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**CSPC**

**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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the nine months ended 30 September</b>		Change
	<b>2020</b>	2019	
	<b>RMB'000</b>	RMB'000	
	<b>(Unaudited)</b>	(Unaudited)	
Revenue by business units:			
Finished drugs	<b>15,712,874</b>	13,387,380	<b>+17.4%</b>
Bulk vitamin C	<b>1,438,454</b>	1,595,692	<b>-9.9%</b>
Bulk antibiotics	<b>762,075</b>	715,060	<b>+6.6%</b>
Others	<b>1,301,810</b>	1,062,642	<b>+22.5%</b>
Total revenue	<b><u>19,215,213</u></b>	<u>16,760,774</u>	<b>+14.6%</b>
Gross profit	<b>14,455,889</b>	11,887,616	<b>+21.6%</b>
Operating profit	<b>4,148,293</b>	3,522,786	<b>+17.8%</b>
Profit attributable to shareholders	<b>3,518,054</b>	2,811,167	<b>+25.1%</b>
Basic earnings per share <i>(Note)</i>	<b>RMB29.43 cents</b>	RMB23.51 cents	<b>+25.2%</b>

*Note:* The weighted average number of ordinary shares for the calculation of basic earnings per share has been adjusted for the effects of the bonus issues that took place on 3 July 2020 and 29 October 2020.

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 nine months ended 30 September 2020 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2020

	<b>For the nine months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>19,215,213</b>	16,760,774
Cost of sales	<b>(4,759,324)</b>	(4,873,158)
Gross profit	<b>14,455,889</b>	11,887,616
Other income	<b>177,034</b>	162,383
Other gains or losses	<b>(61,462)</b>	52,327
Selling and distribution expenses	<b>(7,350,398)</b>	(6,457,985)
Administrative expenses	<b>(751,999)</b>	(583,461)
Research and development expenses	<b>(2,266,327)</b>	(1,501,552)
Other expenses	<b>(54,444)</b>	(36,542)
Operating profit	<b>4,148,293</b>	3,522,786
Finance costs	<b>(8,084)</b>	(30,190)
Share of results of associates	<b>(12,209)</b>	—
Share of results of joint ventures	<b>30,512</b>	34,530
Gain on disposal of subsidiaries	<b>314,901</b>	—
Loss on deemed disposal of a subsidiary	<b>(19,038)</b>	—
Profit before tax	<b>4,454,375</b>	3,527,126
Income tax expense	<b>(879,209)</b>	(680,311)
Profit for the period	<b><u>3,575,166</u></b>	<b><u>2,846,815</u></b>
Profit for the period attributable to:		
Owners of the Company	<b>3,518,054</b>	2,811,167
Non-controlling interests	<b>57,112</b>	35,648
	<b><u>3,575,166</u></b>	<b><u>2,846,815</u></b>
	<b>RMB cents</b>	<b>RMB cents</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
Earnings per share		
— Basic	<b><u>29.43</u></b>	<b><u>23.51</u></b>
— Diluted	<b><u>29.42</u></b>	<b><u>23.51</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the nine months ended 30 September 2020*

	<b>For the nine months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	<u>3,575,166</u>	<u>2,846,815</u>
<b>Other comprehensive income</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on investments in financial assets measured at fair value through other comprehensive income, net of tax	338,776	81,458
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(10,552)</u>	<u>(9,449)</u>
Other comprehensive income for the period, net of tax	<u>328,224</u>	<u>72,009</u>
Total comprehensive income for the period	<u><u>3,903,390</u></u>	<u><u>2,918,824</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	3,846,278	2,883,176
Non-controlling interests	<u>57,112</u>	<u>35,648</u>
	<u><u>3,903,390</u></u>	<u><u>2,918,824</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 nine months ended 30 September 2020 are consistent with those followed in the preparation of the Group's interim financial statements for the six months ended 30 June 2020.

## 2. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (a) Finished drugs — research and development, manufacture and sale of pharmaceutical products;
- (b) Bulk vitamin C — manufacture and sale of vitamin C products in bulk form;
- (c) Bulk antibiotics — manufacture and sale of antibiotic products in bulk form; and
- (d) Others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), glucose products and provision of healthcare services.

Revenue is recognised at a point of time upon control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods.

