SINO BIOPHARMACEUTICAL LIMITED
中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)
Website: www.sinobiopharm.com
(Stock code: 1177)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER, 2017

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2017, the Group recorded the following audited operational results:

– Profit attributable to owners of the parent was approximately RMB2,170.95 million, approximately 32.6% higher than that of the last year;

– The basic earnings per share were approximately RMB29.29 cents, approximately 32.6% higher than that of the last year;

– Sales of new products accounted for approximately 13.1% of the Group's total revenue; and

– Cash and bank balances as at 31 December, 2017 was approximately RMB4,188.14 million.

The board of directors (the "Board") of the Company has recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December, 2017. Together with the quarterly dividend of HK1.5 cents per share paid for the first quarter, HK2 cents for the second quarter and HK2 cents for the third quarter, the total dividend of the year amounted to HK7.5 cents per share.

The Board has also proposed a bonus issue of shares on the basis of one bonus share of every two existing share held by the shareholders of the Company, which is subject to the shareholders' approval at the forthcoming annual general meeting of the Company. Further details of this bonus issue will be disclosed in further announcement and circular to published by the Company.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the "Company"), together with its subsidiaries (the "Group"), is a leading and innovation driven pharmaceutical enterprise in the PRC. Our business encompasses a fully integrated chain which spans from research and developments ("R&D") to manufacture and sales of pharmaceutical products. The Group's products have gained a competitive foothold in various therapeutic categories with promising potentials, covering a vast array of biopharmaceutical, chemical and modernized Chinese medicines for treating liver diseases, tumours, cardio-cerebral diseases, analgesia, respiratory system diseases, orthopedic diseases. In order to enhance our sustainable competitiveness, the Group attaches great importance to R&D breakthrough 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, with a view to bringing about commercialization of world-frontier R&D efforts for the benefit of 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 segment. Meanwhile, the Group actively explores ways to utilize new technologies in Big Data, Artificial Intelligence and Financial Technology to continuously enhance the efficiency of our management, R&D, manufacturing and sales activities.

Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Runzhong (Entecavir) dispersible tablets, Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules
Cardio-cerebral medicines:	Kaishi (Alprostadil) injections, Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Tianqingning (Hydroxyethylstarch 130) injections, Beraprost Sodium tablets
Oncology medicines:	Zhiruo (Palonosetron Hydrochloride) injections, Saiweijian (Raltitrexed) injections, Tianqingyitai (Zoledronic Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections, Zepusi Flurbiprofen Cataplasms
Orthopedic medicines:	New Ossified Triol capsules, Jiuli (Glucosamine Hydrochloride) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng fructose injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets
Anorectal medicines:	Getai (Diosmin) tablets, Aisuping (Esomeprazole Sodium) injections

Products with great potential:

Hepatitis medicines:	Tianding (Entecavir Maleate) tablets, Tenofovir Disoproxil Fumarate tablets
Cardio-cerebral medicines:	Tianqingganan (Glycerin and Fructose) injections, Yifanli Xylitol injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections, Yinishu (Dasatinib) tablets Qingweike (Decitabine for injections), Gelike (Imatinib Mesylate) capsules, Shoufu (Capecitabine) tablets
Orthopedic medicines:	Yigu (Zoledronic Acid) injections
Respiratory system medicines:	Zhongchang (Fudosteine) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets

The medicines which have received Good Manufacturing Practice ("GMP") certifications issued by the State Food and Drug 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.

Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide") has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Thus, the 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 Group's several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Holdings Co. Ltd. ("CT Tianqing"), 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"), Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. ("Qingdao CT Haier") and Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong") have been designated "High and New Technology Enterprises". CT Tianqing was designated "2011 Most Valuable Investment Enterprise of the PRC Pharmaceutical Enterprises" from the PRC Pharmaceutical Industry Information Centre. In addition, NJCTT, Jiangsu CT Qingjiang and Jiangsu CT Fenghai have been designated "Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry injections of Jiangsu Province", "Orthopedic Medicines Engineering Technological Research Centre" 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.

In September 2011, CT Tianqing has 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 has been selected as a constituent of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

The Company has become 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 ranked as "Top 500 Companies in China" by Fortune China for two consecutive years of 2015 and 2016.

The Company has been included on Forbes Asia's "Fabulous 50" list for 2016 among Asia Pacific's biggest publicly-traded companies on 25 August, 2016.

The Company has been ranked as "2017 Asia's Fab 50 Companies" by Forbes Asia on 23 August, 2017.

In December 2017, Tenofovir Disoproxil Fumarate tablet was the first generic drug in the PRC that has completed the bioequivalence study according to the "Consistency of Quality and Efficacy Evaluation for Generic Drugs" ("Consistency Evaluation") standard. The Group became the first enterprise which passed the Consistency Evaluation.

