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, 2020

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September, 2020, the Group recorded the following unaudited results:

– Revenue was approximately RMB18,125.79 million, a decrease of approximately 6.2% over the same period last year;

– Profit attributable to the owners of the parent was approximately RMB1,850.50 million, approximately 18.0% lower than that of the same period last year;

– Basic earnings per share attributable to the owners of the parent were approximately RMB9.81 cents, approximately 17.9% lower than that of the same period last year;

– Underlying profit *(Note 1)* attributable to the owners of the parent was approximately RMB2,294.46 million, approximately 11.7% lower than that of the same period last year;

– Earnings per share, based on the underlying profit *(Note 1)* attributable to the owners of the parent, were approximately RMB12.16 cents, approximately 11.7% lower than that of the same period last year;

– Sales of new products *(Note 2)* accounted for approximately 36.7% of the Group's total revenue; amounted to approximately RMB6,658.96 million, an increase of approximately 66.9% over the same period last year;

– Sales of innovative medicines accounted for approximately 25% of the Group's total revenue, as compared with the proportion of approximately 20% for the same period last year;

– Sales of oncology medicines amounted to approximately RMB5,792.06 million, an increase of approximately 37.8% over the same period last year; and

– Cash and bank balances as at 30 September, 2020 was approximately RMB16,101.52 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, 2020. Together with the first quarterly dividend of HK2 cents per share and the second quarterly dividend of HK2 cents per share paid, the total dividend of the three quarters amounted to HK6 cents per share.

Note 1: 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 (net of related deferred tax and non-controlling interests); (ii) unrealized fair value losses (net) on equity investments and financial assets; (iii) fair value loss of Convertible Bond embedded derivative component and (iv) effective interest expenses from the Convertible Bond debt component. 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.

Note 2: Products launched within five years

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 liver diseases, tumors, orthopedic 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:

Oncology medicines:	Yinishu (Dasatinib) tablets, Anxian (Lenalidomide) capsules, Qianping (Bortezomib for injections), Shoufu (Capecitabine) tablets, Qingweike (Decitabine for injections)
Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Yigu (Zoledronic Acid) injections
Anti-infectious medicines:	Tianjie (Tigecycline for injections), Tianli (Linezolid and Glucose) injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder
Others:	Debaian (Flurbiprofen) Cataplasms, Kaina (Beraprost Sodium) tablets

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 included in American Magazine Pharm Exec's Top 50 Companies for two consecutive years in 2019 and 2020.

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 Company became a constituent stock of Hang Seng China (HK-listed) 25 Index in June 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period under review, driven by unconventional economic policies implemented by various countries, which included massive fiscal support and major interest rate cuts, the global economy showed signs of a moderate recovery. Still, the pandemic crisis remained far from over, with many emerging economies still facing serious difficulties and economic outlooks remaining clouded with uncertainty.

In China, while the country has implemented strict anti-epidemic measures, production and businesses gradually returns to normal, facilitating normal economic activity. Its third quarter GDP recorded 4.9% year-on-year growth, which was 1.7 percentage points higher than the second quarter. Furthermore, the macro-economy has steadily improved, with the financial, information transmission, software and IT services, investment and new industries contributing notably to the economic growth.

During the period under review, the number of outpatients and inpatients began to climb, resulting in the improvement in drug sales. However, highly efficient communication channels such as larger on-site meetings were still subject to certain limitations. Moreover, the National Medical Products Administration ("NMPA") released its *Administrative of the Recordation of Medical Representatives (for Trial Implementation)* to tighten compliance requirements on medical marketing and promotion activities.

The government published several documents to establish a tiered diagnosis and treatment model, and partnerships between medical institutions operating, so as to facilitate initial consultations at the lower tier. To encourage "Internet + Health Care" and medical informatization, restrictions on the coverage of online consultations have been further relaxed, trying to include eligible medical services in the medical insurance reimbursement list.

The government also intensified its reforms of medical expenses control. At the diagnosis end, national trials of multiple-payment models such as Diagnosis-Related Groups ("DRG") payment or disease category-based payment have commenced. Measures for managing essential drugs covered by medical insurance have also been published to enhance pertinent controls. Also, the third centralized drug procurement program has been expanded to cover a greater variety of drugs, with average prices down by 53%, and some even falling by more than 90%. In expanding the coverage of the centralized drug procurement program, establishing its relevant methodology, and making it a regular practice, competition will intensify, profitability and product structure of the industry will be notably impacted, reform of drug sales and marketing model will accelerate, and the business landscape will be polarized.

