products of Bank of Communication (approximately RMB503 million), Bank of Agriculture (approximately RMB358 million), Bank of Jiangsu (approximately RMB101 million) and other banks. The wealth management products mainly consisted of 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. As at 31 December, 2019, these investments amounted to approximately RMB1,084.88 million in total, representing approximately 1.9% of the total assets of the Group.

For the year ended 31 December, 2019, the Group recorded the realized gain on the disposal of the equity investment of approximately RMB13.94 million and unrealized fair value loss (net) of the equity investments and financial assets of approximately RMB4.69 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 and cardio-cerebral medicines. During the fourth quarter, the Group was granted 9 clinical trial approvals, 9 production approvals, and 6 approvals for Consistency Evaluation, and made 6 clinical trial applications, 4 applications for Consistency Evaluation and 11 production applications. Cumulatively, a total of 486 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 34 were for hepatitis medicines, 204 for oncology medicines, 27 for respiratory system medicines, 27 for endocrine, 50 for cardio-cerebral medicines and 144 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. Regarding R&D as the lifeblood of the Group's development, the Group continues to devote into more resources. For the year ended 31 December, 2019, the R&D expenditure of approximately RMB2,398.71 million (which was charged to the statement of profit or loss) and the capitalized amount of R&D of approximately RMB252.82 million (which was recorded as development cost), in aggregate accounted for approximately 10.9% of the Group's revenue.

The Group also emphasizes on the protection of intellectual property rights. It encourages its subsidiaries to apply for patent applications as a means to enhance the Group's core competitiveness. During the fourth quarter, the Group has received 23 authorized patent notices (all were invention patents) and filed 83 new patent applications (77 invention patents, 1 utility model patents and 5 apparel design patents). Cumulatively, the Group has obtained 766 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 year, the Group organized an array of events to inform investors of its latest business development initiatives and status, including 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 year, the management participated in many investment summits held in Hong Kong, Macau, Shanghai, Beijing and New York by large investment banks and securities companies, including J.P. Morgan, Citibank, Morgan Stanley, CLSA, 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.

Through the above efforts, the execution ability, professional investor relations management and corporate governance level of the management team of Sino Biopharm have been 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.

THE ISSUANCE OF CONVERTIBLE BONDS

On 18 February 2020, the Company has successfully completed the issuance and listing of EURO750,000,000 zero coupon convertible bonds due 2025 (the "Bonds") by way of debt issues to professional investors only. The Bonds may be converted into conversion shares pursuant to the terms and conditions of the Bonds. Assuming full conversion of the Bonds at the initial conversion price of HK$19.09 per share of the Company and no further issue of shares of the Company ("Shares"), the Bonds will be convertible into 338,380,041 Shares, representing approximately 2.69 percent. of the issued share capital of the Company as at 18 February 2020 and approximately 2.62 percent of the issued share capital of the Company as at 18 February 2020 as enlarged by the issue of the conversion shares upon full conversion of the Bonds. The conversion shares to be issued upon conversion of the Bonds will rank pari passu and carry the same rights and privileges in all respects with the Shares then in issue on the relevant registration date.

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, 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 year ended 31 December, 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 year, the Group's primary sources of funds were cash derived from operating activities and bank borrowings. As at 31 December, 2019, the Group's cash and bank balances were approximately RMB11,911.21 million (31 December, 2018: approximately RMB6,676.04 million).

CAPITAL STRUCTURE

As at 31 December, 2019, the Group had short term loans of approximately RMB666.75 million (31 December, 2018: approximately RMB2,905.58 million) and had long term loans of approximately RMB7,884.80 million (31 December, 2018: approximately RMB507.07 million).

CHARGE ON ASSETS

As at 31 December, 2019, the Group had charge on assets of approximately RMB830.00 million (31 December, 2018: approximately RMB391.84 million), excluding the amount of bills receivable discounted at banks of approximately RMB598.99 million (31 December, 2018: approximately RMB13.48 million).