In January 2018, Tuotuo 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the year under review, the global economy has progressed along a broad-based recovery path with a generally favourable sentiment towards increased investment, the warming up of the manufacturing industry and the steady growth in international trade. For its part, the PRC economy has continued to grow steadily and progressively, achieving a better-than-expected actual GDP growth of 6.9%. Against this favourable macroeconomic backdrop, the medical industry has continued to push forward with reform of the public hospital system. With the implementation of a hierarchical diagnosis and treatment system, the policies of encouraging patients to first visit a community hospital for diagnosis and treatment has presented greater challenges and higher costs for sales of pharmaceutical products. At the same time, the implementation of a "two-invoice" system for procurement of medicines and cancellation of a mark-up on medicines across the country's hospitals have accelerated the adjustment of the medicine circulation system. Additional factors, including the continued control over medical insurance reimbursement, the reduction of medicine prices and the rising prices of Active Pharmaceutical Ingredients (API) as a result of stricter environmental requirements, have further reduced the profitability of manufacturers of generic drug products. On the other hand, the adjustment of the lists of medicines approved for coverage under basic medical insurance, work injuries insurance and maternity insurance has been completed by the Ministry of Human Resources and Social Security of the People's Republic of China (MOHRSS). At the same time, the first revisions in eight years were made to the "Medicines List for National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance". The subsequent adjustment of the list of medicines approved for medical insurance coverage in all provinces has positively benefitted those companies whose products were included. The government's more favourable standards for subsidising medical insurance and promotion of the new rural cooperative medical scheme, which allows reimbursement of medical expenses in other places across many provinces, represent a significant development in the medicine market. During the year under review, the pharmaceutical industry has generally achieved a steady course of development and the consolidation of enterprises within the industry has become more evident.

Business Review

With the flexible marketing strategies and strong R&D power, the Group recorded the brilliant results during the year under review despite various challenges in the market:

(a) Before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to owners of the parent was approximately RMB2,073.82 million and approximately RMB2,170.95 million, respectively, approximately 20.8% and approximately 32.6% higher than that of the last year, respectively. Based on the profit attributable to owners of the parent before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share were approximately RMB27.98 cents and approximately RMB29.29 cents, respectively, approximately 20.8% and approximately 32.6% higher than that of the last year, respectively;

(b) The Group recorded revenue of approximately RMB14,819.30 million, an increase of approximately 9.4% over the last year, a compound growth rate of 17.2% for years from 2013 to 2017;

(c) As at 31 December, 2017, cash and bank balances totaled approximately RMB4,188.14 million, an increase of approximately RMB422.27 million as compared with the last year;

(d) For the three years ended 31 December, 2017, the total amount of various kinds of taxes paid by the Group was over RMB10 billion;

(e) For the year ended 31 December, 2017, a total of 32 products recorded sales of over RMB100 million each, an increase of 4 products as compared with the last year;

(f) For the year ended 31 December, 2017, the R&D expenditure (which was charged to the statement of profit or loss) of approximately RMB1,595.31 million amounted to approximately 10.8% of the Group's revenue, being the forefront among the PRC pharmaceutical companies;

(g) The Group currently owns 10 R&D bases with over 2,000 R&D staff. Cumulatively, a total of 477 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval;

(h) Sale networks are distributed over the whole country and cover over 90% hospitals in the PRC with over 11,000 professional sales staff;

(i) Land resources at Beijing, Qingdao, Lianyungang and Nanjing, including those already in use and those developable, amount to more than 1.33 million square meters, which are sufficient to satisfy the medium to long term needs for the development of production and R&D of the Group; and

(j) Since the listing on the Stock Exchange of Hong Kong Limited in 2000 and taking account of the recommendation of a final dividend for the year under review, the Company has accumulatively distributed the cash dividend of approximately HK$4,000.44 million to its shareholders.

During the year under review, the ongoing strict regulation of medical insurance reimbursement, the lower percentage of the income of medicines to hospitals and the reduction of product prices had an obviously adverse influence on the main products of the Group with a longer market history. To address this issue, the Group has proactively adjusted its marketing strategy and devoted greater efforts to developing the hospital market in order to increase the coverage of products across hospitals. Meanwhile, the Group has also raised the Group's brand awareness across various channels through a variety of means and improved its service quality under the professional chronic disease management model to expand the number of patients for its drugs and to increase the output of its existing hospital network. The Group's main products including Runzhong, Tianqingganmei, Yilunping, Tuotuo, Xinhaineng have maintained reasonable growth. Products for relieving pain including Flurbiprofen Cataplasm injections and Flurbiprofen Cataplasm have also enjoyed substantial growth. After revamping its marketing model for the Gaisanchun (Ossified Triol Capsules), the Group has achieved satisfactory results in this category. Sales of Aisuping, a new injectable anorectal medicine, achieved breakthrough growth after commencing several rigourous evidence-based medicine studies and enhanced promotion efforts in the academic field. In addition, respiratory medicines such as Tianqingsule, hepatitis medicines such as Tianding tablets and Gangze capsules, oncology medicines such as Gelike, Qingweike and Yinishu tablets have all recorded stable growth.

Its subsidiaries CT Tianqing and Beijing Tide were again ranked among the Top 100 Pharmaceutical Manufacturers selected by the Ministry of Industry and Information Technology (MIIT) and were ranked 16th and 50th, respectively for 2016. Moreover the Group has achieved promising results in its R&D activities. Sales of Tenofovir Disoproxil Fumarate raw materials and tablets have been formally approved, which has enriched the anti-virus product range. Tuotuo, a medicine for lowering blood lipid, was among the first batch of drugs and the first generic drug of its kind that passed the Consistency Evaluation in the PRC. Moreover, the subsidiary CT Tianqing has been ranked first among the Top 20 industrial enterprises for medicine pipelines selected by MIIT, a truly noteworthy achievement. Beijing Tide was awarded the 4th place of "Pharmaceutical Industry Enterprises with most investment value in the PRC" in 2017.

