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CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1093)

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2022

The Board of Directors of CSPC Pharmaceutical Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2022.

FINANCIAL HIGHLIGHTS

(in RMB'000, unless otherwise stated)

	Three months ended 31 March		Change
	2022 (Unaudited)	2021 (Unaudited)	
Revenue by business units:			
Finished drugs	6,302,393	5,479,845	+15.0%
Bulk products	1,146,605	913,147	+25.6%
Functional food and others	424,895	340,545	+24.8%
Total revenue	7,873,893	6,733,537	+16.9%
Underlying profit attributable to shareholders (Note)	1,537,123	1,393,435	+10.3%
Fair value (loss) gain on financial assets measured at FVTPL	(132,604)	78,093	
Profit attributable to shareholders	1,404,519	1,471,528	-4.6%
Basic earnings per shares (RMB cents)	11.79	12.29	-4.1%

Note: Underlying profit attributable to shareholders, a non-HKFRS measure, represents profit before taking into account fair value changes on financial assets measured at FVTPL (net of tax).

BUSINESS REVIEW

RESULTS

For the first quarter of 2022, the Group's revenue increased by 16.9% to RMB7,874 million, and the profit attributable to shareholders decreased by 4.6% to RMB1,405 million. Basic earnings per share decreased to RMB11.79 cents accordingly.

The Group's underlying profit attributable to shareholders, excluding the fair value changes on financial assets measured at fair value through profit or loss (a non-cash item not generated from the operation of the Group), amounted to RMB1,537 million, an increase of 10.3% year-on-year.

BUSINESS SEGMENTS

Finished Drug Business

The finished drug business recorded sales of RMB6,302 million in the first quarter of 2022, representing an increase of 15.0% year-on-year. During the period, NBP and the oncology products maintained a stable growth, while the contribution from the products launched in recent years continued to increase. In addition, Duoenda (mitoxantrone hydrochloride liposome injection), a newly approved innovative drug, was successfully launched in February. The sales performance of products by major therapeutic area is as follows:

Therapeutic Area	Sales <i>(RMB' million)</i>	Change
Nervous system disease products	1,936	+7.8%
Oncology products	2,157	+15.4%
Anti-infective products	900	+28.4%
Cardiovascular disease products	785	+9.3%
Respiratory disease products	134	+26.0%
Digestion and metabolism disease products	165	+39.4%
Others	225	+31.4%

Bulk Product Business

In the first quarter of 2022, vitamin C products reported sales of RMB700 million, representing an increase of 33.7% year-on-year. Benefiting from the enhancement in production capacity, both the production and sales volumes of vitamin C products have further increased during the period, however, product prices have shown a certain decline. Sales of antibiotic and other products have also increased by 14.7% to RMB446 million, which was mainly driven by the increase in sales volume of certain antibiotic products.

Functional Food and Others Business

Mainly driven by the increase in sales volume and prices of caffeine products, the business recorded sales of RMB425 million for the period, representing an increase of 24.8% year-on-year.

RESEARCH AND DEVELOPMENT

Since the beginning of 2022, the following significant progress has been made:

- In January, Duoenda (mitoxantrone hydrochloride liposome injection) obtained drug registration approval in China for the treatment of relapsed or refractory peripheral T-cell lymphoma (PTCL). The product is our self-developed oncology nanodrug and is also the world's first mitoxantrone nanodrug on the market. The clinical studies on other indications are also in progress;
- In March, COPIKTRA (duvelisib capsules) obtained drug registration approval in China for the treatment of adult patients with relapsed or refractory follicular lymphoma after at least two prior systemic therapies. The product is the first approved orally available dual PI3K- δ and PI3K- γ inhibitor worldwide, and is also the first approved PI3K selective inhibitor in China;
- In January, the application for marketing approval of desvenlafaxine succinate extended-release tablets (indication: adult depression) in China was submitted (being the first submission of this product type in China);
- In April, the application for marketing approval of irinotecan liposome for injection (indication: pancreatic cancer) in China was submitted;
- In April, COVID-19 mRNA vaccine SYS6006 obtained clinical trial approval in China;
- 5 innovative drug candidates obtained clinical trial approval in China, namely SYHA1908 for injection, daunorubicin cytarabine liposome for injection, ustekinumab injection, cisplatin micelle injection and SYHX2005;