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

***For the nine months ended 30 September 2020 (Unaudited):***

	Finished Drugs RMB'000	Bulk vitamin C RMB'000	Bulk antibiotics RMB'000	Others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE							
External sales	15,712,874	1,438,454	762,075	1,301,810	19,215,213	—	19,215,213
Inter-segment sales	—	4,355	102,930	16,615	123,900	(123,900)	—
TOTAL REVENUE	<u>15,712,874</u>	<u>1,442,809</u>	<u>865,005</u>	<u>1,318,425</u>	<u>19,339,113</u>	<u>(123,900)</u>	<u>19,215,213</u>
SEGMENT PROFIT	<u>3,530,384</u>	<u>296,870</u>	<u>101,434</u>	<u>268,986</u>			4,197,674
Unallocated income							113,486
Unallocated expenses							(162,867)
Operating profit							4,148,293
Finance costs							(8,084)
Share of results of associates							(12,209)
Share of results of joint ventures							30,512
Gain on disposal of subsidiaries							314,901
Loss on deemed disposal of a subsidiary							(19,038)
Profit before tax							<u>4,454,375</u>

***For the nine months ended 30 September 2019 (Unaudited):***

	Finished Drugs RMB'000	Bulk vitamin C RMB'000	Bulk antibiotics RMB'000	Others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE							
External sales	13,387,380	1,595,692	715,060	1,062,642	16,760,774	—	16,760,774
Inter-segment sales	—	4,403	73,302	4,348	82,053	(82,053)	—
TOTAL REVENUE	<u>13,387,380</u>	<u>1,600,095</u>	<u>788,362</u>	<u>1,066,990</u>	<u>16,842,827</u>	<u>(82,053)</u>	<u>16,760,774</u>
SEGMENT PROFIT	<u>2,927,360</u>	<u>357,654</u>	<u>14,954</u>	<u>218,542</u>			3,518,510
Unallocated income							117,187
Unallocated expenses							(112,911)
Operating profit							3,522,786
Finance costs							(30,190)
Share of results of joint ventures							34,530
Profit before tax							<u>3,527,126</u>

Segment profit represents the profit earned by each segment without allocation of interest income, fair value gain on structured bank deposits, finance costs, central administrative expenses, share of results of associates and joint ventures, gain on disposal of subsidiaries and loss on deemed disposal of a subsidiary. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities are not regularly provided to the CODM for review.

### 3. PROFIT BEFORE TAX

	<b>For the nine months ended 30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	498,468	435,825
Depreciation of right-of-use assets	76,259	61,825
Amortisation of other intangible assets	9,785	14,613
	<u>584,512</u>	<u>512,263</u>
Total depreciation and amortisation		
Fair value gain on structured bank deposits (included in other gains or losses)	(45,336)	(66,194)
Government grant income (included in other income)	(62,781)	(95,014)
Interest income on bank balances (included in other income)	(52,101)	(50,993)
Net foreign exchange loss (gain) (included in other gains or losses)	<u>56,908</u>	<u>(16,196)</u>

*Note:* For the nine months ended 30 September 2019 and 2020, cost of inventories recognised as expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss and other comprehensive income.

#### 4. EARNINGS PER SHARE

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

	<b>For the nine months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b><u>3,518,054</u></b>	<b><u>2,811,167</u></b>
	<b>For the nine months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
		<b>(Restated)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>11,954,570</b>	11,955,101
Effect of dilutive potential ordinary shares: Unvested shares under share award scheme	<b><u>3,003</u></b>	<u>834</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>11,957,573</u></b>	<b><u>11,955,935</u></b>

The weighted average number of ordinary shares for the calculation of basic earnings per share has been adjusted for the effects of the bonus issues that took place on 3 July 2020 and 29 October 2020, and the shares held by the trustee pursuant to the share award scheme.

## **BUSINESS REVIEW**

### **Results**

For the nine months ended 30 September 2020, the Group achieved revenue of RMB19,215 million, representing an increase of 14.6% year-on-year; profit attributable to shareholders of RMB3,518 million, representing an increase of 25.1% year-on-year; and basic earnings per share of RMB29.43 cents.

### **Dividend**

The board of directors of the Company does not declare the payment of dividend for the third quarter of 2020.