Adjustments to the National Reimbursement Drug List ("NRDL") have also commenced, which marks the beginning of dynamic adjustments of the list to come. Innovative drugs and oncology drugs have higher chances to be included quickly. As the NRDL expands its coverage, the coverage for outpatient reimbursement will also be expanded, hence, accessibility to and fairness of the products above are likely to be enhanced.

During the period under review, the NMPA published three technical documents, including the *Working Procedures for the Review and Approval of Breakthrough Therapy Designed Drugs (for Trial Implementation)* to expedite the filing and assessment of innovative drugs, and facilitate the implementation of the assessment and approval policy that encourages innovation.

Business Review

The Group's outstanding achievements during the period under review

- The Group's member company, CT Tianqing, has been ranked 16th on the list of "Top 100 Pharmaceutical Enterprises in China in 2019", by China National Pharmaceutical Industry Information Center. It has also been named "Chinese Pharmaceutical Enterprise with the Best Drug Pipeline in 2020". CT Tianqing has thus achieved a top 20 ranking on the "Top 100" list for the sixth consecutive year. Beijing Tide, another member company of the Group, also was placed on the list, ranking 62nd.

- Sino Biopharmaceutical has been ranked 2nd on the "Top 100 Chemical Pharmaceutical Enterprises" among the "2019 Top 100 Series of Pharmaceutical Industries in China", which was announced during the "2020 National Pharmacy Week, China Pharmaceutical Industry Top 100 Annual Conference, and China Pharmaceutical Internet Economy Annual Conference".

- The Group has achieved considerable sales growth from a number of new products and oncology products.

- Good progress in R&D has been achieved and 11 new production approvals were obtained.

During the period under review, with the pandemic situation improving and a rebound in the number of hospitalized patients, the Group gradually resumed its work on sales of pharmaceutical products. Also, implementation of the third round of the centralized drug procurement program, which covered a number of the Group's key products in the hepatitis, cardiovascular and analgesic therapeutic areas, had differing effects on sales of the Group's various products. For Runzhong, Yilunping, Tuotuo and Kaifen, which have been on the market for an extensive period and are currently competing with many manufacturers, their overall revenue and profit were still significantly affected by substantial price reductions from the centralized drug procurement program, despite a notable increase in sales volume. For newly approved products such as the oncology medicines, Qingkeshu, Anxian, Jizhi, and Weishou; the respiratory system medicine, Tianqingsuchang; the cardiovascular medicines, Anbeining, Taishule, Anxinfen and Beilishu; and the osteoarthritis medicines, Taiyan and Sulibao, their sales volume have increased rapidly following implementation of the centralized drug procurement program.

Amid the pandemic, the Group has facilitated convenient communications between doctors and patients via various Internet platforms. In addition, it has stepped up efforts in chronic disease management of the cardiovascular, respiratory, analgesic, hepatitis and oncology therapeutic areas to enhance patients' professional knowledge and awareness of product applications. It has also commenced Internet marketing activities through a number of qualified platforms, reaping satisfactory results.

The Group actively addressed the impact of centralized drug procurement on its sales cost structure by quickly shifting academic and promotion investments to new products, as well as by building a strong sales portfolio of the selected products and their associated products that are able to capitalize on the centralized drug procurement program. The results from such strategies were encouraging. The Group's new oncology medicines, Anxian, Yinishu, Leweixin, Yijiu, and Qingkeyi; antiemetic medicine associated with chemotherapy, Shanqi; new analgesic medicines, Fenkexin and Yu'an; new anti-infective medications, Tianming, Kangsuping, Fengruineng, and Yiruida; and contrast agents, Xian'ai and Qingliming, all delivered robust results.

