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## **CSPC PHARMACEUTICAL GROUP LIMITED**

### **石藥集團有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*

**(Stock code: 1093)**

### **UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

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

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the nine months ended 30 September 2013*

	<b>For the nine months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(restated)</b>
Revenue	<b>7,432,810</b>	2,274,378
Cost of sales	<b>(5,152,539)</b>	(1,079,234)
Gross profit	<b>2,280,271</b>	1,195,144
Other income	<b>166,723</b>	8,571
Selling and distribution expenses	<b>(960,971)</b>	(534,088)
Administrative expenses	<b>(466,622)</b>	(115,444)
Other expenses	<b>(151,574)</b>	(24,291)
Operating profit	<b>867,827</b>	529,892
Finance costs	<b>(55,408)</b>	(23,517)
Recognition of fair values of financial guarantee contracts issued	—	(5,130)
Amortisation of financial guarantee liabilities	—	18,485
Gain on disposal of subsidiaries	<b>154,228</b>	—
Share of results of a joint venture	<b>(13,919)</b>	—
Profit before taxation	<b>952,728</b>	519,730
Taxation	<b>(180,650)</b>	(87,696)
Profit for the period	<b>772,078</b>	432,034

	<b>For the nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
		(restated)
Profit for the period attributable to:		
Owners of the Company	759,131	429,440
Non-controlling interests	12,947	2,594
	<u>772,078</u>	<u>432,034</u>
	<b><i>HK cents</i></b>	<i>HK cents</i>
Earnings per share	<u>13.67</u>	<u>35.92</u>
Basic		
Diluted	<u>12.93</u>	<u>9.95</u>

**Notes:**

**1. Basis of Preparation and Principal Accounting Policies**

On 29 October 2012, the Company completed the acquisition of 100% of the issued share capital of Robust Sun Holdings Limited (“Robust Sun”) (the “Acquisition”). As described in the Company’s consolidated financial statements for the year ended 31 December 2012, the Acquisition was accounted for as a reverse acquisition under Hong Kong Financial Reporting Standard 3 “Business Combination”. For accounting purpose, Robust Sun and its subsidiaries (the “Robust Sun Group”) were the accounting acquirer, and the Company and its subsidiaries immediately prior to the Acquisition (the “CPG Group”) (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 statement of profit or loss in respect of the nine months ended 30 September 2012 have been restated to present those of the Robust Sun Group rather than those of the CPG Group.

The accounting policies and methods of computation used in the consolidated statement of profit or loss for the nine months ended 30 September 2013 are the same as those followed in the preparation of the Group’s interim financial statements for the six months ended 30 June 2013.



	<b>For the nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	(Unaudited)
		(restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>5,554,041</b>	1,195,655
Effect of dilutive potential ordinary shares:		
Tranche I Convertible Bonds as if converted ( <i>Note</i> )	—	2,808,107
Tranche II Convertible Bonds as if converted ( <i>Note</i> )	<b>315,759</b>	312,012
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>5,869,800</u></b>	<b><u>4,315,774</u></b>

*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”) upon completion of the Acquisition. Details of the Convertible Bonds are set out in the Company’s consolidated financial statements for the year ended 31 December 2012.

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 nine months ended 30 September 2012, 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 assumed 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.

#### **4. Dividend**

The board of directors does not declare the payment of an interim dividend for the nine months ended 30 September 2013 (2012: Nil).

#### **5. Review of Results**

The financial data for the nine months ended 30 September 2013 is based on the internal records and management accounts of the Group and has not been reviewed or audited by the external auditor of the Company.

## SEGMENT INFORMATION

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

- (a) Finished Drugs
- (b) Caffeine and others (bulk drugs)
- (c) Vitamin C (bulk drugs)
- (d) Antibiotics (intermediates and bulk drugs)

All reportable segments are 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 reportable and operating segment.

*For the nine months ended 30 September 2013 (Unaudited)*

	Finished Drugs HK\$'000	Caffeine and others HK\$'000	Vitamin C HK\$'000	Antibiotics HK\$'000	Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE							
External sales	4,375,487	480,710	829,122	1,747,491	7,432,810	—	7,432,810
Inter-segment sales	—	3,919	2,706	95,832	102,457	(102,457)	—
<b>TOTAL REVENUE</b>	<b><u>4,375,487</u></b>	<b><u>484,629</u></b>	<b><u>831,828</u></b>	<b><u>1,843,323</u></b>	<b><u>7,535,267</u></b>	<b><u>(102,457)</u></b>	<b><u>7,432,810</u></b>
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	<b><u>953,864</u></b>	<b><u>119,184</u></b>	<b><u>(106,296)</u></b>	<b><u>37,916</u></b>			1,004,668
Unallocated income							4,179
Unallocated expenses							<u>(141,020)</u>
Operating profit							867,827
Finance costs							(55,408)
Gain on disposal of subsidiaries							154,228
Share of results of a joint venture							<u>(13,919)</u>
Profit before taxation							<b><u>952,728</u></b>

For the nine months ended 30 September 2012 (Unaudited) (restated)