### **Finished Drug Business**

Since the novel coronavirus pandemic has been gradually brought under control in China, hospital visit rate has recovered and marketing activities have resumed. The overall operation of the Group has returned to normal. With the efforts put in professional academic-based promotion, hospital development, lower-tier market penetration, clinical application extension and professional sales force expansion, major finished drug products were able to sustain rapid growth and market coverage was further enhanced. Products which won at centralised procurement (such as Keaili and Encun) have taken full advantage of the policy, rapidly occupying hospital market and expanding product market potential. The successful launch of Ouxintuo (歐欣妥) (duloxetine hydrochloride enteric capsules) in September has enriched the Group's product portfolio in the field of nervous system diseases and, together with other newly launched products, brought new sales contributions to the Group.

For the current period, the finished drug business recorded sales of RMB15,713 million, representing an increase of 17.4% over the same period of last year. The sales performance of products by major therapeutic area is as follows.

#### ***Nervous System Disease Products***

Major products include NBP (恩必普) (butylphthalide soft capsules and butylphthalide and sodium chloride injection), Oulaining (歐來寧) (oxiracetam capsules and oxiracetam for injection) and Enxi (恩悉) (pramipexole dihydrochloride tablets). For the current period, nervous system disease products recorded sales of RMB5,987 million, representing an increase of 9.6% year-on-year. Among which the sales of NBP increased by 32.1% and the sales of Oulaining decreased by 65.0%.



### ***Oncology products***

Major products include Duomeisu (多美素) (doxorubicin hydrochloride liposome injection), Jinyouli (津優力) (PEG-rhGCSF injection) and Keaili (克艾力) (paclitaxel for injection (albumin-bound)). For the current period, oncology products recorded sales of RMB4,717 million, representing an increase of 35.4% year-on-year. Among which the sales of Duomeisu, Jinyouli and Keaili increased by 36.3%, 45.2% and 33.1% respectively.

### ***Anti-infective products***

Major products include Shuluoke (舒羅克) (meropenem for injection), Nuomoling (諾莫靈) (amoxicillin capsules), Xianqu/Shiyao (先曲/石藥) (ceftriaxone sodium for injection), Zhongnuo Lixin (中諾立新) (cefuroxime sodium for injection), Xinweihong (新維宏) (azithromycin tablets) and Weihong (維宏) (azithromycin dispersible tablets/capsules/enteric tablets). The adoption of infection control measures to fight the pandemic by the public during the period has led to a drop in the incidence of infection, and the demand for related medicines has also decreased accordingly. For the current period, anti-infective products recorded sales of RMB2,043 million, representing a decrease of 13.8% year-on-year.

### ***Cardiovascular disease products***

Major products include Xuanning (玄寧) (maleate levamlodipine tablets and dispersible tablets), Encun (恩存) (clopidogrel bisulfate tablets), Daxinning (達新寧) (dronedarone hydrochloride tablets), Abikang (阿比康) (aspirin enteric tablets) and Meiluolin (美洛林) (ticagrelor tablets). For the current period, cardiovascular disease products recorded sales of RMB1,762 million, representing an increase of 68.0% year-on-year. In addition to the new sales revenue contributed by Encun, the sales growth of Xuanning has also returned to a more desirable level of 38.1%.

### ***Respiratory disease products***

Major products include Qixiao (琦效) (arbidol hydrochloride tablets), Zhongnuo Like (中諾立克) (ambroxol hydrochloride oral solutions), Zhongnuoping (中諾平) (ambroxol hydrochloride extended-release tablets) and Nuoyian (諾一安) (montelukast sodium tablets/chewable tablets). For the current period, respiratory disease products recorded sales of RMB354 million, representing an increase of 44.2% year-on-year.

### ***Diabetes products***

Major products include Linmeixin (林美欣) (glimepiride dispersible tablets), Shuanglexin (雙樂欣) (metformin hydrochloride tablets/extended-release tablets) and Xinweiping (欣維平) (acarbose tablets). For the current period, diabetes products recorded sales of RMB252 million, representing an increase of 26.9% year-on-year.

### ***Products in other therapeutic areas***

Major products include Gubang (固邦) (alendronate sodium tablets/enteric tablets), Debixin/Ouyi (得必欣/歐意) (omeprazole enteric capsules), Xianpai (先派) (omeprazole injections) and Qimaite (奇邁特) (tramadol hydrochloride tablets). For the current period, products in other therapeutic areas recorded sales of RMB598 million, representing an increase of 4.1% year-on-year.

### **Bulk Vitamin C Business**

The bulk vitamin C business recorded sales of RMB1,438 million for the current period, representing a decrease of 9.9% over the same period of last year. Driven by the pandemic, product prices increased in the second quarter and export volume reached a record high. However, following the slow-down of demand in the export market, product prices fell correspondingly in the third quarter.