CONTINGENT LIABILITIES

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

ASSETS AND GEARING RATIO

As at 31 December, 2019, the total assets of the Group amounted to approximately RMB58,299.25 million (31 December, 2018: approximately RMB49,780.21 million) whereas the total liabilities amounted to approximately RMB18,014.68 million (31 December, 2018: approximately RMB12,230.68 million). The gearing ratio (total liabilities over total assets) was approximately 30.9% (31 December, 2018: approximately 24.6%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 23,475 employees as at 31 December, 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) in selling and distribution costs and administrative expenses for the year was approximately RMB3,177,868,000 (2018: approximately RMB2,337,880,000).

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 31 December, 2019, (i) no option in respect of the 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

China's pharmaceutical industry will face greater pressure in 2020. The centralized drug procurement policy is certain to be extended throughout the country. Profit of products that have secured bids will show notable contraction despite the increase in sales volume. The implementation of measures including the launch of and adjustments to the New National Medical Reimbursement Drug List, realization of payment categorized under DRG, the Key Monitoring Drug List and performance evaluation of hospitals will speed up the adjustments to the products and overall industry landscapes, hence the turning point of the survival of the fittest gradually emerged in the industry. The implementation of new measures encouraging innovation will accelerate the approval and launch of innovative products. As more multinational companies are turning to China to launch their new products, leading local enterprises in the country will be confronted with more intense competition from these companies in terms of innovative products.

Those companies like Sino Biopharm, which have strong innovative and R&D capabilities and continuously launch new products in the market, highlight their advantages. In addition to marketing more new products and consolidating its dominant position in the hepatitis and oncology small molecular drug sectors, the Group also places high value on the increasingly important treatment and market value of biopharmaceutical medicines and thus has adopted a comprehensive roadmap covering different facets from R&D to the production.

To tackle risks associated with industry policy changes, the Group responds in a calm and orderly manner. However, faced with the unexpected pandemic, enterprises need to rely on their financial strengths and rapid responsiveness to overcome the difficult situation.

The spread of the novel coronavirus around the world has threatened the life and health of billions of people, and led to temporary suspension of businesses in the commercial and industrial sectors of many countries, stirring up volatility in financial markets. It is difficult to judge how far-reaching the impacts of this pandemic of the century will have on the global economy. The Group has maintained ample liquidity. As of 31 December 2019, its cash and bank balances amounted to approximately RMB11,911 million, which is sufficient for withstanding any shocks that may result from abrupt changes in the economic and industry environments. Facing the fierce outbreak, the Group promptly made the decision in late January 2020 to issue zero coupon convertible bonds with a principal amount of EURO750 million. This move consequently generated more abundant funds for the Group.

Crisis always brings opportunities. Economic downturn and industry consolidation have created more investment opportunities for leading enterprises. The Group will fully utilize its cash on hand and competitive advantages to actively look for quality acquisition, investment and cooperation projects; capitalize on opportunities arising from the extension of its principal pharmaceutical business; and fully implement its development strategy for the greater healthcare field, so as to lay a strong foundation for the Group's rapid growth in the coming decade. 5G network and devices have become more popular in Mainland China since the beginning of 2020. As such, the Group will continue to step up its investment in big data, digitalization and artificial intelligence, as well as increase the use of related advanced technologies. These strategies will allow Group not only to further enhance its efficiency in management, R&D, production and sales, but also create greater value for the industry and patients and promote the development of "patient-oriented" pharmaceutical services, pharmaceutical care services and chronic disease management systems, providing full course disease management solutions from which patients can benefit.