The Group also demonstrated good R&D performance during the period under review. It obtained 11 new production approvals for oncology medicines, Fulvestrant Injection and Idarubicin Hydrochloride for Injection (2 specifications); diabetic medicines, Saxagliptin Tablets and Canagliflozin Tablets; cardiovascular medicines, Apixaban Tablets, Rivaroxaban Tablets, and Ticagrelor Tablets (60mg new specification); contrast agent, Iopamidol Injection; and osteoarthritis medicines, Tofacitinib Citrate Tablets and Spironolactone Tablets (100mg new specification). Besides, the Group's 15 chemical pharmaceutical products have passed the Consistency Evaluation (including those deemed to have passed the Consistency Evaluation). Such products include Fulvestrant Injection, Saxagliptin Tablets, Canagliflozin Tablets, Lenalidomide Capsules (2 specifications), Adefovir Dipivoxil Capsules, Capecitabine Tablets, Iopamidol Injection, Apixaban Tablets, Tofacitinib Citrate Tablets, Idarubicin Hydrochloride for Injection (2 specifications), Rivaroxaban Tablets, Rosuvastatin Calcium Tablets 5mg, and Cefuroxime Axetil Tablets. The Group was granted 6 clinical trial approvals, completed clinical trials for 2 new production applications and filed 6 new applications for Consistency Evaluation. The Group has also obtained 31 invention patent approvals and has filed 119 new invention patent applications. Cumulatively, it has been granted a total of 879 invention patent approvals.

Brief introduction of newly approved products/products that have passed Consistency Evaluation:

Fulvestrant Injection: This product has obtained Abbreviated New Drug Application ("ANDA") approval from the U.S. Food and Drug Administration (FDA) and has been granted marketing authorization from the Federal Institute for Drugs and Medical Devices (BfArM) in Germany. At present, it is available for overseas sales. In February 2020, Fulvestrant Injection was included in the priority review list for products manufactured in shared production line for both China and US markets. Fulvestrant Injection is among the drugs included in the "First Batch of Encouraged Generic Drugs Catalog" in China. The branded product boasts the highest annual sales of exceeding US$1 billion. The Group is the first in the country to produce a generic product of this drug. The launch of the product that is of equal quality to the brand name drug has offered a new option to breast cancer patients in China, thus helping ease the patients' medical burden as well as reduce the country's investment in public health.

Idarubicin Hydrochloride for Injection: This oncology drug inhibits mitosis and is cytotoxic. It can be used as a first-line drug for treating adults with refractory and relapsed acute non-lymphoblastic leukemia (ANLL). In addition, it can be used as a second-line drug for treating adults and children with acute lymphoblastic leukemia (ALL).

Saxaglipin Tablets: This potent, selective dipeptidyl peptidase-4 (DPP-4) inhibitor can prolong the effects of endogenous glucagon-like peptide-1 (GLP-1) and glucose-dependent insulinotropic peptide (GIP) by inhibiting DPP-4, thereby regulating blood sugar. It is used for the treatment of type 2 diabetes. Compared with traditional anti-diabetic drugs, DPP-4 inhibitors have several advantages, including neutral effect on body weight, low risk of hypoglycemia, and being cardiovascular safe. Hence, it has become one of the main oral drug therapy options for type 2 diabetes. This product was included in the NRDL (Class B) in 2017. The product developed by the Group is the second generic drug of its kind to have received approval in China.

Canagliflozin Tablets: This is a new type of sodium-glucose cotransporter 2 (SGLT2) inhibitor. It was first launched in 2013 and was approved for sale in the domestic market in September 2017. Gliflozins have been recommended by the American Diabetes Association, European Association for the Study of Diabetes, American Association of Clinical Endocrinologists, etc. as the first-line and second-line drugs for the treatment of type 2 diabetes. Compared with other anti-diabetic drugs, Canagliflozin tablets offer such advantages as: (i) has diverse applications, especially for improving the blood sugar level of patients with renal diabetes; (ii) will not easily cause hypoglycemia, but rather improve the function of pancreatic β-cells and improve insulin resistance; (iii) can reduce the possibility of water and sodium retention, and lower the risk of causing cardiovascular diseases; and (iv) has fewer side effects.