During the year under review, the Group has filed 33 clinical applications and 38 production applications. In 2017, 54 applications were granted clinical approval and two were granted production approval. The Group has filed 337 new patent applications, including 308 for inventions. It has also earned 62 patents, including 59 invention patents.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. Leveraging on its existing medicine series for treating hepatitis and cardio-cerebral diseases, the Group also actively develops oncology medicines, analgesic medicines, orthopedic medicines, anti-infectious medicines, parenteral nutritious medicines, respiratory system medicines, anorectal medicines and diabetic medicines, etc.

Hepatitis medicines

For the year ended 31 December, 2017, the sales of hepatitis medicines amounted to approximately RMB6,543.25 million, representing approximately 44.2% of the Group's revenue.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combat hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice have the dual effects of liver protection and lowering enzyme level. For the year ended 31 December, 2017, its sales amounted to approximately RMB109.61 million. After the expiration of the protection period of the product, many replicas have emerged in the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine amounted to approximately RMB403.75 million in the year under review. In 2005, CT Tianqing launched the patented medicine Tianqingganmei injections, which are made with Isoglycyrrhizinate separated from Licorice and have bright prospects. During the year under review, the product recorded the sales of approximately RMB1,925.28 million, an increase of approximately 4.0% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the year ended 31 December, 2017, its sales amounted to approximately RMB323.55 million.

CT Tianqing's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval certificate and production approval in February 2010, making CT Tianqing the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market in March 2010. For the year ended 31 December, 2017, the sales amounted to approximately RMB3,168.68 million, an increase of approximately 4.8% against the same period last year. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine used mainly for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Entecavir was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines. Another product, Tianding tablets, was launched in April 2013, its sales amounted to approximately RMB389.48 million for the year ended 31 December, 2017, an increase of approximately 65.5% against the same period last year. For the year ended 31 December, 2017, the sales of Ganze (Entecavir) capsules amounted to approximately RMB128.97 million, an increase of approximately 62.3% against the same period last year.

Cardio-cerebral medicines

For the year ended 31 December, 2017, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of cardio-cerebral medicines amounted to approximately RMB2,980.97 million, representing approximately 16.3% of the adjusted enlarged revenue of the Group. The consolidated sales of cardio-cerebral medicines of the Group amounted to approximately RMB1,525.30 million, representing approximately 10.3% of the Group's revenue.

NJCTT's Tianqingning injections is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the year ended 31 December, 2017, the product recorded the sales of approximately RMB172.74 million, an increase of approximately 1.7% against the same period last year. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately RMB634 million for the year ended 31 December, 2017, a year-on-year increase of approximately 17.9%. For the year ended 31 December, 2017, the sales of Tuotuo calcium tablets amounted to approximately RMB567.39 million, a year-on-year increase of approximately 5.7%.

Kaishi injections works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first lipo-microsphere targeted sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market and occupy a large portion of market share. It received many awards from various countries since launched and has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. For the year ended 31 December, 2017, the sales of Kaishi injections amounted to approximately RMB1,090.23 million. Applying the technology of micro-solid dispersion with microgram precision, Beraprost Sodium tablets can explicitly improve the ulcer, intermittent claudication, pain and cold symptom from the chronic arterial occlusion. For the year ended 31 December, 2017, the sales of Beraprost sodium tablets amounted to approximately RMB365.45 million, an increase of approximately 25.4% as compared with the same period last year.

Oncology medicines

For the year ended 31 December, 2017, the sales of oncology medicines amounted to approximately RMB1,597 million, representing approximately 10.8% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the year ended 31 December, 2017, sales of Zhiruo injections amounted to approximately RMB242.26 million. The sales of Saiweijian injections amounted to approximately RMB333.87 million during the year under review, an increase of approximately 12.4% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately RMB214.83 million during the year under review, an increase of approximately 5.3% as compared with the same period last year. For the year ended 31 December, 2017, the sales of a new product, Qingweike injections, amounted to approximately RMB169.51 million, an increase of 26.9% as compared with the same period last year. Shoufu tablets was launched in February 2014. For the year ended 31 December, 2017, its sales amounted to approximately RMB161.26 million, an increase of approximately 5.1% as compared with the same period last year. Sales of Gelike capsules for the year ended 31 December, 2017 amounted to approximately RMB174.09 million, an increase of approximately 31.2% as compared with the same period last year. Sales of Yinishu tablets for the year ended 31 December, 2017 amounted to approximately RMB108.71 million, an increase of approximately 46.6% as compared with the same period last year.

Analgesic medicines

For the year ended 31 December, 2017, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of analgesic medicines amounted to approximately RMB2,054.65 million, representing approximately 11.2% of the adjusted enlarged revenue of the Group.

Launched in 2005, the analgesic medicine Kaifen injections is a Flurbiprofen Axetil lipo-microsphere targeted sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is developed and manufactured by Beijing Tide and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the year ended 31 December, 2017 amounted to approximately RMB1,572.92 million, approximately 31.6% higher than that of the same period last year. Another product for relieving non-surgical joint soft tissue pain is Flurbiprofen Cataplasm, its sales for the year ended 31 December, 2017 amounted to approximately RMB432.72 million, approximately 59.0% higher than that of the same period last year.

