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CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(formerly known as China Pharmaceutical Group Limited 中國製藥集團有限公司)

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue for the year - HK$4,146 million
- Profit attributable to shareholders for the year - HK$2,162 million
- Basic earnings per share - HK147.78 cents
- Final dividend of HK10 cents per share is recommended

CHAIRMAN'S STATEMENT

Overview

In 2012, the pharmaceutical industry showed a relatively higher growth in comparison to other industries amid slower economic growth in China. Apart from the industry's own development, expansion in the market capacity and support from government policies were also vital to the progression.

With further reforms to China's healthcare system, the pharmaceutical industry has evolved and hygiene standards for drugs and food are being enhanced. After the promulgation of several related policies by the government last year, the standard of management in the pharmaceutical industry was improved and the entry threshold was raised. This has promoted a pattern of healthy development in the market environment.

In 2012, the Group has accomplished strategic transformation. While consolidating its leading advantages in the conventional business, the Group also actively explored the market of new drugs and continued the globalisation of products. The Group believes that it will continue to achieve satisfactory growth in the coming year.

Successful Strategic Transformation

In 2012, the Company successfully acquired three pharmaceutical enterprises, namely CSPC Ouyi Pharmaceutical Co., Ltd. ("OYY"), CSPC NBP Pharmaceutical Co., Ltd. ("NBP") and CSPC XNW Pharmaceutical Joint Stock Co., Ltd. ("XNW") to achieve strategic transformation from a manufacturer of bulk drug products to that of innovative and branded drugs. This formed a pattern of development that focuses on innovative and branded drugs together with a diversified product range, and established a new business model of high growth, high profit and volatility resistant.

Active Exploration in the Innovative Drug Market

After several years of development, the new business has established a strong marketing team for innovative drugs and a sales network covering hospitals of different classes throughout the country. Rapid growth in sales and market shares of the Group's existing innovative drugs, such as "NBP", "Oulaining" and "Xuanning" series, has been recorded since they were launched. In January 2013, "NBP" brand was honoured as a China's Well-known Trademark and "Xuanning" was awarded the State Technological Invention Award (Second Class).

In 2012, the revenue of the above three product series amounted to approximately HK$1,291 million, representing an increase of 103% over the previous year. In the coming years, the Group will further strengthen its sales teams and explore the markets for new applications of the innovative drugs, aiming to expand the business volume of each existing or newly developed drug and establish a leading position in the industry.

Continuation of Products Globalisation

The Group has 34 production lines granted new domestic GMP accreditation in China. The Group also promoted high quality management by progressively introducing advanced management concepts from Europe and U.S.. The Group has obtained 14 CEP certificates and 27 DMF registration numbers, and owns 4 products which have passed the site inspection by the European Union or its member countries. The Group also has 9 products, including meloxicam, tramadol HCI (bulk drug and tablet) and clopidogrel hydrogen sulfate tablet, which have passed the U.S. FDA site inspection. This indicates that the standard of the Group's quality management is comparable with the advanced standards in Europe and U.S., and its products are able to gain a presence in high-end overseas markets.

Consolidation of Leadership in the Bulk Drug Business

In 2012, the Group continued to consolidate its competitive advantages in the bulk drug business. Despite the fact that the major bulk drugs, such as vitamin C and penicillin, faced a number of challenges, the Group was able to maintain its leading position in the market owing to its advanced technologies and lower production costs. Our vitamin C and caffeine products rank first in the global market share, whilst our antibiotic products occupy a leading position in China. Meanwhile, the Group is also actively adjusting its businesses to tackle challenges from the overly competitive industries.

Prospects

The pharmaceutical industry is at the core of the national strategic and emerging industries plan formulated by the government of China. A comprehensive layout of innovative and branded drugs is bound to be a developmental trend in the pharmaceutical industry. The Group will continue to leverage its advantages in research and development to produce products of high gross margin and high demand. With its excellent brands and strong research and development capability, the Group will develop more, newer and better drugs for society, and will also deliver more stable and better return to its shareholders in return for their support.