During the period under review, the Group recorded revenue of approximately RMB18,125.79 million, representing a decrease of approximately 6.2% over the same period last year. The proportion of sales of new products to total revenue increased from approximately 20.6% in the same period last year to approximately 36.7% in the period. Profit attributable to the owners of the parent was approximately RMB1,850.50 million, approximately 18.0% lower than that of the same period last year. Earnings per share attributable to the owners of the parent were approximately RMB9.81 cents, approximately 17.9% lower than that of the same period last year. The year-on-year decrease in profit attributable to the owners of the parent and basic earnings per share was partly due to the impact caused by non-cash fair value loss and effective interest expenses of the EUR750,000,000 zero coupon convertible bonds due 2025 (the "Convertible Bond(s)") issued by the Company in February 2020. Excluding the impact of amortization expenses of new identifiable intangible assets arising from the acquisition of 24% interests in Beijing Tide (net of related deferred tax and non-controlling interests), the unrealized fair value losses (net) on equity investments and financials assets, as well as the fair value loss of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component, underlying profit attributable to the owners of the parent was approximately RMB2,294.46 million, approximately 11.7% lower 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 RMB12.16 cents, approximately 11.7% lower than that of the same period last year. Cash and bank balances totaled approximately RMB16,101.52 million at the period end.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include hepatitis medicines, oncology medicines, orthopedic medicines, anti-infectious medicines, respiratory system medicines and others.

Hepatitis medicines

For the nine months ended 30 September, 2020, the sales of hepatitis medicines amounted to approximately RMB3,051.62 million, representing approximately 16.8% of the Group's revenue.

Oncology medicines

For the nine months ended 30 September, 2020, the sales of oncology medicines amounted to approximately RMB5,792.06 million, representing approximately 32.0% of the Group's revenue.

Orthopedic medicines

For the nine months ended 30 September, 2020, the sales of orthopedic medicines amounted to approximately RMB1,571.91 million, representing approximately 8.7% of the Group's revenue.

Anti-infectious medicines

For the nine months ended 30 September, 2020, the sales of anti-infectious medicines amounted to approximately RMB1,064.84 million, representing approximately 5.9% of the Group's revenue.

Respiratory system medicines

For the nine months ended 30 September, 2020, the sales of respiratory medicines amounted to approximately RMB963.88 million, representing approximately 5.3% of the Group's revenue.

Others

For the nine months ended 30 September, 2020, the sales of others amounted to approximately RMB5,681.49 million, representing approximately 31.3% of the Group' revenue.

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 amortization expenses of new identifiable intangible assets (net of deferred tax and non-controlling interests) arising from the acquisition of 24% interests of Beijing Tide in 2018*(Note)*, the unrealized fair value gains and losses of equity investments and financial assets, as well as the fair value loss of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component.

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the parent	**1,850,497**	2,255,517
Adjustment related to the acquisition of 24% interests in Beijing Tide:		
Amortization expenses of new identifiable intangible assets (net of related deferred tax and non-controlling interests)	**315,213**	315,213
Unrealized fair value losses of equity investments and financial assets, net	**42,150**	28,890
Fair value loss of Convertible Bond embedded derivative component	**16,034**	–
Effective interest expenses of Convertible Bond debt component	**70,567**	–
Underlying profit	**2,294,461**	2,599,620
Basic earnings per share		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	**2,294,461**	2,599,620
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (Shares)	**18,872,627,230**	18,880,331,996
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	**12.16**	13.77

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 30 September, 2020, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain unlisted equity investments) of approximately RMB1,553.45million (31 December 2019: approximately RMB1,211.08 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB543.20 million (31 December, 2019: approximately RMB491.36 million).

In addition, as at 30 September, 2020, the Group had the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB1,875.29 million (31 December 2019: approximately RMB1,084.88 million), including the wealth management products of Industrial Bank (approximately RMB668.70 million), Construction Trust Wealth Management (approximately RMB350 million), Industrial and Commercial Bank of China (approximately RMB200 million), Agricultural Bank of China (approximately RMB150 million), Bank of Communication (approximately RMB96 million), Citic Bank (approximately RMB60 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 30 September, 2020, these investments amounted to approximately RMB1,875.29 million in total, representing approximately 2.8% of the total assets of the Group.

For the nine months ended 30 September, 2020, the Group recorded the realized gain on the disposal of the equity investment of approximately RMB31.37 million and unrealized fair value loss (net) of the equity investments and financial assets of approximately RMB42.15 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 third quarter, the Group was granted 6 clinical trial approvals, 11 production approvals, and 15 approvals for Consistency Evaluation, and made 6 clinical trial applications, 6 application for Consistency Evaluation and 2 production applications. Cumulatively, a total of 398 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 37 were for hepatitis medicines, 190 for oncology medicines, 22 for respiratory system medicines, 20 for endocrine, 16 for cardio-cerebral medicines and 113 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 nine months ended 30 September, 2020, the total R&D expenditure of approximately RMB2,106.82 million, which accounted for approximately 11.6% of the Group's revenue, was charged to the statement of profit or loss and capitalized in the statement of financial position.