Orthopedic medicines

For the year ended 31 December, 2017, the sales of orthopedic medicines amounted to approximately RMB1,251.02 million, representing approximately 8.4% of the Group's revenue.

The main product of orthopedic medicines is the New Ossified Triol capsules. For the year ended 31 December, 2017, its sales amounted to approximately RMB847.65 million, rose by approximately 17.1% as compared with the same period last year. For the year ended 31 December, 2017, the sales of another product, Jiuli tablets, amounted to approximately RMB242.68 million, an increase of approximately 35.1% against the same period last year.

Anti-infectious medicines

For the year ended 31 December, 2017, the sales of anti-infectious medicines amounted to approximately RMB846.92 million, representing approximately 5.7% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the year ended 31 December, 2017, its sales amounted to approximately RMB636.92 million. For the year ended 31 December, 2017, the sales of another product, Tianjie tablets, amounted to approximately RMB155.06 million, an increase of approximately 42.5% against the same period last year.

Anorectal medicines

For the year ended 31 December, 2017, the sales of anorectal medicines amounted to approximately RMB763.22 million, representing approximately 5.2% of the Group's revenue.

The main product of anorectal medicines is Getai tablets. For the year ended 31 December, 2017, its sales amounted to approximately RMB217.99 million, an increase by approximately 12.8% as compared with the same period last year. A new product, Aisuping (Esomeprazole Sodium) injection was launched in May 2016. Its sales amounted to approximately RMB469.14 million for the year ended 31 December, 2017, a significant increase by approximately 1205.5% as compared with the same period last year.

Parenteral nutritious medicines

For the year ended 31 December, 2017, the sales of parenteral medicines amounted to approximately RMB703.32 million, representing approximately 4.7% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the year ended 31 December, 2017, its sales amounted to approximately RMB492.33 million. For the year ended 31 December, 2017, the sales of Fenghaineng fructose injections amounted to approximately RMB202.66 million.

Respiratory system medicines

For the year ended 31 December, 2017, the sales of respiratory medicines amounted to approximately RMB657.18 million, representing approximately 4.4% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the year ended 31 December, 2017, its sales amounted to approximately RMB413.29 million, an increase by approximately 30.7% as compared with the same period last year. For the year ended 31 December, 2017, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately RMB172.31 million, an increase by approximately 6.7% as compared with the same period last year.

Diabetic medicines

For the year ended 31 December, 2017, the sales of diabetic medicines amounted to approximately RMB107.85 million, representing approximately 0.7% of the Group's revenue.

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 100 million diabetics in the PRC and the Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilize a patient's blood sugar level. For the year ended 31 December, 2017, the sales of the product amounted to approximately RMB89.39 million, an increase by approximately 20.6% as compared with the same period last year.

AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December, 2017, the Group had the non-current available-of-sale ("AFS") investment of approximately RMB540.14 million (31 December, 2016: approximately RMB369.45 million *(restated)*) and current AFS investment of approximately RMB2,647.43 million (31 December, 2016: approximately RMB2,122.36 million *(restated)*). Non-current AFS investments are certain unlisted equity investments and current AFS investments are the wealth management products and trust funds. For wealth management products and trust funds, the Group has entered into the investment contracts with several PRC institutions, including Ping An Bank (approximately RMB480 million), Xiamen International Bank (approximately RMB390 million), Jiangsu Bank (approximately RMB370 million), Bank of Communication (approximately RMB215 million), Ningbo Bank (approximately RMB190 million), Xingye Bank (approximately RMB182 million) and other banks and trusts (approximately RMB820.43 million) during the year. Current AFS investments, representing approximately 12.6% of the total assets of the Group, mainly consisted of the principal-guaranteed with floating return products with relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board 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.

FINANCIAL ASSETS/EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December, 2017, the Group had (i) non-current financial assets designated as at fair value through profit or loss of approximately RMB190.42 million (31 December, 2016: approximately RMB147.93 million *(restated)*) which are the convertible bonds of Karolinska Development AB with an aggregate nominal value of SEK272,858,294 and 8% interest per annum; and (ii) current equity investments at fair value through profit or loss of approximately RMB943.73 million (31 December, 2016: approximately RMB408.56 million *(restated)*) which were investments in various listed shares. The Group recorded the realized gain on the disposal of the equity investments of approximately RMB88.73 million and unrealized fair value gain on the financial assets and equity investments of approximately RMB97.13 million for the year ended 31 December, 2017. The Board believes that the investment in financial assets and equity investments 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 cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the fourth quarter, the Group was granted 3 clinical approvals, 9 new clinical applications and 15 production applications. Cumulatively, a total of 477 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 54 were for cardio-cerebral medicines, 37 for hepatitis medicines, 202 for oncology medicines, 22 for respiratory system medicines, 26 for diabetic medicines and 136 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. In light of the fact that R&D continues to be the lifeblood of the Group's development, the Group continues to devote into more resources. For the year ended 31 December, 2017, the R&D expenditure of approximately RMB1,595.31 million, which accounted for approximately 10.8% of the Group's revenue, was charged to the statement of profit or loss.