CAI Dongchen
Chairman

Hong Kong, 28 March 2013

RESULTS

The Board of Directors of CSPC Pharmaceutical Group Limited (the "Company") is pleased to submit the audited consolidated results of the Company and it subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Revenue	3	**4,146,444**	2,407,445
Cost of sales		**(2,341,104)**	(1,370,535)
Gross profit		**1,805,340**	1,036,910
Other income		**38,693**	28,010
Selling and distribution expenses		**(757,297)**	(452,844)
Administrative expenses		**(235,363)**	(138,325)
Other expenses		**(87,797)**	(31,140)
Operating profit		**763,576**	442,611
Finance costs		**(60,090)**	(21,705)
Recognition of fair values of financial guarantee contracts issued		**(5,130)**	(17,676)
Amortisation of financial guarantee liabilities		**18,485**	14,908
Changes in fair value of convertible bonds		**(222,739)**	—
Gain on bargain purchase		**1,810,702**	
Share of result of a jointly controlled entity		**(3,981)**	—
Profit before tax	4	**2,300,823**	418,138
Income tax expense	5	**(131,975)**	(60,964)
Profit for the year		**2,168,848**	357,174
Other comprehensive income, net of income tax:			
Exchange differences arising on translation to presentation currency		**34,564**	40,184
Total comprehensive income for the year		**2,203,412**	397,358

	Notes	2012	2011
		HK$'000	*HK$'000*
			(restated)
Profit for the year attributable to:			
Owners of the Company		**2,162,235**	355,411
Non-controlling interests		**6,613**	1,763
		2,168,848	357,174
Total comprehensive income attributable to:			
Owners of the Company		**2,194,755**	395,077
Non-controlling interests		**8,657**	2,281
		2,203,412	397,358
		HK cents	HK cents
Earnings per share			
Basic	7	**147.78**	29.73
Diluted	7	**52.04**	8.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**31.12.2012**	31.12.2011	1.1.2011
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Non-current assets				
Property, plant and equipment		**6,134,372**	909,376	608,094
Prepaid lease payments		**536,340**	129,221	69,134
Goodwill		**102,716**	101,448	96,674
Other intangible assets		**23,146**	5,988	4,679
Deposit for acquisition of prepaid lease payment		**—**	—	29,412
Interest in a jointly controlled entity		**32,420**	—	—
Available-for-sale investments		**1,705**	—	—
Deferred tax assets		**58,160**	1,493	5,708
		6,888,859	1,147,526	813,701
Current assets				
Inventories		**2,022,406**	304,490	218,821
Trade and other receivables	8	**2,373,229**	450,510	358,218
Bills receivables	9	**738,490**	112,558	83,057
Trade receivables due from related companies		**88,417**	43,411	14,469
Amounts due from related companies		**14,388**	31,534	23,566
Amount due from a jointly controlled entity		**63,919**	—	—
Prepaid lease payments		**14,750**	3,431	2,104
Tax recoverable		**16,674**	219	5
Held for trading investments		**527**	490	573
Derivative financial instruments		**623**	—	—
Restricted bank deposits		**26,452**	4,322	70,820
Bank balances and cash		**1,449,977**	310,423	172,895
		6,809,852	1,261,388	944,528