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 37 authorized patent notices (31 invention patents and 6 apparel design patents) and filed 119 new patent applications (all were invention patents). Cumulatively, the Group has obtained 879 invention patent approvals, 30 utility model patents and 115 apparel design patents.

INVESTOR RELATIONS

The Group is committed to maintaining high corporate governance standards to ensure long-term sustainable development. During the period under review, the Group has been proactive in approaching investors through a variety of channels to ensure that they have thorough understanding of its latest developments. Moreover, the Group gathers valuable opinions from investors through personal exchanges, aiming to further elevate its corporate governance standards.

Despite the uncertainty of COVID-19 pandemic, the Group resorted to host a teleconference in late August to inform investors of its 2020 interim results and latest business developments. The teleconference has attracted more than 370 analysts and fund managers from local and Mainland China. The Group has also distributed results press releases to the media so as to keep retail investors abreast of its latest business status and prospects via media coverage. What is more, the Group has delivered information about its share repurchase and increase in shareholding by directors through media coverage from time to time to express its full confidence in development prospects.

During the review period, the management participated in many online investment summits and roadshows hosted by large investment banks and securities companies, including Morgan Stanley, Bank of America Merrill Lynch, HSBC, Citi, Goldman Sachs, UOB Kay Hian, CLSA, ICBC International and Credit Suisse, allowing investors to gain an update on the Group's business development and competitive advantages.

As always, the Group has published its annual reports and quarterly results announcements, disclosures and circulars on its corporate website, as well as the website of Hong Kong Exchanges and Clearing Limited. In addition, it issues voluntary announcements to inform shareholders and investors of its latest business endeavors, so as to maintain corporate transparency and market attention.

THE ISSUANCE OF CONVERTIBLE BONDS

On 17 February, 2020, the Company has completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 by way of debt issues to professional investors only. The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Assuming full conversion of the Convertible Bonds at the initial conversion price of HK$19.09 per share of the Company ("Initial Conversion Price") and no further issue of shares of the Company ("Shares"), the Convertible Bonds will be convertible into 338,380,041 Shares, representing approximately 2.69 percent. of the issued share capital of the Company as at 17 February, 2020 and approximately 2.62 percent of the issued share capital of the Company as at 17 February, 2020 as enlarged by the issue of the conversion shares upon full conversion of the Convertible Bonds. The conversion shares to be issued upon conversion of the Convertible 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.

On 15 July, 2020, the shareholders of the Company approved the bonus issue of shares of the Company on the basis of one new Share for every two existing Shares held by the qualifying shareholders whose names appear on the register of members of the Company on 24 July, 2020 (the "Bonus Issue").

In accordance with the terms and conditions of the Conversion Bonds, an adjustment has been made to the Initial Conversion Price as a result of the Bonus Issue. The conversion price of the Convertible Bonds has been adjusted from HK$19.09 to HK$12.72 per Share ("Adjusted Conversion Price") with effect from 25 July, 2020. The maximum number of conversion shares issuable upon conversion of all the outstanding Convertible Bonds at the Adjusted Conversion Price is 507,836,084 Shares. For further details, please refer to the announcement made by the Company on 20 July, 2020.

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, 2020 except for the deviation from Code Provision E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the "AGM") by the chairman of the board of directors and Independent Non-Executive Directors ("INED(s)"). The chairman of the board of directors and three INEDs were unable to attend the AGM held on 26 May, 2020 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, 2020, 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, the Group's primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. As at 30 September, 2020, the Group's cash and bank balances were approximately RMB16,101.52 million (31 December, 2019: approximately RMB11,911.21 million).

CAPITAL STRUCTURE

As at 30 September, 2020, the Group had short term loans of approximately RMB305.87 million (31 December, 2019: approximately RMB666.75 million) and had long term loans of approximately RMB7,868.35 million (31 December, 2019: approximately RMB7,884.80 million).