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 audited consolidated results of the Group for the year ended 31 December, 2019 together with the comparative consolidated results for 2018 as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 December,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Audited)	(Audited)
REVENUE	*4*	**24,234,030**	20,888,584
Cost of sales		**(4,926,268)**	(4,196,932)
Gross profit		**19,307,762**	16,691,652
Other income and gains	*4*	**862,603**	7,443,161
Selling and distribution costs		**(9,319,541)**	(8,078,544)
Administrative expenses		**(2,589,219)**	(2,189,501)
Other expenses		**(2,559,218)**	(2,344,333)
Including: Research and development costs		**(2,398,712)**	(2,090,567)
Finance costs	*5*	**(229,950)**	(153,264)
Share of profits and losses of associates		**111,385**	59,910
PROFIT BEFORE TAX	*6*	**5,583,822**	11,429,081
Income tax expense	*7*	**(889,448)**	(696,236)
PROFIT FOR THE YEAR		**4,694,374**	10,732,845
Profit attributable to:			
Owners of the parent		**2,706,794**	9,046,347
Non-controlling interests		**1,987,580**	1,686,498
		4,694,374	10,732,845
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic and diluted		**RMB21.58 cents**	RMB73.16 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,	
	2019	2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PROFIT FOR THE YEAR	**4,694,374**	10,732,845
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**51,560**	83,552
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**51,560**	83,552
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	**23,632**	(68,025)
Income tax effect	**–**	–
	23,632	(68,025)
Gain on property revaluation	**61,016**	97,265
Income tax effect	**(8,516)**	(15,356)
	52,500	81,909
Share of other comprehensive income/(loss) of associates	**5,689**	6,624
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**58,189**	20,508
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**133,381**	104,060
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,827,755**	10,836,905
Attributable to:		
Owners of the parent	**2,818,699**	9,117,482
Non-controlling interests	**2,009,056**	1,719,423
	4,827,755	10,836,905

Consolidated Statement of Financial Position

	Notes	**31 December, 2019 RMB'000 (Audited)**	31 December, 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,913,728**	5,804,369
Investment properties		**563,395**	367,664
Right-of-use assets		**1,293,478**	–
Prepaid land lease payments		**–**	1,222,099
Goodwill	*10*	**13,896,976**	13,896,976
Intangible assets	*11*	**7,703,642**	8,349,174
Investments in associates		**808,443**	326,329
Equity investments designated at fair value through other comprehensive income		**1,211,084**	743,280
Deferred tax assets		**580,944**	470,559
Prepayments		**414,466**	61,633
Total non-current assets		**33,386,156**	31,242,083
CURRENT ASSETS			
Inventories		**1,658,597**	1,209,160
Trade and bills receivables	*12*	**2,712,209**	2,924,045
Prepayment, deposit and other receivables		**6,903,251**	5,728,193
Amount due from related party		**151,588**	–
Equity investments designated at fair value through profit or loss		**491,357**	146,814
Financial assets at fair value through profit or loss		**1,084,883**	1,853,871
Cash and bank balances	*13*	**11,911,210**	6,676,042
Total current assets		**24,913,095**	18,538,125
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,809,445**	1,832,166
Tax payable		**189,873**	246,498
Other payables and accruals		**5,433,879**	4,684,382
Interest-bearing bank borrowings		**666,749**	2,905,575
Lease liabilities		**23,079**	–
Total current liabilities		**8,123,025**	9,668,621

	Notes	**31 December, 2019** **RMB'000** **(Audited)**	31 December, 2018 *RMB'000* (Audited)
NET CURRENT ASSETS		**16,790,070**	8,869,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,176,226**	40,111,587
NON-CURRENT LIABILITIES			
Deferred government grants		**480,652**	532,941
Interest-bearing bank borrowings		**7,884,802**	507,066
Lease liabilities		**41,270**	–
Deferred tax liabilities		**1,484,934**	1,522,056
Total non-current liabilities		**9,891,658**	2,562,063
Net assets		**40,284,568**	37,549,524
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**278,451**	278,846
Treasury shares		**(412,837)**	(457,288)
Reserves		**31,246,044**	29,391,280
		31,111,658	29,212,838
Non-controlling interests		**9,172,910**	8,336,686
Total equity		**40,284,568**	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 ("HKICPA"), 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.

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, 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 year:

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*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years 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 and related interpretations.

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, 2019

	Chemical medicines and biopharmaceutical medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**23,672,033**	**–**	**561,997**	**24,234,030**
Segment results	**5,744,192**	**(276,204)**	**67,108**	**5,535,096**
Reconciliation:				
Interest and unallocated gains				**214,809**
Share of profits and losses of associates				**111,385**
Unallocated expenses				**(277,468)**
Profit before tax				**5,583,822**
Income tax expense				**(889,448)**
Profit for the year				**4,694,374**
Assets and liabilities				
Segment assets	**45,667,127**	**10,041,753**	**1,200,984**	**56,909,864**
Reconciliation:				
Investments in associates				**808,443**
Other unallocated assets				**580,944**
Total assets				**58,299,251**
Segment liabilities	**9,002,285**	**8,061,010**	**629,630**	**17,692,925**
Reconciliation:				
Other unallocated liabilities				**321,758**
Total liabilities				**18,014,683**
Other segment information:				
Depreciation and amortisation	**1,501,547**	**29,400**	**28,259**	**1,559,206**
Capital expenditure	**1,644,795**	**207,989**	**287,948**	**2,140,732**
Other non-cash expenses	**2,489**	**427**	**922**	**3,838**