	Notes	**31.12.2012**	31.12.2011	1.1.2011
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Current liabilities				
Trade and other payables	10	**2,718,093**	538,908	389,133
Bills payables	11	**730,326**	13,951	54,921
Trade payables due to related companies		**544**	41,384	23,463
Trade payables due to a jointly controlled entity		**5,360**	—	—
Amounts due to related companies		**722,794**	475,406	384,180
Tax liabilities		**39,345**	12,144	3,455
Financial guarantee contracts		**—**	13,355	10,587
Provision for litigation		**206,700**	—	—
Unsecured bank loans		**1,816,883**	283,951	152,941
		6,240,045	1,379,099	1,018,680
Net current assets (liabilities)		**569,807**	(117,711)	(74,152)
Total assets less current liabilities		**7,458,666**	1,029,815	739,549
Non-current liabilities				
Deferred tax liabilities		**47,307**	—	—
Unsecured bank loans		**499,345**	61,728	58,824
Government grants		**39,646**	7,135	7,493
Amount due to a related company		**108,623**	—	—
		694,921	68,863	66,317
Net assets		**6,763,745**	960,952	673,232
Capital and reserves				
Share capital		**272,542**	152,977	153,496
Reserves		**6,314,218**	796,402	509,797
Equity attributable to owners of the Company		**6,586,760**	949,379	663,293
Non-controlling interests		**176,985**	11,573	9,939
Total equity		**6,763,745**	960,952	673,232

NOTES

1. Basis of Preparation of Consolidated Financial Statements

On 17 June 2012, the Company entered into a sale and purchase agreement with Joyful Horizon Limited (the "Seller"), a company wholly owned by Massive Top Limited. Pursuant to the sale and purchase agreement, the Company conditionally agreed to acquire, and the Seller conditionally agreed to sell, 100% of the total issued share capital of Robust Sun Holdings Limited ("Robust Sun"), for a maximum consideration of HK$8,980,000,000 (the "Acquisition"). The consideration consisted of (i) HK$2,271,744,570.30 by way of allotment and issue of 1,195,655,037 new shares at an issue price of HK$1.9 per share and (ii) HK$6,708,255,429.70 by way of issue of convertible bonds ("Convertible Bonds").

Robust Sun and its subsidiaries (the "Robust Sun Group") is principally engaged in the manufacture and sale of pharmaceutical products.

Upon completion of the Acquisition on 29 October 2012, the Seller received shares representing 43.87% of the enlarged share capital of the Company and Convertible Bonds of the Company which will result in the Seller holding a total of 73.83% (assuming issuance of maximum number of conversion shares) of the enlarged issued share capital of the Company. Further, the Robust Sun Group's relative size (measured in terms of profit of the Robust Sun Group and the Company and its subsidiaries immediately prior to the Acquisition (the "CPG Group") for the year ended 31 December 2011 and valuation of the two groups) is significantly greater than those of the CPG Group immediately prior to the Acquisition. Under Hong Kong Financial Reporting Standard ("HKFRS") 3, "Business Combinations", the Acquisition is accounted for as a reverse acquisition. For accounting purpose, the Robust Sun Group is the accounting acquirer and the Company and its subsidiaries (the accounting acquiree) are deemed to have been acquired by the Robust Sun Group.

The consolidated financial statements have been prepared as a continuation of the Robust Sun Group. Comparative information presented in the consolidated financial statements in respect of the year ended 31 December 2011 have been restated to present those of the Robust Sun Group rather than those of the CPG Group.

In applying the purchase method of accounting to effect a "reverse acquisition", a bargain purchase gain of approximately HK$1,810,702,000 arose on the Acquisition of the CPG Group, which is measured as the excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the CPG Group over deemed cost of the business combination ("deemed consideration") as of the acquisition date.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1],
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.

2 Effective for annual periods beginning on or after 1 January 2014.

3 Effective for annual periods beginning on or after 1 January 2015.

4 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

  HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

  Based on the Group's financial assets and financial liabilities as at 31 December 2012, the application of HKFRS 9 will affect the measurement and classification of the Group's available-for-sale investments, but is not likely to affect the Group's other financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) - Int 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. Under HKFRS 11, the jointly controlled entity of the Group will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement.

The directors anticipate that these five standards will have no other significant impact on the amount reported in the Group's consolidated financial statements except as described above.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Revenue and Segment Information

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Sale of goods	**4,146,444**	2,407,445

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, board of directors, in order to allocate resources to the segments and to assess their performance.

Information reported to the directors are based upon which the Group is organised.

