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CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS

	For the three months ended 31 March		Change
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	
Revenue by business units:			
Finished drugs	5,479,845	5,021,745	+9.1%
Bulk products			
— Vitamin C	523,859	426,297	+22.9%
— Antibiotics and others	389,288	297,240	+31.0%
Functional food and others	340,545	379,951	-10.4%
Total revenue	<u>6,733,537</u>	<u>6,125,233</u>	+9.9%
Underlying profit (<i>Note</i>)	1,471,528	900,876	+63.3%
Gain on disposal of a subsidiary (after tax)	—	258,574	
Profit attributable to shareholders	<u>1,471,528</u>	<u>1,159,450</u>	+26.9%
	<i>RMB cents</i>	<i>RMB cents</i> (Restated)	
Earnings per share			
— Basic	12.29	9.68	+27.0%
— Diluted	12.29	9.68	+27.0%

Note: Underlying profit, a non-HKFRS measure, represents profit before taking into account gain on disposal of a subsidiary.

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 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2021

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	6,733,537	6,125,233
Cost of sales	<u>(1,549,407)</u>	<u>(1,595,952)</u>
Gross profit	5,184,130	4,529,281
Other income	50,333	35,025
Other gains or losses	98,285	34,973
Selling and distribution expenses	(2,620,356)	(2,550,933)
Administrative expenses	(216,760)	(277,784)
Research and development expenses	(691,293)	(568,138)
Other expenses	(13,804)	(39,675)
Share of results of joint ventures	10,082	8,412
Share of results of associates	(13,739)	96
Gain on disposal of a subsidiary	—	286,232
Finance costs	<u>(2,833)</u>	<u>(2,177)</u>
Profit before tax	1,784,045	1,455,312
Income tax expense	<u>(286,427)</u>	<u>(283,175)</u>
Profit for the period	<u><u>1,497,618</u></u>	<u><u>1,172,137</u></u>
Profit for the period attributable to:		
Owners of the Company	1,471,528	1,159,450
Non-controlling interests	<u>26,090</u>	<u>12,687</u>
	<u><u>1,497,618</u></u>	<u><u>1,172,137</u></u>
	<i>RMB cents</i>	<i>RMB cents</i> (Restated)
Earnings per share		
— Basic	<u>12.29</u>	<u>9.68</u>
— Diluted	<u>12.29</u>	<u>9.68</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	For the three months ended 31 march	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,497,618</u>	<u>1,172,137</u>
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on financial assets measured at fair value through other comprehensive income, net of tax	24,361	63,045
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>15,465</u>	<u>(1,663)</u>
Other comprehensive income for the period, net of income tax	<u>39,826</u>	<u>61,382</u>
Total comprehensive income for the period	<u><u>1,537,444</u></u>	<u><u>1,233,519</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,511,354	1,220,832
Non-controlling interests	<u>26,090</u>	<u>12,687</u>
	<u><u>1,537,444</u></u>	<u><u>1,233,519</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 2021 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2020.

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 are as follows:

- (a) Finished drugs — research and development, manufacture and sale of pharmaceutical products;
- (b) Bulk products — manufacture and sale of vitamin C, antibiotic and other products in bulk powder form;
- (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 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 joint ventures							10,082
Share of results of associates							(13,739)
Finance costs							<u>(2,833)</u>
Profit before tax							<u>1,784,045</u>

For the three months ended 31 March 2020 (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	5,021,745	426,297	297,240	379,951	6,125,233	—	6,125,233
Inter-segment sales	—	1,484	48,709	3,249	53,442	(53,442)	—
TOTAL REVENUE	<u>5,021,745</u>	<u>427,781</u>	<u>345,949</u>	<u>383,200</u>	<u>6,178,675</u>	<u>(53,442)</u>	<u>6,125,233</u>
SEGMENT PROFIT	<u>1,007,060</u>	<u>43,479</u>	<u>14,188</u>	<u>84,507</u>	<u>1,149,234</u>		1,149,234
Unallocated income							42,797
Unallocated expenses							(29,282)
Share of results of joint ventures							8,412
Share of results of associates							96
Gain on disposal of a subsidiary							286,232
Finance costs							<u>(2,177)</u>
Profit before tax							<u>1,455,312</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, share of results of joint ventures and associates and gain on disposal of a subsidiary. 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

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of other intangible assets	3,773	3,132
Depreciation of right-of-use assets	34,481	22,222
Depreciation of property, plant and equipment	174,703	168,260
Depreciation of investment property	430	—
Total depreciation and amortisation	<u>213,387</u>	<u>193,614</u>
Fair value changes on financial assets measured at FVTPL (included in other gains or losses)	(81,260)	—
Fair value changes on structured bank deposits (included in other gains or losses)	(15,011)	(18,021)
Government grant income (included in other income)	(7,879)	(29,935)
Interest income on bank balances (included in other income)	(22,660)	(13,913)
Net foreign exchange gain (included in other gains or losses)	<u>(3,998)</u>	<u>(17,674)</u>

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 2021 and 2020.