The Group also places major emphasis 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 fourth quarter, the Group has received 17 authorized patent notices (16 invention patents and 1 apparel design patents) and filed 64 new patent applications (51 invention patents, 6 utility model patents and 7 apparel design patent). Cumulatively, the Group has obtained 591 invention patent approvals, 13 utility model patents and 58 apparel design patents.

INVESTOR RELATIONS

The Group has a long-standing commitment to maintaining high standards of corporate governance so as to ensure its sustainable long-term development. During the year under review, the Group has maintained effective communications with investors via various channels. These communications have deepened local and overseas investors' understanding towards the Group's business and its latest business developments. The Group also understands the importance of good investor relations to corporate management, therefore, efforts have also been undertaken to solicit opinions and to obtain pertinent information through regular investor meetings in order to further upgrade its corporate governance standards.

During the year under review, the Group has proactively lobbied with a number of initiatives to deliver the latest business information to investors in a timely manner. It has participated in a number of large scale investor conferences and roadshows held in Europe, the United States and Asia, including "The 35th Annual J.P. Morgan Healthcare Conference", "Credit Suisse 20th Annual Asian Investment Conference", "Deutsche Bank 8th Annual dbAccess Asia Conference 2017", "Morgan Stanley Third Annual China Summit", "J.P. Morgan 13th Global China Summit", "Citi China Investor Conference 2017, Macau", "Bank of America Merrill Lynch 2017 China Conference", "Morgan Stanley Sixteenth Annual Asia Pacific Summit" and "Citi Greater China Corporate Day 2017 (Theme: Healthcare)". Moreover, the Group has arranged factory site visits, teleconferences and one-on-one meetings with international and local institutional investors. Altogether, these investor relations events have helped more than 330 potential investors to increase their knowledge about the Group's latest development and operations, thereby solidifying the confidence of shareholders, investors and customers in the Group's business.

In addition, the Group posts its annual and interim reports, and issues quarterly, interim and annual results announcements, disclosures and circulars on its corporate website as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group also issues corporate announcements in a timely manner to inform shareholders and investors about its latest developments, further facilitating a high degree of transparency.

BONUS ISSUE OF SHARES

The Board has proposed a bonus issue of shares on the basis of one bonus share for every two existing shares held by the shareholders of the Company, which is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. Further details of the bonus issue, including the relevant details of the resolutions to be passed by the shareholders of the Company and the record date of such entitlements, will be disclosed in further announcement and circular to be published by the Company.

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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules") for the year ended 31 December, 2017 except for the deviation from Code Provision A.6.7 in relation to attendance of the annual general meeting of the Company (the "AGM") by Independent Non-executive Director ("INED"). An INED was unable to attend the AGM held on 22 June, 2017 due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, it was confirmed that for the year ended 31 December, 2017 all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the year under review, the Group's primary sources of funds were cash derived from operating activities and bank borrowings. As at 31 December, 2017, the Group's cash and bank balances were approximately RMB4,188.14 million (31 December, 2016: approximately RMB3,765.87 million *(restated)*).

CAPITAL STRUCTURE

As at 31 December, 2017, the Group had short term loans of approximately RMB741.31 million (31 December, 2016: approximately RMB1,369.47 million *(restated)*) and had long term loans of approximately RMB2,209.90 million (31 December, 2016: approximately RMB1,678.97 million *(restated)*).

CHARGE ON ASSETS

As at 31 December, 2017, the Group had the charge on assets of approximately RMB401.76 million (31 December, 2016: approximately RMB464.24 million *(restated)*).

CONTINGENT LIABILITIES

As at 31 December, 2017, the Group and the Company had no material contingent liabilities (31 December, 2016: Nil).

ASSETS AND GEARING RATIO

As at 31 December, 2017, the total assets of the Group amounted to approximately RMB20,935.34 million (31 December, 2016: approximately RMB18,383.92 million *(restated)*) whereas the total liabilities amounted to approximately RMB8,324.29 million (31 December, 2016: approximately RMB7,706.14 million *(restated)*). The gearing ratio (total liabilities over total assets) was approximately 39.8% (31 December, 2016: approximately 41.9% *(restated)*).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 18,649 employees as at 31 December, 2017 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 a share option scheme. Total staff cost (including Directors' remuneration) for the year was approximately RMB1,474.97 million (2016: approximately RMB1,282.46 million *(restated)*).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars and HK dollars. In the PRC, foreign investment enterprises are authorized to convert Renminbi to foreign currency in respect of current account items (including payment of dividend and profit to the foreign joint venture partner). The exchange rate of HK dollars and US dollars is pegged under the fixed linked system over a long period of time. The Directors consider that the Group is not significantly exposed to foreign currency risk and no hedging or other alternatives have been implemented.

PROSPECTS

In 2018, the global economy will encounter more short-term positive factors and at the same time will face risks arising from shifts in trade policies, including rising trade protectionist sentiment, potential volatility in the financial environment and geopolitical tensions. Amidst many challenges, nonetheless, the PRC economy is expected to achieve stable growth while gradually optimizing its overall structure. As for the industry, the continued implementation of the hierarchical diagnosis and treatment system, the "two-invoice" system, the replacement of the business tax with value-added tax, the ongoing situation of zero mark-up of medicines by hospitals and the restrictions on drugs as a percentage of total hospital revenues will combine to significantly affect the circulation system for medicines and the structure of the end market for medicine sales. Influenced by policies including Consistency Evaluation on quality, stringent control over R&D and support for innovation, the R&D of the industry will become more standardised, enhancing the quality of products, and thereby expediting the exit of underperforming enterprises. The Company believes that pharmaceutical industry will remain stable as a whole and will present both challenges and opportunities to the industry players.