The Group's reportable and operating segments for financial reporting purposes are as follows:

Robust Sun Group

(a) NBP

(b) OYY and its subsidiaries (the "OYY Group")

(c) XNW

CPG Group

(d) Vitamin C

(e) Antibiotics

(f) Common Generic Drugs

All reportable segments and engaged in the manufacture and sales of pharmaceutical products.

Segment revenues and results

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

For the year ended 31 December 2012:

	Robust Sun Group			CPG Group					
	NBP	OYY Group	XNW	Vitamin C	Antibiotics	Common Generic Drugs	Segments total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE									
External sales	**708,449**	**1,709,839**	**692,965**	**167,308**	**439,753**	**428,130**	**4,146,444**	**—**	**4,146,444**
Inter-segment sales	**—**	**60,510**	**5,539**	**247**	**141,916**	**—**	**208,212**	**(208,212)**	**—**
TOTAL REVENUE	**708,449**	**1,770,349**	**698,504**	**167,555**	**581,669**	**428,130**	**4,354,656**	**(208,212)**	**4,146,444**

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT (LOSS)	**321,216**	**376,019**	**90,590**	**(24,140)**	**(22,542)**	**40,574**			**781,717**
Unallocated income									**27,164**
Unallocated expenses									**(92,040)**
Gain on bargain purchase									**1,810,702**
Change in fair value of convertible bonds									**(222,739)**
Share of result of a jointly controlled entity									**(3,981)**
Profit before tax									**2,300,823**

For the year ended 31 December 2011 (restated):

	NBP	OYY Group	XNW	Segments total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE						
External sales	398,249	1,375,391	633,805	2,407,445	—	2,407,445
Inter-segment sales	514	68	3,171	3,753	(3,753)	—
TOTAL REVENUE	398,763	1,375,459	636,976	2,411,198	(3,753)	2,407,445

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT AND PROFIT BEFORE TAX	144,438	201,918	71,782			418,138

Segment profit represents the profit earned by each segment without allocation of interest income, finance costs, central administrative expenses, share of profit of a jointly controlled entity, changes in fair value of convertible bonds and gain on bargain purchase. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Geographical information

The following is an analysis of the Group's revenue for the year by geographical market based on geographical location of customers:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
The People's Republic of China (the "PRC") (country of domicile)	**2,961,753**	1,657,899
Other Asian regions	**381,071**	188,848
Americas *(Note)*	**450,461**	223,949
Europe	**262,753**	326,748
Others	**90,406**	10,001
	4,146,444	2,407,445

Note: The majority of revenue came from sales of pharmaceutical products in USA.

The Group's operations are substantially based in the PRC and significantly all non-current assets of the Group are located in the PRC. Therefore, no further analysis of geographical information is presented.

4. Profit Before Tax

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executive's remuneration:		
Salaries, wages and other benefits	**304,195**	154,351
Contribution to retirement benefit schemes	**43,766**	21,256
Total staff costs	**347,961**	175,607
Amortisation of intangible assets (included in cost of sales)	**472**	612
Amortisation of prepaid lease payments	**5,050**	3,149
Depreciation of property, plant and equipment	**185,795**	64,770
Total depreciation and amortisation	**191,317**	68,531
Auditor's remuneration *(Note ii)*	**4,331**	2,644
Government grant income	**(4,559)**	(5,261)
Impairment loss on trade receivables	**203**	43
Reversal on allowance for inventories *(Note iii)*	**—**	(492)
Interest income	**(7,837)**	(8,292)
(Gain) loss on fair value change of held for trading investments	**(37)**	83
Gain on disposal of property, plant and equipment (included in other income)	**(2,385)**	(72)
Net foreign exchange (gains) losses	**(1,525)**	2,133
Rental expenses	**12,364**	7,543
Research and development expenditure recognised as an expense (included in other expenses)	**77,959**	25,989

Notes:

(i) Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated statement of comprehensive income for the years ended 31 December 2012 and 2011.

(ii) The auditor's remuneration of approximately HK$3,681,000 (2011: HK$2,200,000) of the CPG Group prior to the Acquisition are not included in the profit for the year ended 31 December 2012 and profit for the year ended 31 December 2011.

