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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)

**QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2015, the Group recorded the following operating results:

- Revenue increased by 4.5% to HK\$8,503 million;
- On the basis that revenue attributable to a former subsidiary was excluded from the 2014 comparative figure, revenue for the current period increased by 8.7% over the same period of last year;
- Aggregate revenue of the innovative drugs increased by 35.1% to HK\$2,729 million;
- Profit attributable to shareholders increased by 35.1% to HK\$1,243 million;
- Basic earnings per share amounted to HK21.04 cents; and
- Diluted earnings per share amounted to HK20.81 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 nine months ended 30 September 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

	For the nine months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	8,502,956	8,138,631
Cost of sales	<u>(4,646,120)</u>	<u>(5,063,115)</u>
Gross profit	3,856,836	3,075,516
Other income	75,127	111,897
Selling and distribution expenses	(1,659,165)	(1,287,418)
Administrative expenses	(403,695)	(430,849)
Other expenses	<u>(248,256)</u>	<u>(241,867)</u>
Operating profit	1,620,847	1,227,279
Finance costs	(42,756)	(43,359)
Loss on disposal of an associate	(8,873)	—
Share of results of		
— an associate	141	—
— a joint venture	<u>7,028</u>	<u>312</u>
Profit before taxation	1,576,387	1,184,232
Income tax expenses	<u>(321,457)</u>	<u>(251,541)</u>
Profit for the period	<u><u>1,254,930</u></u>	<u><u>932,691</u></u>

	For the nine months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive expense:		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of financial statements to presentation currency	(225,140)	(118,042)
Share of exchange differences of a joint venture	(572)	(228)
Other comprehensive expense for the period	(225,712)	(118,270)
Total comprehensive income for the period	<u>1,029,218</u>	<u>814,421</u>
Profit for the period attributable to:		
Owners of the Company	1,243,093	920,371
Non-controlling interests	11,837	12,320
	<u>1,254,930</u>	<u>932,691</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,019,453	803,129
Non-controlling interests	9,765	11,292
	<u>1,029,218</u>	<u>814,421</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share		
— Basic	<u>21.04</u>	<u>15.58</u>
— Diluted	<u>20.81</u>	<u>15.42</u>

Notes:

1. Principal Accounting Policies

The principal accounting policies used in the preparation of the financial date for the nine months ended 30 September 2015 are consistent with those followed in the preparation of the Group's interim financial statements for the six months ended 30 June 2015.

2. Profit Before Taxation

	For the nine months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of other intangible assets (included in cost of sales)	15,199	14,740
Amortisation of prepaid lease payments	11,093	11,555
Depreciation of property, plant and equipment	419,398	439,129
Research and development expense (included in other expenses)	240,796	233,424
Share-based payment expense (included in administrative expenses)	—	53,187
Government grant income (included in other income)	<u>(32,658)</u>	<u>(75,372)</u>

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 nine months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>1,243,093</u>	<u>920,371</u>

	For the nine months ended	
	30 September	
	2015	2014
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,908,051	5,908,018
Effect of dilutive potential ordinary shares:		
Share options granted by the Company	<u>65,265</u>	<u>58,760</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,973,316</u>	<u>5,966,778</u>

4. Dividend

The board of directors does not declare the payment of an interim dividend for the nine months ended 30 September 2015 (2014: Nil).

5. Review of Results

The financial data for the nine months ended 30 September 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 segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors, being chief operating decision makers, for the purpose of resources allocation and assessment of segment performance.

The Group's reportable and operating 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 reportable and operating segment.