CHARGE ON ASSETS

As at 30 September, 2020, the Group had charge on assets of approximately RMB617.09 million (31 December, 2019: approximately RMB830.00 million), excluding the amount of bills receivable discounted at banks of approximately RMB683.52 million (31 December, 2019: approximately RMB598.99 million).

CONTINGENT LIABILITIES

As at 30 September, 2020, the Group and the Company had no material contingent liabilities (31 December, 2019: Nil).

ASSETS AND GEARING RATIO

As at 30 September, 2020, the total assets of the Group amounted to approximately RMB66,200.81 million (31 December, 2019: approximately RMB58,299.25 million) whereas the total liabilities amounted to approximately RMB25,740.60 million (31 December, 2019: approximately RMB18,014.68 million). The gearing ratio (total liabilities over total assets) was approximately 38.9% (31 December, 2019: approximately 30.9%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 24,328 employees as at 30 September, 2020 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 period was approximately RMB2,625,009,000 (2019: approximately RMB2,312,837,000).

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, 2020, (i) no option in respect of the Shares had been granted under the 2013 Share Option Scheme; and (ii) 71,500,500 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, Euro and HK dollars. The Group will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

PROSPECTS

The online procurement of drugs covered by the third centralized drug procurement program and the adjustment of the NRDL will be conducted in the final quarter; hence, their effects on the selected drugs will only then materialize. In addition, all provinces will begin purchasing drugs not covered by the centralized drug procurement program by means of online procurement, which will lead to wider range of price declines. Consequently, more generic drug enterprises without launching new drugs will face pressure on sales, profitability and even on survival. Higher compliance requirements on sales and marketing will accelerate implementation of reforms on the sale and marketing model that has long been adopted by the pharmaceutical industry.

Given the greater policy support nationally for internet healthcare and online drug sales, the member companies of the Group have preemptively devised development strategies, which in turn have led to growth drivers established during the pandemic. Going forward, the Group will continue to step up online promotions, sales and marketing activities.

Additionally, the Group has optimized its products in the pipeline amid changes brought by implementation of the centralized drug procurement program. It has placed greater emphasis on R&D investment in key new drugs that will better cope with the future sales and marketing environment.

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, 2020 together with the comparative consolidated results for 2019 as follows:

Consolidated Statement of Profit or Loss

	Notes	For the nine months ended 30 September, 2020 *RMB'000* (Unaudited)	2019 *RMB'000* (Unaudited)
REVENUE	*3*	**18,125,791**	19,320,770
Cost of sales		**(4,074,605)**	(3,771,185)
Gross profit		**14,051,186**	15,549,585
Other income and gains	*3*	**573,658**	467,939
Selling and distribution costs		**(6,864,931)**	(7,598,108)
Administrative expenses		**(1,793,310)**	(1,714,809)
Other expenses		**(1,874,160)**	(2,094,028)
Including: Research and development costs		***(1,926,968)***	*(2,054,336)*
Finance costs	*4*	**(265,462)**	(133,296)
Share of profits and losses of associates		**(86,723)**	7,668
PROFIT BEFORE TAX	*5*	**3,740,258**	4,484,951
Income tax expense	*6*	**(777,692)**	(832,259)
PROFIT FOR THE PERIOD		**2,962,566**	3,652,692
Profit attributable to:			
Owners of the parent		**1,850,497**	2,255,517
Non-controlling interests		**1,112,069**	1,397,175
		2,962,566	3,652,692
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic and diluted		**RMB9.81 cents**	RMB11.95 cents

Details of the third quarterly dividend declared for the period are disclosed in note 7 of this announcement.

Consolidated Statement of Comprehensive Income

	For the nine months ended 30 September,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**2,962,566**	3,652,692
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(94,528)**	65,674
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(94,528)**	65,674
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,868,038**	3,718,366
Attributable to:		
Owners of the parent	**1,753,145**	2,321,821
Non-controlling interests	**1,114,893**	1,396,545
	2,868,038	3,718,366

