CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

2013 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2013, the operating results of the Group were as follows:

- Revenue increased to HK$5,076 million
- Operating profit increased to HK$582 million
- Profit attributable to owners of the Company increased to HK$515 million

RESULTS

The Board of Directors of CSPC Pharmaceutical Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Revenue	3	**5,075,665**	1,449,126
Cost of sales		**(3,534,056)**	(694,930)
Gross profit		**1,541,609**	754,196
Other income		**92,997**	5,598
Selling and distribution expenses		**(659,707)**	(359,804)
Administrative expenses		**(308,628)**	(70,404)
Other expenses		**(83,901)**	(14,191)
Operating profit		**582,370**	315,395
Finance costs		**(36,636)**	(11,973)
Recognition of fair values of financial guarantee contracts issued		—	(5,014)
Amortisation of financial guarantee liabilities		—	4,581
Gain on disposal of subsidiaries		**117,330**	—
Share of results of a joint venture		**(11,420)**	—
Profit before taxation	4	**651,644**	302,989
Taxation	5	**(123,814)**	(56,621)
Profit for the period		**527,830**	246,368

	Notes	For the six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		**76,642**	(10,194)
Share of exchange differences of a joint venture		**175**	—
Other comprehensive income (expense) for the period		**76,817**	(10,194)
Total comprehensive income for the period		**604,647**	236,174
Profit for the period attributable to:			
Owners of the Company		**515,201**	243,851
Non-controlling interests		**12,629**	2,517
		527,830	246,368
Total comprehensive income for the period attributable to:			
Owners of the Company		**589,598**	233,817
Non-controlling interests		**15,049**	2,357
		604,647	236,174
		HK cents	*HK cents*
Earnings per share			
Basic	*7*	**9.30**	20.39
Diluted	*7*	**8.81**	5.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**As at 30 June 2013 HK$'000 (Unaudited)**	As at 31 December 2012 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**5,027,298**	6,134,372
Prepaid lease payments		**522,638**	536,340
Other intangible assets		**28,845**	23,146
Goodwill		**104,016**	102,716
Interest in a joint venture		**14,925**	32,420
Available-for-sale investments		**1,705**	1,705
Deferred tax assets		**49,414**	58,160
		5,748,841	6,888,859
Current assets			
Inventories		**2,027,709**	2,022,406
Trade and other receivables	*8*	**2,320,240**	2,373,229
Bills receivables	*8*	**579,058**	738,490
Trade receivables due from related companies		**68,081**	88,417
Amounts due from related companies		**—**	14,388
Amount due from a joint venture		**73,868**	63,919
Amount due from a former subsidiary		**887,845**	—
Prepaid lease payments		**16,678**	14,750
Tax recoverable		**16,893**	16,674
Held for trading investments		**391**	527
Derivative financial instruments		**163**	623
Restricted bank deposits		**33,547**	26,452
Bank balances and cash		**953,988**	1,449,977
		6,978,461	6,809,852
Current liabilities			
Trade and other payables	*9*	**2,542,442**	2,718,093
Bills payables	*9*	**436,139**	730,326
Trade payables due to related companies		**551**	544
Trade payable due to a joint venture		**3,319**	5,360
Amounts due to related companies		**909,472**	722,794
Tax liabilities		**45,321**	39,345
Provision for litigation		**50,700**	206,700
Unsecured bank loans		**922,191**	1,816,883
		4,910,135	6,240,045
Net current assets		**2,068,326**	569,807
Total assets less current liabilities		**7,817,167**	7,458,666

	As at 30 June 2013 *HK$'000* (Unaudited)	As at 31 December 2012 *HK$'000* (Audited)
Non-current liabilities		
Unsecured bank loans	**727,716**	499,345
Deferred tax liabilities	**41,341**	47,307
Government grants	**49,526**	39,646
Amount due to a related company	**—**	108,623
	818,583	694,921
Net assets	**6,998,584**	6,763,745
Capital and reserves		
Share capital	**382,542**	272,542
Reserves	**6,448,058**	6,314,218
Equity attributable to owners of the Company	**6,830,600**	6,586,760
Non-controlling interests	**167,984**	176,985
Total equity	**6,998,584**	6,763,745

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 17 June 2012, the Company entered into a sale and purchase agreement with Joyful Horizon Limited (the "Seller") which is a wholly owned subsidiary of Hony Capital Fund III, L.P. Pursuant to the sale and purchase agreement, the Company acquired, and the Seller sold, 100% of the total issued share capital of Robust Sun Holdings Limited ("Robust Sun"), for a total 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 of the Company at an issue price of HK$1.9 per share and (ii) HK$6,708,255,430.70 by way of issue of convertible bonds ("Convertible Bonds").