(iii) During the year ended 31 December 2011, there was a reversal of allowance for inventories of approximately HK$492,000 recognised because of subsequent sales of the relevant inventories.

5. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
		(restated)
The tax charge comprises:		
PRC Enterprise Income Tax		
– current year	**128,319**	56,576
Deferred taxation	**3,656**	4,388
	131,975	60,964

The Company and its subsidiaries incorporated in Hong Kong are subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax.

The basic tax rate of the Company's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation regulation of the EIT law.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company established before 16 March 2007 is entitled to exemption from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction in tax rate for the next three years. The tax relief began in 2008 and ended in 2012.

In addition, certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate to be at a reduced rate of 15% for a period of 3 years up to 2014.

PRC EIT has been relieved by approximately HK$12,105,000 (2011: HK$4,388,000) for the year ended 31 December 2012 as a result of tax losses brought forward from previous years.

6. Dividend

During the year ended 31 December 2012 and 2011, the Company did not recognise any dividend as distribution.

The directors recommend the payment of a final dividend of HK10 cents per share in respect of the year ended 31 December 2012 (2011: nil). Subject to approval by the shareholders in the forthcoming annual general meeting, the proposed final dividend will be paid on or around 17 June 2013.

Dividend declared by the Robust Sun Group prior to the Acquisition and during the year ended 31 December 2011 was as follows:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Dividend recognised as distribution during the year:		
NBP	**6,504**	—
OYY	**220,464**	60,241
XNW	**74,407**	49,397
Less: Dividend paid to non-controlling interest	**(975)**	(647)
	300,400	108,991

Note: The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of this report.

7. Earnings Per Share

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share have been retrospectively adjusted for the effects of the recapitalisation that occurs in the reverse acquisition as detailed in Note 1 and reflect the weighted average number of shares of the Company deemed to be outstanding for the period from 1 January 2011 to the Acquisition date in the reverse acquisition based on the exchange ratio established in the Acquisition and the Company's weighted average number of ordinary shares after the completion of Acquisition on 29 October 2012 up to 31 December 2012.

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**2,162,235**	355,411
Effect of dilutive potential ordinary shares:		
Change in fair value of Convertible Bonds	**222,739**	—
Earnings for the purpose of diluted earnings per share	**2,384,974**	355,411

	2012	2011
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,463,155**	1,195,655
Effect of dilutive potential ordinary shares:		
Convertible Bonds as if converted	**3,120,119**	3,120,119
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,583,274**	4,315,774

8. Trade and Other Receivables

	31.12.2012	31.12.2011	1.1.2011
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Trade receivables	**1,856,877**	403,345	273,898
Less: allowance for doubtful debts	**(1,361)**	(1,141)	(1,039)
	1,855,516	402,204	272,859
Prepayment for purchase of raw material	**172,951**	21,090	67,184
Utility deposits	**87,837**	4,410	3,701
Other tax recoverable	**147,764**	5,599	4,224
Others	**109,161**	17,207	10,250
	2,373,229	450,510	358,218

The Group allows a general credit period of up to 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	31.12.2012	31.12.2011	1.1.2011
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
0 to 90 days	**1,563,311**	391,563	261,476
91 to 180 days	**244,782**	8,371	10,955
181 to 365 days	**44,815**	2,270	428
Over 365 days	**2,608**	—	—
	1,855,516	402,204	272,859

9. Bills Receivables

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (2011: 180 days) and not yet due at the end of the reporting period, and management considers the default rate is low based on historical information and experience.