For the nine months ended 30 September 2015 (Unaudited):

	Finished Drugs <i>HK\$'000</i>	Antibiotics <i>HK\$'000</i>	Vitamin C <i>HK\$'000</i>	Caffeine and others <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE							
External sales	5,742,865	1,342,536	908,569	508,986	8,502,956	—	8,502,956
Inter-segment sales	—	38,433	3,548	2,352	44,333	(44,333)	—
TOTAL REVENUE	<u>5,742,865</u>	<u>1,380,969</u>	<u>912,117</u>	<u>511,338</u>	<u>8,547,289</u>	<u>(44,333)</u>	<u>8,502,956</u>
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	<u>1,476,319</u>	<u>164,739</u>	<u>(41,549)</u>	<u>90,349</u>			1,689,858
Unallocated income							5,578
Unallocated expenses							<u>(74,589)</u>
Operating profit							1,620,847
Finance costs							(42,756)
Loss on disposal of an associate							(8,873)
Share of results of							
— an associate							141
— a joint venture							<u>7,028</u>
Profit before taxation							<u>1,576,387</u>

For the nine months ended 30 September 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	4,891,660	1,818,603	950,458	477,910	8,138,631	—	8,138,631
Inter-segment sales	—	37,673	5,189	5,187	48,049	(48,049)	—
TOTAL REVENUE	<u>4,891,660</u>	<u>1,856,276</u>	<u>955,647</u>	<u>483,097</u>	<u>8,186,680</u>	<u>(48,049)</u>	<u>8,138,631</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT (LOSS)	<u>1,195,651</u>	<u>108,570</u>	<u>(45,979)</u>	<u>89,886</u>			1,348,128
Unallocated income							5,037
Unallocated expenses							<u>(125,886)</u>
Operating profit							1,227,279
Finance costs							(43,359)
Share of results of a joint venture							<u>312</u>
Profit before taxation							<u>1,184,232</u>

Segment profit (loss) represents the profit (loss) recognised by each segment without allocation of interest income, finance costs, central administrative expenses, loss on disposal of an associate and 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 period under review, the Group recorded sales revenue of approximately HK\$8,503 million, representing an increase of 4.5% over the same period of last year. However, the 2014 comparative figure has taken into account sales revenue of approximately HK\$314 million attributable to a former subsidiary. On the basis that sales revenue attributable to the former subsidiary is excluded from the 2014 comparative figure, the Group's sales revenue for the current period increased by 8.7% over the same period of last year.

Profit attributable to shareholders for the current period amounted to approximately HK\$1,243 million, representing an increase of 35.1% over the same period of last year.

Finished Drug Business

Major innovative drugs of the Group include “NBP” (butylphthalide soft capsules and injections), “Oulaining” (oxiracetam capsules and lyophilized powder injections), “Xuanning” (levamlodipine maleate tablets), “Duomeisu” (doxorubicin hydrochloride liposome injections), “Jinyouli” (PEG-rhGCSF injections), “Ailineng” (elemene injections) and “Nuolining” (imatinib mesylate tablets). These innovative drugs continued to deliver strong growth during the period with aggregate sales revenue reaching approximately HK\$2,729 million, representing a growth of 35.1%. On the other hand, common generic drugs of the Group maintained a stable growth with aggregate sales revenue increasing by 5% to approximately HK\$3,014 million.

Sales revenue of the overall finished drug business for the current period reported a growth of 17.4% over the same period of last year, reaching approximately HK\$5,743 million. With growing contribution from the innovative drugs, operating profit of the finished drug business for the current period increased by 23.5% to approximately HK\$1,476 million, with operating profit margin improving to 25.7%.

Bulk Drug Business

Sales revenue of the antibiotic business for the current period recorded a significant decline mainly due to the fact that the 2014 comparative figure has taken into account sales revenue attributable to a former subsidiary. Overall market conditions of antibiotics have in fact shown improvement during the current period with operating profit contributed from the antibiotic business increasing to approximately HK\$165 million. A weaker performance in the third quarter of current year was noted due to changes in market conditions.

Owing to overcapacity in the market, vitamin C business continued to remain weak and reported a loss for the current period.

Caffeine business continued to contribute a satisfactory profit to the Group, with both market demand and product prices remaining stable during the current period.

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

Hong Kong, 30 November 2015

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo, Mr. WANG Jinxu and Mr. LU Hua 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.