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

The Acquisition was completed on 29 October 2012, upon which 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) was 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 was accounted for as a reverse acquisition. For accounting purpose, the Robust Sun Group was the accounting acquirer and the Company and its subsidiaries (the accounting acquiree) were deemed to have been acquired by the Robust Sun Group.

The consolidated financial statements for the year ended 31 December 2012 were prepared as a continuation of the Robust Sun Group. Accordingly, the comparative information presented in the consolidated condensed financial statements in respect of the six months ended 30 June 2012 have been restated to present those of the Robust Sun Group rather than those of the CPG Group.

Details of basis of preparation of the consolidated financial statements and group reorganisation of the Robust Sun Group are mentioned in the Company's consolidated financial statements for the year ended 31 December 2012.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012.

In respect of the share options newly granted to employees under the Company's share option scheme during the period, the Group has applied the following accounting policy to account for such equity-settled share-based payment transactions:

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share option granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- HKFRS 10 *Consolidated Financial Statements*;
- HKFRS 11 *Joint Arrangements*;
- HKFRS 12 *Disclosure of Interests in Other Entities*;
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance*;
- HKFRS 13 *Fair Value Measurement*;
- HKAS 19 (as revised in 2011) *Employee Benefits*;
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*;
- Amendments to HKFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*;
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2009-2011 Cycle*; and
- HK(IFRIC) — Int 20 *Stripping Costs in the Production Phase of a Surface Mine*.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 "Interests in Joint Ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the interest in a jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The Directors consider that the application of HKFRS 13 in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 34 Interim Financial Reporting
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 — 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The Group's reportable and operating segments are based on different revenue streams. During the six months ended 30 June 2013, other than segment revenue and segment profit analysis presented by revenue streams were provided to the CODM for performance assessment and resources allocation, information about assets and liabilities was no longer regularly provided to the CODM. Accordingly, the Group has not included total asset and liabilities information as part of segment information as set out in Note 3.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Robust Sun Group

1. NBP — Innovative Drugs (including NBP series)
2. OYY and its subsidiaries (the "OYY Group") — Innovative Drugs and Generic Drugs (including Oulaining series, Xuanning series and others)
3. XNW — Bulk Drugs (including caffeine and others)

CPG Group

4. Vitamin C (bulk drugs)
5. Antibiotics (intermediates and bulk drugs)
6. Generic Drugs

All reportable and operating 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 period under review.

For the six months ended 30 June 2013 (Unaudited)

	Robust Sun Group			CPG Group					
	NBP	OYY Group	XNW	Vitamin C	Antibiotics	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	458,881	1,048,591	322,646	553,446	1,315,474	1,376,627	5,075,665	—	5,075,665
Inter-segment sales	—	15,018	2,834	1,549	94,185	1,992	115,578	(115,578)	—
TOTAL REVENUE	458,881	1,063,609	325,480	554,995	1,409,659	1,378,619	5,191,243	(115,578)	5,075,665

Inter-segment sales are charged at prevailing market rates.

	NBP	OYY Group	XNW	Vitamin C	Antibiotics	Generic Drugs	Segments total	Eliminations	Consolidated
SEGMENT PROFIT (LOSS)	229,224	220,389	86,084	(86,847)	23,110	184,384			656,344
Unallocated income									23,124
Unallocated expenses									(97,098)
									582,370
Gain on disposal of subsidiaries									117,330
Share of results of a joint venture									(11,420)
Finance costs									(36,636)
Profit before taxation									651,644

For the six months ended 30 June 2012 (Unaudited) (restated):

