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CSPC

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 THREE MONTHS ENDED 31 MARCH 2015**

FINANCIAL HIGHLIGHTS

- Revenue increased by 7.7% to HK\$2,782,136,000
- Profit attributable to shareholders increased by 53.3% to HK\$400,326,000
- Basic earnings per share increased by 53.3% to HK6.78 cents
- Diluted earnings per share increased by 53.5% to HK6.71 cents

The Board of Directors of CSPC Pharmaceutical Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	For the three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	2,782,136	2,582,577
Cost of sales	(1,545,070)	(1,608,997)
Gross profit	1,237,066	973,580
Other income	22,093	41,998
Selling and distribution expenses	(524,049)	(395,639)
Administrative expenses	(130,826)	(175,451)
Other expenses	(86,865)	(85,111)
Operating profit	517,419	359,377
Finance costs	(11,681)	(15,903)
Share of results of		
— an associate	(350)	—
— a joint venture	1,515	(539)
Profit before tax	506,903	342,935
Income tax expenses	(102,568)	(77,292)
Profit for the period	<u>404,335</u>	<u>265,643</u>

	For the three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive income (expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements to presentation currency	—	(108,878)
Share of exchange differences of		
— an associate	—	—
— a joint venture	—	(228)
	<u>—</u>	<u>(109,106)</u>
Other comprehensive income (expense) for the period, net of income tax	—	(109,106)
	<u>—</u>	<u>(109,106)</u>
Total comprehensive income for the period	<u>404,335</u>	<u>156,537</u>
Profit for the period attributable to:		
Owners of the Company	400,326	261,087
Non-controlling interests	4,009	4,556
	<u>404,335</u>	<u>265,643</u>
	<u>404,335</u>	<u>265,643</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	400,326	153,633
Non-controlling interests	4,009	2,904
	<u>404,335</u>	<u>156,537</u>
	<u>404,335</u>	<u>156,537</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share		
— Basic	<u>6.78</u>	<u>4.42</u>
	<u>6.71</u>	<u>4.37</u>
— Diluted	<u>6.71</u>	<u>4.37</u>

Notes:

1. Principal Accounting Policies

The principal accounting policies used in the preparation of the financial data for the three months ended 31 March 2015 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2014.

2. Profit Before Tax

	For the three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	4,997	4,879
Amortisation of prepaid lease payments	3,673	3,565
Depreciation of property, plant and equipment	141,887	144,461
Research and development expenditure recognized as expense (included in other expenses)	86,128	76,721
Share-based payment expense (included in administrative expenses)	—	44,737
Government grant income	(6,366)	(34,424)

3. 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 three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	400,326	261,087

	For the three months ended	
	31 March	
	2015	2014
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,908,018	5,908,018
Effect of dilutive potential ordinary shares:		
Share options granted by the Company	<u>57,691</u>	<u>61,216</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,965,709</u>	<u>5,969,234</u>

4. Dividend

The board of directors does not declare the payment of an interim dividend for the three months ended 31 March 2015 (2014: Nil).

5. Review of Results

The financial data for the three months ended 31 March 2015 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 operating and reportable segments for financial reporting purposes are as follows:

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

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

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

For the three months ended 31 March 2015 (Unaudited):

	Finished Drugs HK\$'000	Antibiotics HK\$'000	Vitamin C HK\$'000	Caffeine and others HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE							
External sales	1,864,381	455,977	288,248	173,530	2,782,136	—	2,782,136
Inter-segment sales	—	13,230	1,087	590	14,907	(14,907)	—
TOTAL REVENUE	<u>1,864,381</u>	<u>469,207</u>	<u>289,335</u>	<u>174,120</u>	<u>2,797,043</u>	<u>(14,907)</u>	<u>2,782,136</u>
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	<u>467,627</u>	<u>61,500</u>	<u>(24,026)</u>	<u>30,576</u>	<u>535,677</u>	<u>—</u>	<u>535,677</u>
Unallocated income							1,968
Unallocated expenses							<u>(20,226)</u>
Operating profit							517,419
Finance costs							(11,681)
Share of results of							
— an associate							(350)
— a joint venture							<u>1,515</u>
Profit before tax							<u>506,903</u>

For the three months ended 31 March 2014 (Unaudited):

	Finished Drugs HK\$'000	Antibiotics HK\$'000	Vitamin C HK\$'000	Caffeine and others HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE							
External sales	1,543,741	550,882	332,727	155,227	2,582,577	—	2,582,577
Inter-segment sales	—	10,243	1,493	1,701	13,437	(13,437)	—
TOTAL REVENUE	<u>1,543,741</u>	<u>561,125</u>	<u>334,220</u>	<u>156,928</u>	<u>2,596,014</u>	<u>(13,437)</u>	<u>2,582,577</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT (LOSS)	<u>393,388</u>	<u>20,466</u>	<u>(9,409)</u>	<u>28,576</u>	<u>433,021</u>	<u>—</u>	433,021
Unallocated income							1,189
Unallocated expenses							<u>(74,833)</u>
Operating profit							359,377
Finance costs							(15,903)
Share of results of a joint venture							<u>(539)</u>
Profit before tax							<u>342,935</u>

Segment profit (loss) represents the profit earned/loss recognised by each segment without allocation of interest income, finance costs, central administrative expenses, share of results of an associate and a joint venture. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

BUSINESS REVIEW

Results

For the first three months of 2015, the Group recorded sales revenue of approximately HK\$2,782 million and profit attributable to shareholders of approximately HK\$400 million, representing an increase of 7.7% and 53.3% over the same period of last year respectively.

Finished Drug Business

Innovative drugs continued to be the major growth driver. Total sales revenue of the Group's innovative drugs reached HK\$857 million for the period, representing a growth of 36.7% over the same period of last year. On the other hand, the Group's common generic drugs maintained a stable growth during the period, with total sales revenue reaching HK\$1,007 million, representing a growth of 9.8% over the same period of last year.

Bulk Drug Business

Sales revenue of the antibiotic segment decreased by 17.2% to HK\$456 million over the same period of last year, mainly attributable to the non-consolidation of the results of Siping City Fine Chemicals Product Co., Ltd. since its becoming an associate of the Group in November 2014. Operating results of the antibiotic segment continued to improve mainly due to the rise in the product price of 7-ACA during the period. Vitamin C segment incurred a loss as product price remained weak during the period. Caffeine segment continued to provide a stable contribution to the operating results of the Group.

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

Hong Kong, 26 May 2015

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. FENG Zhenying, Mr. CHAK Kin Man, Mr. PAN Weidong, 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. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin as independent non-executive directors.