Consolidated Statement of Financial Position

	Notes	**30 September, 2020**	31 December, 2019
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**7,289,084**	6,913,728
Investment properties		**532,677**	563,395
Right-of-use assets		**1,366,221**	1,293,478
Goodwill		**13,896,976**	13,896,976
Intangible assets		**7,302,053**	7,703,642
Investments in associates		**2,868,890**	808,443
Equity investments designated at fair value through other comprehensive income		**1,553,447**	1,211,084
Deferred tax assets		**503,471**	580,944
Prepayments		**488,953**	414,466
Total non-current assets		**35,801,772**	33,386,156
CURRENT ASSETS			
Inventories		**1,758,616**	1,658,597
Trade and bills receivables		**3,707,342**	2,712,209
Prepayment, deposit and other receivables		**6,253,876**	6,903,251
Amount due from related party		**148,190**	151,588
Equity investments designated at fair value through profit or loss		**554,201**	491,357
Financial assets at fair value through profit or loss		**1,875,292**	1,084,883
Cash and bank balances	*9*	**16,101,517**	11,911,210
Total current assets		**30,399,034**	24,913,095

	Notes	30 September, 2020 RMB'000 (Unaudited)	31 December, 2019 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables		**2,359,456**	1,809,445
Tax payable		**239,692**	189,873
Other payables and accruals		**7,001,902**	5,433,879
Interest-bearing bank borrowings		**305,870**	666,749
Lease liabilities		**37,011**	23,079
Total current liabilities		**9,943,931**	8,123,025
NET CURRENT ASSETS		**20,455,103**	16,790,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,256,875**	50,176,226
NON-CURRENT LIABILITIES			
Deferred government grants		**403,571**	480,652
Interest-bearing bank borrowings		**7,868,353**	7,884,802
Convertible bonds		**6,027,589**	–
Lease liabilities		**41,395**	41,270
Deferred tax liabilities		**1,455,762**	1,484,934
Total non-current liabilities		**15,796,670**	9,891,658
Net assets		**40,460,205**	40,284,568
EQUITY			
Equity attributable to owners of the parent			
Share capital	*10*	**416,138**	278,451
Treasury shares		**(412,837)**	(412,837)
Reserves		**31,669,068**	31,246,044
		31,672,369	31,111,658
Non-controlling interests		**8,787,836**	9,172,910
Total equity		**40,460,205**	40,284,568

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 2019 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, 2019.

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, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. OPERATING SEGMENT INFORMATION

The management considers the business from products/services perspective. The three reportable segments are as follows:

(a) the chemical medicines and biopharmaceutical medicines segment comprises the manufacture, sale and distribution of the chemical medicine products and modernized Chinese medicine products;

(b) the investment segment is engaged in long term and short term investments; and

(c) the other segment comprises, principally, (i) the Group's R&D sector which provides services to third-party; and (ii) related healthcare and hospital business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Segment assets exclude deferred tax assets and investments in associates as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

The segment results for the nine months ended 30 September, 2020

	Chemical medicines and biopharmaceutical medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**17,724,249**	**4,825**	**396,717**	**18,125,791**
Segment results	**4,293,119**	**(279,718)**	**(29,996)**	**3,983,405**
Reconciliation:				
Interest and unallocated gains				**207,253**
Share of profits and losses of associates				**(86,723)**
Unallocated expenses				**(363,677)**
Profit before tax				**3,740,258**
Income tax expense				**(777,692)**
Profit for the period				**2,962,566**
Assets and liabilities				
Segment assets	**45,666,935**	**15,555,179**	**1,606,331**	**62,828,445**
Reconciliation:				
Investments in associates				**2,868,890**
Other unallocated assets				**503,471**
Total assets				**66,200,806**
Segment liabilities	**8,988,999**	**14,327,539**	**728,609**	**24,045,147**
Reconciliation:				
Other unallocated liabilities				**1,695,454**
Total liabilities				**25,740,601**
Other segment information:				
Depreciation and amortisation	**1,130,415**	**19,778**	**26,390**	**1,176,583**
Capital expenditure	**973,069**	**384**	**108,572**	**1,082,025**
Other non-cash expenses	**6,785**	**–**	**2**	**6,787**

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

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**3,109,647**	464,715
Mainland China	**30,427,360**	30,082,571
Others	**207,847**	29,258
	33,744,854	30,576,544