- Prostaglandin liposome for injection obtained clinical trial approval for an additional indication (contrast-induced acute kidney injury) in China;
- JMT601 (CPO107) (a bispecific SIRP α fusion protein with synergised target binding effect) was granted Fast Track Designation by the U.S. Food and Drug Administration (FDA) for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma;
- 7 generic drugs obtained drug registration approval in China, namely lenvatinib mesilate capsules, zoledronic acid injection, vortioxetine hydrobromide tablets, nifedipine controlled-release tablets, esomeprazole sodium for injection, donepezil hydrochloride tablets and doxofylline injection; and
- 8 international PCT applications and 45 patent applications (42 domestic and 3 overseas) were filed, and 16 patents (12 domestic and 4 overseas) were granted.

BUSINESS DEVELOPMENT

During the first quarter of 2022, the Group has completed the acquisition of 51% equity interest in Guangzhou Recomgen Biotech Co., Ltd. (“Recomgen Biotech”). Mingfule (銘復樂) (recombinant human TNK tissue-type plasminogen activator for injection), a marketed product of Recomgen Biotech, is a third-generation specific thrombolytic drug with intellectual property rights for the treatment of thrombolysis in patients with acute myocardial infarction within 6 hours of onset. The patient enrolment in the Phase III clinical trial (TRACE II) of thrombolytic therapy for cerebral infarction has been completed, offering a huge market potential.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2022

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	7,873,893	6,733,537
Cost of sales	(2,062,931)	(1,549,407)
Gross profit	5,810,962	5,184,130
Other income	83,546	50,333
Other gains or losses	(139,087)	98,285
Selling and distribution expenses	(2,823,884)	(2,620,356)
Administrative expenses	(260,296)	(216,760)
Research and development expenses	(901,517)	(691,293)
Other expenses	(9,254)	(13,804)
Share of results of associates	(8,464)	(13,739)
Share of results of joint ventures	14,774	10,082
Finance costs	(2,858)	(2,833)
Profit before tax	1,763,922	1,784,045
Income tax expense	(329,631)	(286,427)
Profit for the period	<u>1,434,291</u>	<u>1,497,618</u>
Profit for the period attributable to:		
Owners of the Company	1,404,519	1,471,528
Non-controlling interests	29,772	26,090
	<u>1,434,291</u>	<u>1,497,618</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share		
— Basic	<u>11.79</u>	<u>12.29</u>
— Diluted	<u>11.79</u>	<u>12.29</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,434,291</u>	<u>1,497,618</u>
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes on financial assets measured at fair value through other comprehensive income, net of income tax	(288)	24,361
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>6,452</u>	<u>15,465</u>
Other comprehensive income for the period, net of income tax	<u>6,164</u>	<u>39,826</u>
Total comprehensive income for the period	<u><u>1,440,455</u></u>	<u><u>1,537,444</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,410,683	1,511,354
Non-controlling interests	<u>29,772</u>	<u>26,090</u>
	<u><u>1,440,455</u></u>	<u><u>1,537,444</u></u>

NOTES:

1. Principal Accounting Policies

The principal accounting policies and methods of computation used in the preparation of the financial data for the three months ended 31 March 2022 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2021.