With regard to marketing, the Company will keep improving the patients' experience in hepatitis treatment medicines and analgesics under a professional chronic disease management model, continue to update its existing academic knowledge advantage in the latest digestive, oncology and respiratory system medicines and engage in and properly manage rigorous academic research and promotion for the newly approved anti-virus products. Furthermore, the Company has started constructing new industrial park zones at Nanjing Economic and Technology Development Zone, Qingdao Economic and Technology Development Zone (Tuanjie Road) and Beijing Yizhuang Economic and Technology Development Zone in 2013 and 2015, respectively. The new industrial park areas will include engineering technical centers focusing on quality inspection, R&D of freeze-dried powder injections, small-dose injections, gel patches for external use, tablets and soft capsules and more than 10 medicine production line workshops. As the construction of the new industrial park zones are gradually completed and operation commences in 2018, the Company's R&D prowess and production capability in medicines would be greatly bolstered. Moreover, the industrial park at Beijing Yizhuang Economic and Technology Development Zone will become the world's largest production base for gel patches for external use.

Going forward, the Company will continue to assign high priority to and take advantage of the R&D and product innovation opportunities arising from the national policies to support innovation, step up its efforts in product R&D, and capitalise on the national new Internet, artificial intelligence and Big Data strategies in order to boost its management standards and marketing capabilities.

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 announces the audited consolidated results of the Group for the year ended 31 December, 2017 together with the comparative consolidated results for 2016 as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 December,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Audited)	(Audited)
			(Restated)
REVENUE	*4*	**14,819,302**	13,543,379
Cost of sales		**(3,090,625)**	(2,816,620)
Gross profit		**11,728,677**	10,726,759
Other income and gains	*4*	**642,861**	274,531
Selling and distribution costs		**(5,917,879)**	(5,453,137)
Administrative expenses		**(986,945)**	(1,039,434)
Other expenses		**(1,602,006)**	(1,526,075)
Including: Research and development costs		***(1,595,312)***	*(1,368,192)*
Finance costs	*5*	**(77,945)**	(76,648)
Share of profits and losses of associates		**409,076**	297,495
PROFIT BEFORE TAX	*6*	**4,195,839**	3,203,491
Income tax expense	*7*	**(542,292)**	(474,984)
PROFIT FOR THE YEAR		**3,653,547**	2,728,507
Profit attributable to:			
Owners of the parent		**2,170,951**	1,637,378
Non-controlling interests		**1,482,596**	1,091,129
		3,653,547	2,728,507
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic and diluted		**RMB29.29 cents**	RMB22.09 cents

Details of the dividend recommended for the year are disclosed in note 8 of this announcement.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December,	
	2017	2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
PROFIT FOR THE YEAR	**3,653,547**	2,728,507
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(264,544)**	75,632
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(264,544)**	75,632
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**82,647**	44,856
Income tax effect	**(14,727)**	(10,646)
	67,920	34,210
Share of other comprehensive loss of associates	**(943)**	538
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**66,977**	34,748
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(197,567)**	110,380
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,455,980**	2,838,887
Attributable to:		
Owners of the parent	**1,955,372**	1,735,105
Non-controlling interests	**1,500,608**	1,103,782
	3,455,980	2,838,887

Consolidated Statement of Financial Position

	Notes	**31 December, 2017** *RMB'000* **(Audited)**	31 December, 2016 *RMB'000* (Audited) *(Restated)*	31 December, 2015 *RMB'000* (Audited) *(Restated)*
NON-CURRENT ASSETS				
Property, plant and equipment		**3,483,253**	2,687,355	2,226,104
Investment properties		**370,163**	421,494	416,099
Properties under development		**–**	–	443,962
Prepaid land lease payments		**789,362**	459,013	271,934
Goodwill		**88,926**	88,926	88,926
Other intangible assets		**219,249**	181,427	168,448
Investments in associates		**1,048,155**	894,714	1,054,578
Available-for-sale investments		**540,138**	369,447	308,709
Financial assets designated at fair value through profit or loss		**190,421**	147,926	188,559
Deferred tax assets		**382,574**	360,928	180,159
Prepayments		**42,979**	40,217	129,356
Total non-current assets		**7,155,220**	5,651,447	5,476,834
CURRENT ASSETS				
Inventories		**918,819**	895,133	796,302
Trade and bills receivables	*10*	**2,051,290**	1,995,827	1,564,204
Prepayment, deposit and other receivables		**3,030,718**	3,195,528	1,280,263
Dividend due from an associate		**–**	349,199	–
Available-for-sale investments		**2,647,426**	2,122,358	2,027,890
Equity investments at fair value through profit or loss		**943,726**	408,557	386,210
Cash and bank balances	*11*	**4,188,140**	3,765,873	2,272,093
Total current assets		**13,780,119**	12,732,475	8,326,962
CURRENT LIABILITIES				
Trade and bills payables	*12*	**928,607**	826,734	643,305
Tax payable		**292,595**	193,025	215,572
Other payables and accruals		**3,725,942**	3,267,111	2,580,665
Interest-bearing bank borrowings		**741,307**	1,369,473	1,190,069
Total current liabilities		**5,688,451**	5,656,343	4,629,611
NET CURRENT ASSETS		**8,091,668**	7,076,132	3,697,351
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,246,888**	12,727,579	9,174,185