### **Bulk Antibiotics Business**

The bulk antibiotics business recorded sales of RMB762 million for the current period, representing an increase of 6.6% over the same period of last year. During the period, market demand was stable and product prices rebounded slightly.

### **Other Businesses**

Other businesses recorded sales of RMB1,302 million for the current period, representing an increase of 22.5% over the same period of last year. The functional food business (including caffeine additives and vitamin supplements) maintained a steady growth.

### **Research and Development**

During the period, the Group has made good progress in respect of R&D as well:

- 1) Obtained drug registration approval for rivaroxaban tablets, montelukast sodium tablets, montelukast sodium chewable tablets, ornithine aspartate injections, bortezomib for injection, celecoxib capsules, acarbose tablets, memantine hydrochloride tablets and duloxetine hydrochloride enteric capsules in China;
- 2) Obtained ANDA approval for omega-3-acid ethyl esters 90 soft capsules, esomeprazole magnesium enteric-coated capsules and paliperidone extended-release tablets in the U.S.;
- 3) New Drug Application for mitoxantrone hydrochloride liposome injection (new preparation) in China was accepted with priority review;
- 4) Completed patient enrolment of the bridging trial of Duvelisib (innovative drug) in China (currently under follow-up);

- 5) Passed the assessment and public notice of the application of Jinyouli and its related technology for the Second Prize of State Scientific and Technological Progress Award;
- 6) Obtained clinical trial approval for irinotecan liposome injection (pancreatic cancer, breast cancer and small cell lung cancer), docetaxel for injection (albumin-bound), SYHA1805 tablets, SYHA1815 tablets, recombinant anti-IgE monoclonal antibody for injection, ALMB-0168, amphotericin B liposome for injection, butylphthalide injections and SYHA1813 oral solutions in China; clinical trial approval for ALMB-0168 in Australia; as well as clinical trial approval for docetaxel for injection (albumin-bound) and Y150 (CD38/CD3 bispecific antibody) in the U.S.; and
- 7) 18 generic drug products (25 specifications) have passed or been deemed to have passed the consistency of quality and efficacy evaluation of generic drugs.

The Group has a leading R&D team of more than 2,000 people in China with over 200 talents with doctorate or overseas experience. Research and development bases are located in Shijiazhuang, Shanghai, Beijing and the U.S., focusing on the discovery, research and development of small molecule target drugs, nano-drugs, monoclonal antibody drugs, bispecific antibody drugs, antibody-drug conjugates and biological drugs in the immune field.

The Group firmly believes in the importance of investing in research and development so that the Group can have strong product and technology innovation capability as well as a rich pipeline of drugs under development. The R&D expenses for the period amounted to RMB2,266 million (charged to profit or loss statement), representing a year-on-year increase of 50.9% and accounting for approximately 14.4% of the finished drug business revenue. At present, there are more than 300 projects in the pipeline, of which over 40 are innovative small molecule drugs, over 50 are innovative macromolecule drugs and over 20 are drugs of new preparation, primarily focusing on the therapeutic areas of oncology, autoimmunity, psychiatry and neurology, digestion and metabolism, cardio-cerebrovascular system and anti-infectives. Currently, there are 28 drug candidates pending drug registration approval, 42 products under clinical trials (including 31 innovative drugs and 11 new preparations), 9 products under bioequivalence tests and 2 products pending clinical trial approval.

The Group's R&D innovation capabilities and projects have received great support from the government. The projects receiving government funding support since the beginning of this year include: 16 major scientific and technological projects for the "13th Five-Year" major new drug innovation projects, 10 scientific and technological plan projects in Hebei Province, 8 scientific and technological plan projects in Shijiazhuang City and a number of high-tech zone policy support projects.

The Group also attaches great importance to the protection of intellectual property rights and actively files patent applications for its research and development projects. Since the beginning of the year, the Group has filed 129 patent applications (96 domestic and 33 overseas) and received 90 authorisations (75 domestic and 15 overseas).

In the three years ahead, the Group is expected to launch more than 50 new products, over 15 of which will be key products with a market potential exceeding RMB1 billion each, providing strong support for the high-quality growth of the Group in the future.

## **REVIEW OF RESULTS**

The financial data for the nine months ended 30 September 2020 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, 23 November 2020

*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 and Mr. CHAK Kin Man as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Prof. LO Yuk Lam, Dr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.*