	Finished Drugs HK\$ '000	Caffeine and others HK\$ '000	Total HK\$ '000	Eliminations HK\$ '000	Consolidated HK\$ '000
SEGMENT REVENUE					
External sales	1,729,588	544,790	2,274,378	—	2,274,378
Inter-segment sales	—	2,081	2,081	(2,081)	—
TOTAL REVENUE	<u>1,729,588</u>	<u>546,871</u>	<u>2,276,459</u>	<u>(2,081)</u>	<u>2,274,378</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>465,595</u>	<u>63,180</u>			528,775
Unallocated income					5,472
Unallocated expenses					<u>(4,355)</u>
Operating profit					529,892
Finance costs					(23,517)
Recognition of fair values of financial guarantee contracts issued					(5,130)
Amortisation of financial guarantee liabilities					<u>18,485</u>
Profit before taxation					<u>519,730</u>

Segment profit (loss) represents the profit (loss) generated 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 values of financial guarantee contracts issued and amortization of financial guarantee liabilities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## BUSINESS REVIEW

For the period under review, the Group recorded a sales revenue of HK\$7,433 million and a profit attributable to shareholders of HK\$759 million.

## **FINISHED DRUGS**

During the period, the innovative drug business maintained strong growth momentum, with a further expansion of market share and a higher presence in the high-end market. Sales revenue of the innovative drug business was HK\$1,367 million during the period, an increase of 50% over the same period of last year.

### **“NBP”**

“NBP” is a Class I new drug in China and also a patent-protected exclusive product. The drug is mainly used for the treatment of acute ischemic stroke. During the period, sales revenue of “NBP” soft capsule increased by 37% over the same period of last year; whereas sales revenue of “NBP” injection increased by 98% over the same period of last year.

### **“Oulaining”**

“Oulaining” is mainly used for the treatment of mild to moderate memory and mental impairment resulting from vascular dementia, senile dementia and brain trauma. During the period, sales revenue of “Oulaining” lyophilized powder injection increased by 41% over the same period of last year; whereas sales revenue of “Oulaining” capsule increased by 33% over the same period of last year.

### **“Xuanning”**

“Xuanning” is an exclusive product in China and is mainly used for the treatment of hypertension. Sales revenue during the period increased by 46% over the same period of last year.

### **“Duomeisu” and “Jinyouli”**

The Group’s oncology innovative drug series took shape, comprising two major oncology drugs (i.e. “Duomeisu” and “Jinyouli”) currently. “Duomeisu” (Doxorubicin hydrochloride liposome injection) is a new anthracycline and also a first-line chemotherapeutic medicine. The drug is mainly used for the treatment of lymphoma, multiple myeloma, ovarian cancer and breast cancer. “Jinyouli” (PEG-rhG-CSF injection) is the first long-acting growth factor drug in China and is used for the prevention of leucopenia and infection induced by chemotherapy. These two products are currently at the market introduction stage. In addition, the Group is in the process of developing several oncology drugs. Among those products, imatinib mesylate tablet and bortezomib injection have applied for production approvals.

The other finished drugs of the Group also maintained stable growth during the period.

## **BULK DRUGS**

During the period, the market environment for the vitamin C business remained weak with overcapacity persisting. The performance of the antibiotics business was relatively stable. Through technological upgrades and production costs control, this business has realized a turnaround during the period. The caffeine business remained stable and achieved a better performance during the period compared to the same period of the last year due to increased product prices and lower production costs.

## **RESEARCH AND DEVELOPMENT**

Research and development is one of the important development strategies of the Group. Currently, the Group has approximately 167 products under research and development, with a focus on the areas of anti-infective, cardio-cerebrovascular, diabetes, neurology and oncology. Among those products, 12 are Class I new drugs and 37 are Class III new drugs.

In addition, the Group also proactively facilitates the globalization of products and cooperation and exchange with overseas companies. During the period, 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 several products to the U.S. FDA.

During the period, ertapenem injection and flucloxacillin sodium injection (both Class III new drugs) have received approvals issued by the China Food and Drug Administration. On the other hand, the Group has applied Phase II and III human clinical trials for rE4 (Class I new drug, diabetes drug) and mitoxantrone hydrochloride liposome injection (patented oncology drug). Currently, ANDA approved products of the Group include tramadol hydrochloride tablets, metformin hydrochloride sustained-release tablets and donepezil hydrochloride tablets.

## **SETTLEMENTS IN THE VITAMIN C ANTITRUST LITIGATION**

As disclosed in the 2012 annual report, the Company, CSPC Weisheng Pharmaceutical (Shijiazhuang) Co, Ltd. (“Weisheng”, a wholly owned subsidiary of the Company) and the plaintiffs in the direct purchaser action entered into a settlement agreement for US\$22.5 million on 15 March 2013 to fully and finally resolve all the claims in the direct purchaser action. On 16 October 2013, the Court granted final approval of the settlement.

On 13 November 2013, the Company, Weisheng and the plaintiffs in the indirect purchaser actions entered into a settlement agreement for US\$2.2 million to fully and finally resolve all the claims in the indirect purchaser actions. In accordance with the settlement agreement, the indirect purchaser plaintiffs will file a motion for preliminary approval of the settlement by 13 December 2013. The settlement is subject to Court approval.

Adequate provision for the above settlement amounts has already been made in the Company's consolidated financial statements for the year ended 31 December 2012.

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

Hong Kong, 27 November 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.*