	Notes	**31 December, 2017 RMB'000 (Audited)**	31 December, 2016 *RMB'000* (Audited) *(Restated)*	31 December, 2015 *RMB'000* (Audited) *(Restated)*
NON-CURRENT LIABILITIES				
Deferred government grants		**241,912**	201,603	118,704
Interest-bearing bank borrowings		**2,209,897**	1,678,968	256,505
Deferred tax liabilities		**184,030**	169,230	56,840
Total non-current liabilities		**2,635,839**	2,049,801	432,049
Net assets		**12,611,049**	10,677,778	8,742,136
EQUITY				
Equity attributable to owners of the parent				
Share capital	*13*	**170,033**	170,033	170,033
Reserves		**9,038,761**	7,734,966	6,320,489
		9,208,794	7,904,999	6,490,522
Non-controlling interests		**3,402,255**	2,772,779	2,251,614
Total equity		**12,611,049**	10,677,778	8,742,136

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 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, equity investments and financial assets designated as at fair value through profit or loss which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December, 2017. 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. CHANGES IN ACCOUNTING POLICES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

Change in presentation currency

In prior years, the presentation currency of the Group was Hong Kong dollar ("HK$") for the purpose of preparing its consolidated financial statements. Starting from 1 January 2017, the Group changed the presentation currency of its consolidated financial statements from HK$ to Renminbi ("RMB"). The Group's revenue, profits and cash flows are principally denominated in RMB. The directors of the Company consider that using RMB as the presentation currency could provide a better information reflecting the underlying performance and position of the Group. Accordingly, these consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. Comparative amounts have been re-presented in RMB.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

The segment results for the year ended 31 December, 2017

	Chemical medicines and Modernized Chinese medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	**14,368,898**	**–**	**450,404**	**14,819,302**
Segment results	**3,683,381**	**312,435**	**96,408**	**4,092,224**
Reconciliation:				
Interest and unallocated gains				**65,940**
Share of profits and losses of associates				**409,076**
Unallocated expenses				**(371,401)**
Profit before tax				**4,195,839**
Income tax expense				**(542,292)**
Profit for the year				**3,653,547**
Assets and liabilities				
Segment assets	**13,593,055**	**4,756,297**	**1,155,258**	**19,504,610**
Reconciliation:				
Investments in associates				**1,048,155**
Other unallocated assets				**382,574**
Total assets				**20,935,339**
Segment liabilities	**4,540,580**	**3,048,506**	**258,579**	**7,847,665**
Reconciliation:				
Other unallocated liabilities				**476,625**
Total liabilities				**8,324,290**
Other segment information:				
Depreciation and amortisation	**316,207**	**30,223**	**11,192**	**357,622**
Capital expenditure	**1,142,608**	**24,599**	**292,973**	**1,460,180**
Other non-cash expenses	**300**	**–**	**–**	**300**

The segment results for the year ended 31 December, 2016 *(Restated)*

	Chemical Medicines and Modernized Chinese medicines *RMB'000*	Investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	13,092,875	–	450,504	13,543,379
Segment results	3,336,932	(246,192)	95,941	3,186,681
Reconciliation:				
Interest and unallocated gains				21,497
Share of profits and losses of associates				297,495
Unallocated expenses				(302,182)
Profit before tax				3,203,491
Income tax expense				(474,984)
Profit for the year				2,728,507
Assets and liabilities				
Segment assets	12,222,148	4,323,101	583,031	17,128,280
Reconciliation:				
Investments in associates				894,714
Other unallocated assets				360,928
Total assets				18,383,922
Segment liabilities	4,583,751	2,535,330	224,808	7,343,889
Reconciliation:				
Other unallocated liabilities				362,255
Total liabilities				7,706,144
Other segment information:				
Depreciation and amortisation	289,859	28,931	6,882	325,672
Capital expenditure	820,130	7,357	1,498	828,985
Other non-cash expenses	16,149	2	312	16,463

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

	2017	2016
	RMB'000	*RMB'000*
Hong Kong	**1,748,730**	1,591,820
Mainland China	**5,379,774**	4,032,911
Other countries/regions	**26,716**	26,716
	7,155,220	5,651,447

The non-current asset 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 major customers is presented as no single customer contributes to over 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the year ended 31 December,	
	2017	2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Revenue		
Sale of goods	**14,368,898**	13,206,895
Others	**450,404**	336,484
	14,819,302	13,543,379
Other income		
Bank interest income	**65,940**	21,497
Interest income from convertible bonds	**17,117**	17,379
Dividend income	**28,270**	12,656
Government grants	**32,656**	37,605
Sale of scrap materials	**7,925**	14,934
Investment income	**266,084**	135,739
Gross rental income	**5,266**	5,196
Revaluation deficit of property, plant and equipment	**–**	8,486
Others	**25,290**	18,232
	448,548	271,724
Gains		
Gain on disposal of items of property, plant and equipment	**2,224**	2,786
Gain on disposal of a subsidiary	**–**	21
Foreign exchange gains	**94,957**	–
Fair value gains		
Equity investments at fair value through profit or loss		
– held for trading	**54,637**	–
– financial assets	**42,495**	–
	194,313	2,807
Total other income and gains	**642,861**	274,531