	Robust Sun Group			Segments		
	NBP	OYY Group	XNW	total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE						
External sales	303,544	768,269	377,313	1,449,126	—	1,449,126
Inter-segment sales	—	39,338	1,802	41,140	(41,140)	—
TOTAL REVENUE	303,544	807,607	379,115	1,490,266	(41,140)	1,449,126

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	121,550	156,272	38,685			316,507
Unallocated income						488
Unallocated expenses						(1,600)
						315,395
Recognition of fair value of financial guarantee contracts issued						(5,014)
Amortisation of financial guarantee liabilities						4,581
Finance costs						(11,973)
Profit before taxation						302,989

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of interest income, finance costs, central administrative expenses, share of results of a joint venture, gain on disposal of subsidiaries, recognition of fair value of financial guarantee contracts issued and amortisation of financial guarantee liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (restated)
Profit before taxation has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets (included in cost of sales)	**4,167**	236
Amortisation of prepaid lease payments	**6,873**	1,674
Depreciation of property, plant and equipment	**353,695**	34,107
Allowance for inventories (included in cost of sales)	**17,649**	—
Gain on disposal of property, plant and equipment (included in other income)	**(672)**	(338)
Net foreign exchange losses	**2,455**	898
Research and development expenses (included in other expenses)	**83,847**	13,943
Share-based payment expense (included in administrative expenses)	**36,784**	—
Government grant income *(note ii)*	**(63,212)**	(888)
Interest income	**(3,175)**	(2,832)

Note:

(i) For the six months ended 30 June 2012 and 2013, cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss and other comprehensive income.

(ii) Government grant income include cash subsidies received from government of the People's Republic of China (the "PRC") in relation to development of certain pharmaceutical products, improvement of production efficiency and enhancement of environment protection. Those costs related to these activities have been expensed when they were incurred.

5. TAXATION

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (restated)
The tax charge comprises:		
PRC Enterprise Income Tax		
— Current year	**109,342**	50,652
— Undeprovision in prior periods	**3,405**	—
	112,747	50,652
Deferred taxation	**11,067**	5,969
	123,814	56,621

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.

Capital gain tax on disposal of subsidiaries was determined based on the applicable tax rate of 10% applied on the difference between sales proceeds and investment cost of those disposed subsidiaries according to the relevant tax rule in the PRC.

In respect of the withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the shareholders, deferred taxation of HK$9,724,000 (2012: HK$5,032,000) has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits. During the period, withholding tax of HK$14,506,000 (2012: nil) has been paid.

As at 30 June 2013, the Group had unused tax losses of HK$181,865,000 (31 December 2012: HK$46,284,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Most of the unrecognised tax losses will expire in various dates up to 2017. There was no other significant unprovided deferred tax for the period or at the end of the reporting period.

6. DIVIDENDS

During the six months ended 30 June 2013, final dividend of HK10 cents per share was distributed to shareholders in respect of for the year ended 31 December 2012. The aggregate amount of final dividend distributed and paid in the current period amounted to approximately HK$382,542,000.

During the six months ended 30 June 2012, dividends declared by the Robust Sun Group prior to the Acquisition were as follow:

	HK$'000 (Unaudited) (restated)
Dividend recognised as distribution during the period:	
CSPC NBP Pharmaceutical Co., Ltd.	6,504
CSPC Ouyi Pharmaceutical Co., Ltd.	220,464
CSPC XNW Pharmaceutical Joint Stock Co., Ltd.	74,407
Less: Dividend paid to non-controlling interest	(975)
	300,400

The directors do not declare the payment of an interim dividend for the six months ended 30 June 2013.

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**515,201**	243,851
	'000	*'000*
	(Unaudited)	(Unaudited) (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,537,570**	1,195,655
Effect of dilutive potential ordinary shares:		
Tranche I Convertible Bonds as if converted *(Note)*	**—**	2,808,107
Tranche II Convertible Bonds as if converted *(Note)*	**312,750**	312,012
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,850,320**	4,315,774

Note: On 29 October 2012, the Company issued two tranches of Convertible Bonds with principal amount of US$774,029,472.70 (equivalent to HK$6,037,429,887.06) ("Tranche I Convertible Bonds") and US$86,003,274.70 (equivalent to HK$670,825,542.66) ("Tranche II Convertible Bonds") to the Seller upon completion of the Acquisition.