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

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,	
	2019	2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Hong Kong	**1,579,943**	992,045
Mainland China	**29,797,871**	29,009,483
Others	**216,314**	26,716
	31,594,128	30,028,244

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 years ended 31 December, 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 year ended 31 December,	
	2019	2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Revenue		
Sale of goods	**23,658,749**	20,308,246
Others	**575,281**	580,338
	24,234,030	20,888,584

	For the year ended 31 December, 2019 *RMB'000* (Audited)	2018 *RMB'000* (Audited)
Other income		
Bank interest income	**245,359**	145,868
Interest income from convertible bonds	**12,350**	16,855
Dividend income	**3,888**	12,156
Government grants	**235,464**	213,457
Sale of scrap materials	**16,004**	26,745
Investment income	**295,159**	383,310
Gross rental income	**7,253**	5,119
Others	**41,679**	30,721
	857,156	834,231
Gains		
Gain on disposal of items of property, plant and equipment	**903**	–
Gain on deemed disposal of an associate	**–**	6,598,691
Fair value gains, net		
Financial assets designated as at fair value through profit or loss	**4,544**	10,239
	5,447	6,608,930
Total other income and gains	**862,603**	7,443,161

5. FINANCE COSTS

	For the year ended 31 December, 2019 *RMB'000* (Audited)	2018 *RMB'000* (Audited)
Interest on bank borrowings	**227,424**	153,264
Interest on lease liabilities	**2,526**	–
	229,250	153,264

6. PROFIT BEFORE TAX

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

	For the year ended 31 December,	
	2019	2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Cost of sales	**4,926,268**	4,196,932
Depreciation of property, plant and equipment	**541,471**	426,151
Depreciation of investment properties	**26,206**	22,860
Recognition of prepaid land lease payments	**93,178**	34,100
Amortization of other intangible assets	**898,351**	727,113
Research and development costs	**2,398,712**	2,090,567
Revaluation (surplus)/deficit of property, plant and equipment	**(5,031)**	1,421
Gain on disposal of items of property, plant and equipment	**(903)**	–
Loss on disposal of items of property, plant and equipment	**15,688**	3,374
Gain on deemed disposal of an associate	**–**	6,598,691
Share of profits and losses of associates	**(111,385)**	(59,910)
Bank interest income	**(245,359)**	(145,868)
Dividend income	**(3,888)**	(12,156)
Investment income	**(295,159)**	(383,310)
Fair value losses, net:		
Equity investments at fair value through profit or loss	**9,232**	53,671
Financial assets at fair value through profit or loss	**(4,544)**	(10,239)
Minimum lease payments under operating leases:		
Land and building	**–**	219,885
Lease payments not included in the measurement of lease liabilities	**111,335**	–
Auditors' remuneration	**4,840**	4,800
Staff cost (including directors' remuneration)		
Wages and salaries	**2,638,952**	1,950,010
Pension contributions	**538,916**	387,870
	3,177,868	2,337,880
Accrual of impairment loss of trade receivables	**15,527**	8,908
Impairment of interest in an associate	**6,500**	41,448
Impairment of financial assets included in prepayments, other receivables and other assets	**38,003**	15,250
Foreign exchange differences, net	**59,983**	101,143

7. INCOME TAX EXPENSE

	For the year ended 31 December,	
	2019	2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China income tax	**1,045,471**	792,450
Deferred tax	**(156,023)**	(96,214)
Total tax charge for the year	**889,448**	696,236

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 year.