5. FINANCE COST

	For the year ended 31 December,	
	2017	2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Interest on bank borrowings	**77,945**	76,648

6. PROFIT BEFORE TAX

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

	For the year ended 31 December,	
	2017	2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Cost of sales	**3,090,625**	2,816,620
Depreciation of property, plant and equipment	**308,175**	284,155
Depreciation of investment properties	**22,563**	22,265
Recognition of prepaid land lease payments	**14,233**	8,267
Amortization of other intangible assets	**12,651**	10,985
Research and development costs	**1,595,312**	1,368,192
Revaluation deficit/(surplus) of property, plant and equipment	**20,271**	(8,486)
Gain on disposal of items of property, plant and equipment	**(2,224)**	(2,786)
Loss on disposal of items of property, plant and equipment	**300**	16,463
Bank interest income	**(65,940)**	(21,497)
Dividend income	**(28,270)**	(12,656)
Investment income	**(266,084)**	(135,739)
Loss on disposal of subsidiaries, net	**–**	49,588
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss – held for trading	**(54,637)**	28,188
Financial assets designated as fair value through profit or loss	**(42,495)**	51,240
Auditors' remuneration	**4,400**	4,622
Staff cost (including directors' remuneration)		
Wages and salaries	**1,223,150**	1,055,650
Pension contributions	**251,817**	226,810
	1,474,967	1,282,460
Accrual of impairment loss of trade receivables	**2,336**	143
Foreign exchange (gains)/losses, net	**(94,957)**	64,442

7. INCOME TAX EXPENSE

	For the year ended 31 December,	
	2017	2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China income tax	**563,865**	554,009
Deferred tax	**(21,573)**	(79,025)
Total tax charge for the year	**542,292**	474,984

Pursuant to Section 6 of the 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% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

In the year ended 31 December 2017, CT Tianqing, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, Qingdao CT Haier and LYG Runzhong were entitled to a corporate income tax rate of 15% because they were qualified as "High and New Technology Enterprises".

Other than the above-mentioned entities, the entities located in Mainland China were subject to corporate income tax at a rate of 25% in 2017.

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

8. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of HK2 cents per ordinary share for the year ended 31 December, 2017 (2016: HK1.5 cents). Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the final dividend will be paid to shareholders on Monday, 25 June, 2018 whose names appear on the Register of Members of the Company on Monday, 11 June, 2018.

The Register of Members of the Company will be closed for the following periods:–

(a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 24 May, 2018 to Tuesday, 29 May, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 23 May, 2018.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Wednesday, 6 June, 2018 to Monday, 11 June, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 5 June, 2018.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the year of approximately RMB2,170,951,000 (2016: approximately RMB1,637,378,000 *(Restated)*), and the weighted average number of ordinary shares of 7,412,192,209 (2016: 7,412,192,209) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during these two years.

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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

	31 December, 2017 *RMB'000* **(Audited)**	31 December, 2016 *RMB'000* (Audited) *(Restated)*
Current to 90 days	**1,654,569**	1,657,541
91 days to 180 days	**361,657**	314,366
Over 180 days	**35,064**	23,920
	2,051,290	1,995,827

11. CASH AND BANK BALANCES

	31 December, 2017	31 December, 2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Cash and bank balances, unrestricted	**1,135,025**	1,476,675
Time deposits with original maturity of less than three months	**2,557,019**	2,025,760
Time deposits with original maturity of more than three months	**496,096**	263,438
	4,188,140	3,765,873

12. TRADE AND BILLS PAYABLES

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

	31 December, 2017	31 December, 2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current to 90 days	**704,689**	573,680
91 days to 180 days	**189,163**	215,202
Over 180 days	**34,755**	37,852
	928,607	826,734

13. SHARE CAPITAL

	31 December, 2017	31 December, 2016
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Issued and fully paid:		
7,412,192,209 ordinary shares of HK$0.025 each	**170,033**	170,033

EVENTS AFTER THE REPORTING PERIOD

On 5 January, 2018, the Company entered into two agreements with France Investment (China 1) Group Limited ("Vendor") in relation to the acquisition of equity interests in Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"). The consideration for the acquisition was HK$12,895,516,937 in total which was satisfied by the Company by the issuance of 1,013,002,116 shares of the Company at the issue price of HK$12.73 per share to the Vendor upon completion. The acquisition was completed on 1 March, 2018, and the Company's interests in Beijing Tide has been increased from 33.6% to 57.6% and Beijing Tide has become an indirect non-wholly owned subsidiary of the Company. For details, please refer to the announcements of the Company dated 5 January, 2018 and 1 March, 2018, respectively, and the circular of the Company dated 26 January, 2018.

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

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including two with financial management expertise. Details of their biographies will be set out in the 2017 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 year ended 31 December, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 22 March, 2018

As at the date of this announcement, the Board of the Company comprises seven Executive Directors, namely Miss Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse Hsin, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin and four Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong and Mr. Zhang Lu Fu.