10. Trade and Other Payables

	31.12.2012	31.12.2011	1.1.2011
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Trade payables	**1,171,731**	142,614	72,668
Other tax payables	**71,602**	16,051	7,051
Construction retention monies received	**6,625**	16,998	10,961
Consultation fee payable	**15,053**	609	686
Interest payable	**2,108**	518	235
Freight and utilities charges payable	**26,599**	7,362	10,755
Construction cost and acquisition of property, plant and equipment payable	**746,757**	167,859	130,107
Customer deposits	**148,740**	23,089	19,022
Government grant	**167,868**	30,423	21,124
Receipt in advance from customers	**54,598**	41,697	31,330
Staff welfare payable	**216,535**	65,282	57,425
Selling expense payable	**69,924**	11,857	16,691
Others	**19,953**	14,549	11,078
	2,718,093	538,908	389,133

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31.12.2012	31.12.2011	1.1.2011
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
0 to 90 days	**763,369**	85,799	71,878
91 to 180 days	**72,837**	56,815	659
More than 180 days	**335,525**	—	131
	1,171,731	142,614	72,668

The general credit period on purchases of goods is up to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

11. Bills Payables

All bills payables of the Group are aged within 180 days and not yet due at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2012, the Company successfully acquired OYY, NBP and XNW. OYY and NBP, which are engaged in the production of preparations and finished drugs, possess advanced preparations production lines and a range of new drug products. Caffeine, being XNW's major product, boasts a relatively high entry threshold that is protected by the national regulations of psychiatric medicine. The acquisition of the new business accelerated the Group's business transformation, shifting from a business of low added-value and high volatility to one with high growth and high profit margin. With the strong sales growth of the cardio-cerebrovascular and neurological drugs, diversified products portfolio and strength in research and development, the Group not only achieved its annual targets but also recorded a higher growth rate in comparison to its peers. For the year ended 31 December 2012, the Group recorded a revenue of HK$4,146 million and a profit attributable to shareholders of HK$2,162 million.

Innovative Drug Business

"NBP" Series

The "NBP" soft capsule is a Class I patent drug in China and the first patent drug for treating cerebrovascular disease developed by a Chinese company. It was awarded the State Science and Technology Progress Award (Second Class) by the State Council in December 2009. In 2010, the "NBP" injection was launched to further enhance the product portfolio. "NBP" is an exclusive patent drug with no direct competition from similar products. Its growth rate is the highest among those acute ischemic stroke products.

In 2012, the revenue of the "NBP" soft capsule was HK$521 million, representing an increase of 58% over last year. The revenue of the "NBP" injection was HK$156 million, representing an increase of 360% over last year.

"Oulaining" Series

"Oulaining" series, available in the form of capsule and lyophilized powder injection, can improve the memory and learning function of patients suffering from dementia and dysmnesia. In 2012, the revenue of "Oulaining" capsules was HK$112 million, representing an increase of 26% over last year, and the revenue of "Oulaining" lyophilized powder was HK$337 million, representing an increase of 466% over last year.

"Xuanning" Series

"Xuanning" series, available in the form of tablet and dispersible tablet, is a newly developed drug of the Group for treating hypertension. Its efficacy and safety are higher than similar products. The series recorded a revenue of HK$165 million in 2012, representing a growth of 34% over last year.

Generic Drug Business

In 2012, the Group overcame the adverse impact on its generic drug business caused by unfavourable policies concerning restrictions on the use of antibiotics and essential drug tenders. With our efforts to adjust the strategies, strengthen the sales team and expand the distribution channels in time, this business was able to achieve a stable growth and develop a momentum of continuous improvement.

Bulk Drugs Business

Vitamin C Series

In 2012, excess capacity continued in the vitamin C market and competition in the industry escalated. The Group kept its dominant position in the industry with its strength in scale, quality and production cost. According to China Customs data, the Group's vitamin C products accounted for approximately 26% of export volume in 2012, ranking first in the country, and was 13% higher than the company in second place. However, the business recorded a loss in 2012 due to pressure on product prices.

Antibiotic Series

In 2012, the antibiotic business faced severe challenges on account of the implementation of the restrictions on the use of antibiotics and the aggravating over-capacity. Owing to our efforts to improve technology, strengthen internal management and reduce energy consumption, production costs continued to decrease. However, the business still recorded a loss in 2012 due to an overall low price level.