During the year ended 31 December, 2019, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, CP Qingdao, LYG Runzhong and Shanghai Tongyong 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 recommended the payment of a final dividend of HK2 cents per ordinary share for the year ended 31 December, 2019 (2018: HK2 cents). Subject to the approval by the shareholders of the Company at the annual general meeting to be held on Tuesday, 26 May, 2020, the final dividend will be paid to shareholders on Monday, 6 July, 2020 whose names appear on the register of members of the Company on Friday, 19 June, 2020.

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 Thursday, 21 May, 2020 to Tuesday, 26 May, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 20 May, 2020.

(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, 16 June, 2020 to Friday, 19 June, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 15 June, 2020.

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 year of approximately RMB2,706,794,000 (2018: approximately RMB9,046,347,000), and the weighted average number of ordinary shares of 12,540,704,268 (2018: 12,365,704,690, as to taking into account the bonus shares issued) in issue during the year.

10. GOODWILL

	31 December, 2019	31 December, 2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Cost at 1 January, net of accumulated impairment	**13,896,976**	88,926
Acquisition of a subsidiary	**–**	13,808,050
Cost and net carrying amount at 31 December	**13,896,976**	13,896,976
At 31 December:		
Cost	**13,896,976**	13,896,976
Accumulated impairment	**–**	–
Net carrying amount	**13,896,976**	13,896,976

Impairment testing of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill of the Group is related to thirteen different cash-generating units ("CGUs"), namely Beijing Tide, CP Boai Investment Ltd., Zhejiang Tianqing Zhongwei Medicines Co., Ltd., Suzhou Tianqing Xingwei Medicines Co., Ltd., Shanghai Tongyong, Chia Tai Shaoyang Orthopaedic Hospital, and seven other subsidiaries of the Group acquired in previous years. As at 31 December 2019, approximately 99.36% of the carrying amount of goodwill arose from the acquisition of Beijing Tide.

11. INTANGIBLE ASSETS

31 December, 2019

	Patents and licences *RMB'000*	**Development costs** *RMB'000*	**Trademarks** *RMB'000*	**Customer relationship** *RMB'000*	**Total** *RMB'000*
Cost:					
At 1 January, 2019	**95,845**	**554,698**	**2,844,924**	**5,653,746**	**9,149,213**
Addition	**–**	**252,819**	**–**	**–**	**252,819**
At 31 December, 2019	**95,845**	**807,517**	**2,844,924**	**5,653,746**	**9,402,032**
Accumulated amortisation:					
At 1 January, 2019	**37,893**	**49,719**	**328,743**	**383,684**	**800,039**
Provided during the year	**10,926**	**40,960**	**193,629**	**652,836**	**898,351**
At 31 December, 2019	**48,819**	**90,679**	**522,372**	**1,036,520**	**1,698,390**
Net carrying amount	**47,026**	**716,838**	**2,322,552**	**4,617,226**	**7,703,642**

	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

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 aged analysis of the Group's trade and bills receivables as at the end of reporting period, based on invoice date and net of provisions, is as follows:

	31 December, 2019 *RMB'000* **(Audited)**	31 December, 2018 *RMB'000* (Audited)
Current to 90 days	**2,188,169**	2,404,647
91 days to 180 days	**440,407**	455,154
Over 180 days	**83,633**	64,244
	2,712,209	2,924,045

13. CASH AND BANK BALANCES

	31 December, 2019 *RMB'000* **(Audited)**	31 December, 2018 *RMB'000* (Audited)
Cash and bank balances, unrestricted	**4,340,181**	3,956,986
Time deposits with original maturity of less than three months	**6,291,029**	2,278,043
Time deposits with original maturity of more than three months	**1,280,000**	441,013
	11,911,210	6,676,042

14. TRADE AND BILLS PAYABLES

An aged 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, 2019	31 December, 2018
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current to 90 days	**1,219,488**	1,517,655
91 days to 180 days	**549,226**	219,309
Over 180 days	**40,731**	95,202
	1,809,445	1,832,166

15. SHARE CAPITAL

	31 December, 2019	31 December, 2018
	RMB'000	*RMB'000*
	(Audited)	(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)	**278,451**	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 will be set out in the 2019 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, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 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 year.

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

Hong Kong, 30 March, 2020

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.