4. GAIN ON DISPOSAL OF A SUBSIDIARY

During the three months ended 31 March 2020, the Group entered into sales and purchase agreements with an independent third party to dispose of its 99.39% equity interest in Shijiazhuang Zhongrun Pharmaceutical Technology Limited for a total cash consideration of approximately RMB503,046,000, resulting in a gain of approximately RMB286,232,000.

BUSINESS REVIEW

RESULTS

For the three months ended 31 March 2021, the Group's revenue increased by 9.9% to RMB6,734 million and profit attributable to shareholders increased by 26.9% to RMB1,472 million. Basic earnings per share increased similarly to RMB12.29 cents.

Finished Drug Business

Under the operating environment of deepening healthcare reform and intensifying market competition, the Group continued to adopt measures such as professional academic promotion, hospital development, lower-tier market penetration, clinical application exploration and professional sales team expansion in order to drive the continuous growth of the finished drug business. For the first quarter of the year, the finished drug business achieved stable growth with sales reaching RMB5,480 million, representing an increase of 9.1% over the same period of last year. The sales performance by therapeutic area is as follows:

Nervous System Disease Products

Major products include NBP (恩必普) (butylphthalide soft capsules and butylphthalide sodium chloride injection), Oulaining (歐來寧) (oxiracetam capsules and oxiracetam for injection), Shuanling (舒安靈) (pentoxifylline extended-release tablets and pentoxifylline injection), Enxi (恩悉) (pramipexole dihydrochloride tablets) and Oulaituo (歐來妥) (memantine hydrochloride tablets). For the current period, nervous system disease products recorded sales of RMB1,795 million, representing a year-on-year increase of 8.5%, with the sales of NBP increased by 8.7%; Oulaining decreased by 33.8% and Shuanling increased by 647.5%. The new edition of National Reimbursement Drug List was implemented in March, NBP also began to sell at the new market prices. With the strong market foundation laid by the previous continuous academic education, and the significantly improved accessibility and competitiveness of the product after price reduction, sales volume demonstrated a rapid growth trend. The volume of non-reimbursable prescriptions generated by the on-line hospitals established last year has even seen an explosive growth. The fast-growing sales volume is rapidly alleviating the impact of price reduction on results. At the beginning of the year, Enxi won the fourth round of national centralised procurement at an optimal price, having a chance of becoming a new growth drive following its nationwide implementation in May.

Oncology products

Major products include Duomeisu (多美素) (doxorubicin hydrochloride liposome injection), Jinyouli (津優力) (PEG-rhG-CSF injection), Keaili (克艾力) (paclitaxel for injection (albumin-bound)) and Wankedada (萬可達) (bortezomib for injection). For the current period, oncology products recorded sales of RMB1,869 million, representing a year-on-year increase of 20.4%, with the sales of Duomeisu increased by 60.1%, Keaili increased by 8.4% (sales volume increased by 252%, product price in the corresponding period of last year was before implementation of the centralised procurement results) and Jinyouli increased by 2.3%.

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), Zhongnuolixin (中諾立新) (cefuroxime sodium for injection), Xinweihong (新維宏) (azithromycin tablets) and Weihong (維宏) (azithromycin dispersible tablets/capsules/enteric tablets). For the current period, anti-infective products recorded sales of RMB701 million, representing a year-on-year decrease of 9.6%.

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 RMB719 million, representing a year-on-year increase of 23.5%, with the sales of Xuanning increased by 25.5%. Encun has entered the second year of centralised procurement with significant increase in procurement volume quoted in provinces won, driving sales for the current period to increase by 19.9%.

Respiratory disease products

Major products include Qixiao (琦效) (arbidol hydrochloride tablets), Zhongnuolike (中諾立克) (ambroxol hydrochloride oral solution), 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 RMB107 million, representing a year-on-year decrease of 44%.

Digestion and metabolism disease products

Major products include Linmeixin (林美欣) (glimepiride dispersible tablets), Shuanglexin (雙樂欣) (metformin hydrochloride tablets/extended-release tablets), Xinweiping (欣維平) (acarbose tablets) and Debixin (得必欣) (omeprazole enteric capsules). For the current period, digestion and metabolism disease products recorded sales of RMB118 million, representing a year-on-year decrease of 9%.

Products in other therapeutic areas

Major products include Gubang (固邦) (alendronate sodium tablets/enteric tablets), Qimaite (奇邁特) (tramadol hydrochloride tablets) and Youdening (優德寧) (celecoxib capsules). For the current period, products in other therapeutic areas recorded sales of RMB171 million, representing a year-on-year increase of 23.7%.