In accordance with the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK$2.15 per share to HK$2.0855 per share since 17 June 2013.

During the six months ended 30 June 2013, 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 2012 to the acquisition date of the reverse acquisition based on the exchange ratio established in the Acquisition.

The Tranche I Convertible Bonds share similar characteristics of ordinary shares of the Company and accordingly treated as outstanding and included in the 2013 calculation of basic earnings per share from the date when all necessary conditions are satisfied (i.e. the downward adjustment depending on the financial performance of the Robust Sun Group for the year ended 31 December 2012 was fixed on 1 January 2013).

The computation of diluted earnings per share in 2013 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares from the date of grant of the options to end of the reporting period.

8. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Trade receivables	**1,878,725**	1,856,877
Less: allowance for doubtful debts	**(1,378)**	(1,361)
	1,877,347	1,855,516
Prepayment for purchase of raw materials	**226,567**	172,951
Utility deposits	**34,430**	87,837
Other tax recoverable	**56,701**	147,764
Others	**125,195**	109,161
	2,320,240	2,373,229

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

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
0 to 90 days	**1,555,301**	1,563,311
91 to 180 days	**208,262**	244,782
181 to 365 days	**112,691**	44,815
Over 365 days	**1,093**	2,608
	1,877,347	1,855,516

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (31 December 2012: 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.

9. TRADE AND OTHER PAYABLES/BILL PAYABLES

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Trade payables	**1,176,616**	1,171,731
Other tax payables	**47,513**	71,602
Freight and utilities charges payable	**36,336**	26,599
Construction cost and acquisition of property, plant and equipment payable	**553,586**	746,757
Government grant	**119,792**	167,868
Receipt in advance from customers	**253,047**	203,338
Staff welfare payable	**170,062**	216,535
Selling expense payable	**104,999**	69,924
Others	**80,491**	43,739
	2,542,442	2,718,093

The following is an aged analysis of trade payables presented based on the invoice date.

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
0 to 90 days	**851,875**	763,369
91 to 180 days	**127,902**	72,837
Over 180 days	**196,839**	335,525
	1,176,616	1,171,731

All bills payables of the Group are aged within 180 days at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2013, the innovative drug business of the Group maintained its growth momentum, with a further expansion of market share and a stronger presence in the high-end medical market. In June of the current year, the Group entered into an agreement to acquire CSPC Baike (Yantai) Biopharmaceutical Co., Ltd. (manufacturer of an oncology Class I new drug "Jinyouli"), giving shape to the Group's oncology innovative drug business and taking it one step further in the overall development of innovative drugs. In respect of the bulk drug business, the Group continued to strengthen its absolute advantageous position that stood apart from its competitors, laying the foundation for making better return in the next upward cycle. On the other hand, the Group also actively adjusted the existing business structure and cut investments in businesses of low added values and relatively weak competitiveness in order to reduce losses and resources consumption.

Innovative Drug Business

"NBP" Series

"NBP" series is a Class I new drug in China and also a patent-protected exclusive product. Its major ingredient is butylphthalide, and the drug is mainly used for the treatment of acute ischemic stroke. Its soft capsule and injection forms were launched in 2005 and 2010, respectively. This product was awarded the State Science and Technology Progress Award (Second Class) in 2009, and the "NBP" brand was honoured as a China's Well-known Trademark in January 2013.

After years of promotion efforts, "NBP" has won wide recognition among patients and medical professionals. With continuous improvements in its sales performance and market recognition, the product has achieved sound social and economic benefits. For the first half of 2013, the sales revenue of "NBP" soft capsule was HK$322 million, an increase of 41% over the same period of last year; whereas the sales revenue of "NBP" injection was HK$126 million, an increase of 116% over the same period of last year.

"Oulaining" Series

"Oulaining" series is available in the forms of capsule and lyophilized powder injection. Its major ingredient is oxiracetam, and the drug is mainly used for the treatment of mild to moderate memory and mental impairment resulting from vascular dementia, senile dementia and brain trauma. For the first half of 2013, the sales revenue of "Oulaining" lyophilized powder injection was HK$231 million, an increase of 67% over the same period of last year; whereas the sales revenue of "Oulaining" capsule was HK$66 million, an increase of 40% over the same period of last year.