Caffeine Series

With the continuous efforts made by the Group to achieve production and technological upgrades and the application of a new fermentation process, the production cost of caffeine was significantly lowered. The Group, representing approximately 58% of the total global capacity, ranks first in the world. In 2012, the revenue of our caffeine series was HK$515 million, signifying an increase of 36% over last year.

Research and Development

The Group has a relatively integrated and all rounded team with strong technological advantages in various technical areas. It currently has 167 new drugs under research, including 12 class I new drugs (innovative patent drug) and 37 class III new drugs, with focus mainly on the areas of cardio-cerebrovascular, neurology, diabetes and cancer.

OUTLOOK

Industry Outlook

In recent years, great changes have taken place in the country's age distribution. In the next 10 years, the accelerating aging population will generate increasing demand for drugs. Coupled with the current urbanisation policy, it is expected that demand in the pharmaceutical industry will continue to grow in 2013. Medical reforms will continue, with policies covering the adjustment of essential drugs, the separation of consultation and medicine prescription and the new round of drug tenders. Where research and development are concerned, the government will continue to support the innovation efforts of enterprises; thereby driving pharmaceutical enterprises to increase their investments in research and development. In 2013, the price of drugs is expected to remain stable, although a slight decrease may occur. Coupled with the relatively abundant medical insurance fund and the promotion of GMP accreditation, industry concentration is expected to improve.

Outlook of the Group's Business

Innovative Drug Business

Upholding the concept of stronger development, we will make the most of our well-established market network, expanding professional marketing team and strong product portfolio to ensure that the Group's innovative drug business will maintain its fast growing momentum and increase its profit contribution.

Generic Drug Business

The Group will continue to keep abreast of the national policies and explore the end market. With the well-established sales network and our efforts effects to strengthen the sales team, the generic drug business is expected to maintain a stable growth in 2013.

Bulk Drug Business

The Group will continue to conduct technological upgrades, lower production cost, initiate high-end product accreditation and enhance product quality with an aim to keeping its leading status in the market. On account of the Group's strong presence in the bulk drugs industry, it is expected that a good return will be made in the next upward cycle. For the overly competitive market, we will consider adjusting the business strategy accordingly.

Research and Development

In 2013, the Group will continue to increase its resources in research and development. In the next few years, it is expected that a number of innovative drugs will be launched upon receiving production approvals, such as rE4 and DBPR108 (diabetes drug); pinocembrin (acute stroke drug); levamlodipine maleate atorvastatin calcium tablet (high blood pressure and lipid drug); and baicalein (viral influenza drug). This product pipeline will support the continuous growth of the Group's performance. As for product globalisation, the Group will apply for international accreditation, such as the U.S. FDA, so that we can sell its products to high-end markets and obtain privileged pricing in China.

FINANCIAL REVIEW

Liquidity and financial position

In 2012, the Group's operating activities generated a net cash inflow of HK$498 million. Debtor turnover period (ratio of the balance of trade receivables to sales, inclusive of value added tax for sales in China) in the current year was 69 days *(Note)*. Inventory turnover period (ratio of inventory balance to cost of sales) was 109 days *(Note)*. As at 31 December 2012, current ratio of the Group was 1.1. Capital expenditure in relation to the additions of production facilities amounted to HK$411 million for the current year.

The financial position of the Group remained healthy. As at 31 December 2012, total bank balances and cash amounted to HK$1,476 million and total bank borrowings amounted to HK$2,316 million. Of the total bank borrowings, HK$1,817 million will be repayable within one year and the remaining HK$499 million repayable between two to three years. Net gearing ratio (calculated on the basis of the Group's total bank borrowings net of bank balances and cash over total equity) was 12.4%.

28.3% of the Group's borrowings are denominated in Hong Kong dollars, 14.5% in US dollars and the remaining 57.2% in Renminbi. The Group's revenue is mainly denominated either in Renminbi or in US dollars. The Group has been monitoring closely the currency movement and will use appropriate hedging arrangements to reduce the foreign exchange risk when considered necessary.