Bulk Product Business

Benefited from product price increase, vitamin C products recorded sales of RMB524 million for the current period, representing a year-on-year increase of 22.9%. The sales of antibiotic and other products also increased by 31% to RMB389 million as a result of sales volume increase.

Functional Food and Others Business

The business recorded sales of RMB341 million for the current period, representing a year-on-year decrease of 10.4%, mainly due to sales volume decrease.

Research and Development

With innovation as the core development strategy, the Group has continued to increase its investment in research and development (R&D) in recent years. Such R&D investment has strengthened the product pipeline under development and begun to reach the harvest stage. Since the beginning of the year, the Group has made the following progress in R&D:

- 1) Anfulike (安複利克) (amphotericin B cholesteryl sulfate complex for injection) obtained drug registration approval in China and was successfully launched on 3 May. Amphotericin B is one of the most effective drugs with the broadest antimicrobial spectrum for prevention and treatment of invasive fungal infections. Compared with same product type available in the domestic market, the product could significantly reduce nephrotoxicity and increase dosage, demonstrating obvious clinical advantages;
- 2) The application for marketing approval of COPIKTRA (克必妥) (duvelisib capsules) in China was accepted and granted priority review. The product was granted marketing approval by the U.S. Food and Drug Administration (FDA) in September 2018, being the first approved dual PI3K- δ and PI3K- γ inhibitor for treatment of adult patients with relapsed/refractory follicular lymphoma after at least two prior systemic therapies;
- 3) NBL-012 injection, JMT101 injection, SYHX1901 tablets, JMT601 injection, SG001 (PD-1) injection in combination with Keaili for treatment for platinum-resistant relapsed epithelial ovarian cancer, SG001 (PD-1) injection in combination with Duomeisu for treatment for PD-L1 positive platinum-resistant relapsed epithelial ovarian cancer, SKLB1028 capsules in combination with azacitidine for treatment-naïve AML patients with FLT3 mutation, SKLB1028

capsules in combination with standard treatment “7+3” for treatment-naive AML patients with FLT3 mutation, irinotecan liposome injection (advanced solid tumors), SYHA1811 tablets obtained clinical trial approval in China;

- 4) JMT601 injection, NBL-012 injection obtained clinical trial approval in the U.S.;
- 5) SYSA1801 injection, NBL-015 injection obtained orphan-drug designation in the U.S.;
- 6) Entecavir tablets, esomeprazole magnesium enteric capsules, nintedanib esilate soft capsules, sorafenib tosylate tablets, sitagliptin phosphate tablets, agoliptin benzoate tablets obtained drug registration approval in China;
- 7) Paroxetine hydrochloride enteric capsules, carbamazepine extended-release tablets obtained ANDA approval in the U.S.; and
- 8) 11 generic drug products (19 specifications) have passed or deemed to have passed the consistency of quality and efficacy evaluation of generic drugs.

The R&D expenses for the current period amounted to RMB691 million (charged to profit or loss statement), representing a year-on-year increase of 21.7% and accounting for approximately 12.6% of the revenue of the finished drug business. At present, there are around 300 projects in the pipeline, comprising over 40 innovative small molecule drugs, over 40 innovative macromolecule drugs and over 20 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. There are currently 30 products pending drug registration approval, 39 products under clinical trials (including 31 innovative drugs and 8 drugs of new preparation) and 5 products pending clinical trial approval.

The Group actively files patent applications for its R&D projects. Since the beginning of the year, the Group has filed 72 patent applications (43 domestic, 21 overseas and 8 patent cooperation treaty (PCT) applications); and received 18 authorisations (10 domestic and 8 overseas).

In the three years ahead, the Group is expected to launch more than 60 new products, not less than 15 of which will be key products with market potential exceeding RMB1 billion each. In addition, products developed on the nanotechnology platform, such as mitoxantrone liposomes, docetaxel albumin nanoparticles and paclitaxel albumin nanoparticles (fast dissolving), are all heavyweight products with global patents and great market value. The launch of these products will certainly provide strong support to the Group’s high-quality growth in the future.

Business Development

The Group is actively looking for acquisition and cooperation opportunities to strengthen its product pipeline and make full use of its strong sales platform. During the first quarter, the Group has obtained licenses and commercialisation rights for Rezivertimib Mesylate Capsules (a third generation irreversible EGFR-TKI) and CM310 (an anti-IL-4R α recombinant humanized antibody). The application for marketing approval of Rezivertimib Mesylate Capsules in China has been accepted in May 2021.

REVIEW OF RESULTS

The financial data for the three months ended 31 March 2021 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, 24 May 2021

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.