"Xuanning" Series

"Xuanning" series is an exclusive product in China available in the forms of tablet and dispersible tablet. Its major ingredient is maleate levamlodipine, and the drug is mainly used for the treatment of hypertension. The drug was awarded the State Technological Invention Award (Second Class) in January 2013. For the first half of 2013, the sales revenue of this product series was HK$118 million, an increase of 35% over the same period of last year.

"Duomeisu"

"Duomeisu" is used for the treatment of various cancers. It is currently at the market introduction stage, and has already gained recognition from numerous renowned hospitals and medical professionals. "Duomeisu" was awarded First Class Award in the First (2010) Provincial Capital Technological Inventions Competition and the 2011 Chinese Medicine Society Science and Technology Award (Third Class). This product also got financial supports from the State 863 Program and the Significant New Drugs Development Project in China.

Branded and Common Generic Drug Business

For the first half of 2013, the Group's common generic drug business vigorously fought against unfavourable policies such as restricted antibiotics use and essential drug tenders. By leveraging on the positive brand effects, this business has penetrated further into the fundamental medical market and end-user market. Also, through timely modifications of strategies, strengthening of the sales team and channel development, sales remained on the stable upward trend with continuous efficiency improvements.

Regarding branded drugs, "Ouyi", "Weihong" and "Gubang" also achieved stable growth during the period by relying on good branding and product quality. Meanwhile, the Chinese medicines portfolio was also further enriched with the newly launch of a series of Chinese medicine soft capsule products in the market.

Bulk Drug Business

Vitamin C Series

In the first half of 2013, the environment of the vitamin C market remained weak, with overcapacity lingering and competition in the industry intensified. However, the competition landscape showed signs of differentiation with some competitors suspending or limiting their production. Leveraging on its strengths in scale and quality, the Group further reinforced its dominant position in the midst of industry competition. However, this business recorded a loss in the first half of 2013 due to competitive pricing pressure.

Antibiotics Series

In the first half of 2013, the antibiotics business remained subject to different challenges such as the restricted antibiotics use policy, industrial overcapacity and aggravated competition. By conducting technological upgrades, reinforcing internal management and reducing energy consumption, production costs continued to decrease. At the same time, the Group leveraged on quality upgrades to expand its market shares in the international high-end markets. In addition, the Group disposed part of its penicillin intermediate and bulk drug business in the first half of 2013 to ratify the resource allocation of its antibiotics business. Despite an overall low price level, this business has achieved a turnaround during the first half of 2013.

Caffeine Series

In the first half of 2013, the caffeine business remained stable with improvement in earnings, sales revenue reached HK$259 million.

Research and Development

The Group is equipped with relatively comprehensive research and development capabilities with technological competitive advantages in different domains. Biopharmaceutical products under research and development are also making progress. Currently, the Group has a total of approximately 167 products under research and development, with a focus on the therapeutic areas of anti-infective, cardio-cerebrovascular, neurology, diabetes and oncology. Among those products, 12 are Class I new drugs and 37 are Class III new drugs.

The Group will continue to increase its resources in research and development. In the coming years, it is expected that a number of innovative drugs will be launched upon receiving relevant production approvals, including rE4 and DBPR108 (Class I new drug, diabetes drug); pinocembrin (Class I new drug, acute stroke drug); levamlodipine maleate atorvastatin calcium tablet (Class I new drug, high blood pressure and lipid drug); and baicalein tablet (Class I new drug, viral influenza drug). It is expected that one exclusive anti-hepatic fibrosis Chinese medicine product with independent intellectual property rights and two first-to-market generic drugs will be approved for market launch in the second half of the year. Currently, the Group has six new drugs included in the priority review list, forming a solid foundation for the market launch of new drugs next year.

The Group proactively facilitates the cooperation and exchange with international companies to enhance its international competitiveness. During the first half of the year, the Group has submitted the Investigational New Drug ("IND") Application for butylphthalide soft capsules to the U.S. FDA, which will undergo phase II human clinical trials upon approval, and the Abbreviated New Drug Application ("ANDA") for nine products to the U.S. FDA. The Group has entered into a sales agreement with a distributor in the U.S. for its first approved ANDA product, namely tramadol hydrochloride tablets, which is expected to commence sales in the U.S. in the second half of the year.