2. Revenue and Segment Information

Information reported to executive directors, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered. The reportable segments of the Group under HKFRS 8 *Operating Segments* are as follows:

- (a) Finished drugs — research and development, manufacture and sale of pharmaceutical products and license fee income;
- (b) Bulk products — manufacture and sale of vitamin C, antibiotic and other products in bulk powder form; and
- (c) Functional food and others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), provision of healthcare services and others.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the three months ended 31 March 2022 (Unaudited):

	Finished drugs RMB'000	Bulk products		Functional food and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated RMB'000
		Vitamin C RMB'000	Antibiotics and others RMB'000				
SEGMENT REVENUE							
External sales	6,302,393	700,272	446,333	424,895	7,873,893	—	7,873,893
Inter-segment sales	—	1,038	80,729	10,185	91,952	(91,952)	—
TOTAL REVENUE	<u>6,302,393</u>	<u>701,310</u>	<u>527,062</u>	<u>435,080</u>	<u>7,965,845</u>	<u>(91,952)</u>	<u>7,873,893</u>
SEGMENT PROFIT	<u>1,578,018</u>	<u>146,415</u>	<u>40,425</u>	<u>109,012</u>	<u>1,873,870</u>		<u>1,873,870</u>
Unallocated income							56,568
Unallocated expenses							(169,968)
Share of results of associates							(8,464)
Share of results of joint ventures							14,774
Finance costs							(2,858)
Profit before tax							<u>1,763,922</u>

For the three months ended 31 March 2021 (Unaudited):

	Finished drugs <i>RMB'000</i>	Bulk products		Functional food and others <i>RMB'000</i>	Segment total <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
		Vitamin C <i>RMB'000</i>	Antibiotics and others <i>RMB'000</i>				
SEGMENT REVENUE							
External sales	5,479,845	523,859	389,288	340,545	6,733,537	—	6,733,537
Inter-segment sales	—	1,978	20,775	5,415	28,168	(28,168)	—
TOTAL REVENUE	<u>5,479,845</u>	<u>525,837</u>	<u>410,063</u>	<u>345,960</u>	<u>6,761,705</u>	<u>(28,168)</u>	<u>6,733,537</u>
SEGMENT PROFIT	<u>1,380,971</u>	<u>204,870</u>	<u>26,453</u>	<u>75,909</u>	<u>1,688,203</u>		1,688,203
Unallocated income							137,385
Unallocated expenses							(35,053)
Share of results of associates							(13,739)
Share of results of joint ventures							10,082
Finance costs							<u>(2,833)</u>
Profit before tax							<u>1,784,045</u>

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, fair value changes on financial assets measured at fair value through profit or loss (“FVTPL”), finance costs, central administrative expenses and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

3. Profit for the Period

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	197,324	174,703
Depreciation of right-of-use assets	32,904	34,481
Depreciation of investment property	430	430
Amortisation of other intangible assets	8,336	3,773
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Total depreciation and amortisation	238,994	213,387
Fair value changes on financial assets measured at FVTPL (included in other gains or losses)	138,640	(81,260)
Fair value changes on structured bank deposits (included in other gains or losses)	(19,183)	(15,011)
Government grant income (included in other income)	(13,182)	(7,879)
Interest income (included in other income)	(41,507)	(22,660)
Net foreign exchange loss (gain) (included in other gains or losses)	16,413	(3,998)
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Note: Cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss for the three months ended 31 March 2022 and 2021.

4. Earnings Per Share

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based in the following data:

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>1,404,519</u>	<u>1,471,528</u>
	Three months ended 31 March	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	11,917,035	11,973,770
Effect of dilutive potential ordinary shares:		
Unvested shares under share award scheme	443	1,273
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>11,917,478</u>	<u>11,975,043</u>

The weighted average number of ordinary shares for the calculation of basic earnings per share for the three months ended 31 March 2022 and 2021 has been adjusted for the shares held by the trustee pursuant to the share award scheme.

REVIEW OF RESULTS

The financial data for the three months ended 31 March 2022 is based on the internal records and management accounts of the Group and has not been reviewed or audited by the external auditor of the Company.

By order of the Board
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 25 May 2022

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LI Chunlei, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan and Mr. LAW Cheuk Kin Stephen as independent non-executive directors.