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

Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the nine months ended 30 September, 2020 and 2019.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the nine months ended 30 September,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**17,736,056**	18,924,303
Others	**389,735**	396,467
	18,125,791	19,320,770
Other income		
Bank interest income	**207,253**	143,603
Interest income from convertible bonds	**–**	12,266
Dividend income	**4,594**	5,668
Government grants	**27,885**	36,514
Sale of scrap materials	**1,837**	643
Investment income	**224,334**	181,174
Gross rental income	**5,637**	3,987
Others	**70,289**	52,613
	541,829	436,468
Gains		
Gain on disposal of items of property, plant and equipment	**462**	15,963
Gain on disposal of equity investment designated at fair value through profit or loss	**31,367**	15,508
	31,829	31,471
Total other income and gains	**573,658**	467,939

4. FINANCE COSTS

	For the nine months ended 30 September,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**194,895**	133,296
Effective interest expense of convertible bonds	**70,567**	–
	265,462	133,296

5. PROFIT BEFORE TAX

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

	For the nine months ended 30 September,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**4,074,605**	3,771,185
Depreciation of property, plant and equipment	**493,757**	347,164
Depreciation of investment properties	**17,595**	17,085
Recognition of right-of-use assets	**2,315**	3,098
Amortization of other intangible assets	**662,916**	662,652
Research and development costs	**1,926,968**	2,054,336
Gain on disposal of items of property, plant and equipment	**(462)**	(15,963)
Loss on disposal of items of property, plant and equipment	**6,787**	2,704
Share of profits and losses of associates	**86,723**	(7,668)
Bank interest income	**(207,253)**	(143,603)
Dividend income	**(4,594)**	(5,668)
Investment income	**(224,334)**	(181,174)
Fair value losses, net:		
Equity investments at fair value through profit or loss	**42,150**	28,890
Fair value loss of convertible bond embedded derivative component	**16,034**	–
Auditors' remuneration	**3,581**	3,619
Staff cost (including directors' remuneration)		
Wages and salaries	**2,155,116**	1,880,850
Pension contributions	**469,893**	431,987
	2,625,009	2,312,837
Foreign exchange differences, net	**42,314**	90,922

6. INCOME TAX EXPENSE

	For the six months ended 30 June,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China income tax	**783,221**	787,426
Deferred tax	**(5,529)**	44,833
Total tax charge for the period	**777,692**	832,259

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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

During the nine months ended 30 September, 2020, 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 2020.

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

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of a quarterly dividend of HK2 cents per ordinary share for the three months ended 30 September, 2020 (2019: HK2 cents). The third quarterly dividend will be paid to shareholders on Thursday, 31 December, 2020 whose names appear on the register of members of the Company on Wednesday, 16 December, 2020. 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 Tuesday, 15 December, 2020 to Wednesday, 16 December, 2020, 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 Monday, 14 December, 2020.

8. 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 RMB1,850,497,000 (2019: approximately RMB2,255,517,000), and the weighted average number of ordinary shares of 18,872,627,230 (2019: 18,880,331,996) in issue during the period.

9. CASH AND BANK BALANCES

	30 September, 2020	31 December, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances, unrestricted	**6,667,395**	4,340,181
Time deposits with original maturity of less than three months	**6,834,122**	6,291,029
Time deposits with original maturity of more than three months	**2,600,000**	1,280,000
	16,101,517	11,911,210

10. SHARE CAPITAL

	30 September, 2020	31 December, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
18,872,627,230 ordinary shares of HK$0.025 each (2019: 12,588,304,487 ordinary shares of HK$0.025 each)	**416,138**	278,451

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

Following the appointment of Mr. Li Yi as an executive director of the Company on 19 August, 2020, the Board comprises thirteen members, being nine executive directors and four INEDs. The number of INEDs is less than one-third of the number of members of the Board, which is lower than the minimum requirement prescribed under Rule 3.10A of the Listing Rules. Apart from this, during the period ended 30 September, 2020, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules and has appointed four INEDs including two with appropriate professional qualifications, or accounting or related financial management expertise. Biographies of the INEDs have been 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 unaudited consolidated financial statements of the Company for the nine months ended 30 September, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 September, 2020, the Company bought back 6,553,000 Shares on the Stock Exchange at a consideration of HK$66,585,880 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 Highest	Lowest	Consideration paid
		HK$	*HK$*	*HK$*
March	5,979,000	10.22	9.76	60,700,000
April	574,000	10.28	10.22	5,885,880

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.

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

Hong Kong, 30 November, 2020

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