The Group will also establish an innovative integrated platform with a number of research institutes, universities and hospitals in China for the research and development of cardio-cerebrovascular pharmaceutical products. This project will be supported by government subsidies from the fund of National Science and Technology Major Project for creation of new drugs, and RMB65,560,000 of such government subsidies will be allocated to the Group for carrying out the project..

Outlook

In the first half of 2013, China has shown a slowdown in its overall economic growth, with overcapacity and other aftermaths emerging from the implementation of economic stimulative policies and profound changes of the economic structure. While having negative impact on the competitive environment of the medical industry, these changes in the external economic environment have provided opportunities for the Group to develop and transform its business. The Group will continue to actively explore the new drug business, facilitate product globalisation and consolidate the competitiveness of its bulk drug business, with the objective of ensuring sustainable growth of the Group.

FINANCIAL REVIEW

Liquidity and Financial Position

For the first half of 2013, the Group's operating activities generated a net cash inflow of HK$505 million. Debtor turnover period (ratio of the balance of trade receivables to sales, inclusive of value added tax for sales in China) *(Note)* slightly decreased from 69 days in 2012 to 66 days. Inventory turnover period (ratio of inventory balance to cost of sales) *(Note)* increased from 109 days in 2012 to 114 days. As at 30 June 2013, current ratio of the Group improved to 1.4 as compared with 1.1 as at the end of 2012. Capital expenditure in relation to the additions of production facilities amounted to HK$237 million for the current period.

The financial position of the Group remained healthy. As at 30 June 2013, total bank balances and cash amounted to HK$988 million (31 December 2012: HK$1,476 million) and total bank borrowings amounted to HK$1,650 million (31 December 2012: HK$2,316 million). Net gearing ratio (calculated on the basis of the Group's total bank borrowings net of bank balances and cash over total equity) was 9.5% as compared with 12.4% at the end of 2012.

32% of the Group's bank borrowings are denominated in Hong Kong dollars, 20% in US dollars and the remaining 48% 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: The related figures exclude sales and cost of sales attributable to CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. which was disposed of during the current period.

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 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 brought 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, seeking damages and other relief.

On 12 March 2013, the Company and Weisheng reached a settlement agreement in principle with the plaintiffs in the direct purchaser action. 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 (equivalent to approximately HK$175.5 million), is payable in two installments and subject to approval by the Court. The first US$20 million (equivalent to approximately HK$156 million) has been paid by the Company and Weisheng on 21 April 2013. The remaining US$2.5 million (equivalent to approximately HK$19.5 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. The Court has preliminarily approved the settlement on 3 April 2013.

In accordance with the Settlement Agreement, plaintiffs filed a motion for final approval of the settlement on 19 July 2013. The Court will hold a final approval hearing on 2 October 2013 to determine if the settlement is fair, reasonable and adequate.

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

In light of the latest development up to date of this announcement, the director and management of the Company considered the obligations amounting to approximately US$6.5 million (equivalent to approximately HK$50.7 million) which includes the remaining US$2.5 million (equivalent to approximately HK$19.5 million) settlement arrangement with direct purchasers per above, potential claims by indirect purchasers and related legal cost.

Disposal of Subsidiaries

On 4 June, 2013, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. ("NMG Zhongrun") and its subsidiaries, CSPC Cenway Inner Mongolia Pharmaceutical Co., Ltd. and CSPC Inner mongolia Zhongkang Sugar Products Co., Ltd.. The disposal was completed on 18 June 2013 and a gain on disposal of HK$117,330,000 was recognised in the condensed consolidated statement of profit or loss and other comprehension income for the six months ended 30 June 2013.

Employees

As at 30 June 2013, the Group had about 10,587 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.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2013 with deviation from code provision A.2.1 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. Cai Dongchen, 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.

REVIEW OF INTERIM RESULTS

The interim results have been reviewed by the external auditor and audit committee of the Company.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2013.

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

Hong Kong, 28 August 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, Mr. WANG Zhenguo and Mr. WANG Jinxu 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.