Note: calculated on the basis of annualized revenue or cost of sales

Contingent liabilities

The Company and CSPC Weisheng Pharmaceutical (Shijiazhuang) Co. Ltd. ("Weisheng", a wholly owned subsidiary of the Company) are named as, among others, defendants in a number of antitrust complaints filed in the United States. These complaints alleged that certain manufacturers of vitamin C in the PRC have since at least December 2001 conspired to control prices and volumes of exports of vitamin C to the United States of America (the "United States") and elsewhere in the world and that as such have been in violation of the federal and state laws of the United States. The plaintiffs purported to bring these cases on behalf of direct purchasers under the federal antitrust laws of the United States and indirect purchasers under various state antirust, unfair trade and consumer protection statutes. The plaintiffs (purportedly as representatives of classes of similarly situated purchasers) seek damages and other relief.

Jury trial of the direct purchaser action commenced on 25 February 2013. On 12 March 2013, the Company and Weisheng reached a settlement agreement in principle with the plaintiffs in the direct purchaser action. Counsel for the Company and Weisheng and plaintiffs' counsel reported to the Court the principles of the settlement agreement and the Court ordered the settlement be concluded. On 15 March 2013, the Company, Weisheng and plaintiffs executed the settlement agreement (the "Settlement Agreement"). The settlement will resolve all the claims in their entirety and terminate the litigation in the direct purchaser action. The settlement, in the amount of US$22.5 million, is payable in two installments and subject to approval by the Court. The first US$20 million will be paid within 40 days after the execution of the Settlement Agreement. The remaining US$2.5 million will be paid within 365 days after the Court's final approval of the Settlement Agreement. Plaintiffs' attorney fees and settlement administration fees are to be paid out of the settlement fund.

In accordance with the Settlement Agreement, plaintiffs will file a motion for preliminary approval of the settlement before 15 April 2013. The Court will hold a final approval hearing to determine if the settlement is fair, reasonable and adequate.

It should be noted that the above settlement does not apply to the actions brought by the indirect purchasers, where such actions were stayed until final judgment is entered by the Court in the direct purchaser action.

Further information on the antitrust complaints will be set out in 2012 annual report.

Employees

As at 31 December 2012, the Group had about 13,019 employees. The majority of them are employed in mainland China. The Group will continue to offer competitive remuneration packages, discretionary share options and bonuses to staff based on the performance of the Group and the individual employee.

2012 Results of the Robust Sun Group

For the year ended 31 December 2012, the Robust Sun Group recorded a net profit which exceeded HK$600 million. Therefore, no adjustment to the principal amount of the Tranche I Bonds is required in accordance with the terms of the Convertible Bonds as disclosed in the circular of the Company dated 27 September 2012.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2012 with deviations from code provisions A.2.1 and A.6.7 as set out below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. CaiDongchen, the Company's Chairman, has also assumed the role as the chief executive officer of the Company. The Company believes that vesting both roles in Mr. Cai will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

Due to personal commitments, Mr. Huo Zhenxing, Mr. Qi Moujia, Mr. Guo Shichang, the independent non-executive directors of the Company, did not attend the annual general meeting of the Company held on 25 May 2012 and the extraordinary general meeting held on 19 October 2012. This constitutes a deviation of the code provision A.6.7 of the Code.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the Group's annual results for the year ended 31 December 2012 in conjunction with the external auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 May 2013 to Thursday, 23 May 2013, both days inclusive, during which period no transfer of shares Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Thursday, 23 May 2013, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 May 2013.

The register of members of the Company will be closed from Wednesday, 29 May 2013 to Thursday, 30 May 2013, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 May 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

By order of the Board
CAI Dongchen
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. FENG Zhenying, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. ZHAO John Huan, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin and Mr. WANG Zhenguo as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. HUO Zhenxing, Mr. QI Moujia, Mr. GUO Shichang, Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo and Mr. ZHANG Fawang as independent non-executive directors.