



石藥集團有限公司

CSPC PHARMACEUTICAL GROUP LIMITED

(Stock Code : 1093)



2015

Interim Report

| CONTENTS | <i>PAGE(S)</i> |
|--|----------------|
| CORPORATE INFORMATION | 2 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 3 |
| REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS | 11 |
| CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 13 |
| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 15 |
| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 17 |
| CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS | 19 |
| NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS | 20 |
| OTHER INFORMATION | 39 |

CORPORATE INFORMATION

Board of Directors

Executive Directors

CAI Dongchen (*Chairman and CEO*)

FENG Zhenying

CHAK Kin Man

PAN Weidong

WANG Shunlong

WANG Huaiyu

LU Jianmin

WANG Zhenguo

WANG Jinxu

Non-executive Director

LEE Ka Sze, Carmelo

Independent Non-executive Directors

CHAN Siu Keung, Leonard

WANG Bo

LO Yuk Lam

YU Jinming

CHEN Shilin

Committees

Audit Committee

CHAN Siu Keung, Leonard (*Chairman*)

LEE Ka Sze, Carmelo

WANG Bo

Nomination Committee

CAI Dongchen (*Chairman*)

CHAN Siu Keung, Leonard

LO Yuk Lam

Remuneration Committee

CHAN Siu Keung, Leonard (*Chairman*)

LEE Ka Sze, Carmelo

WANG Bo

Legal Advisers

Woo, Kwan, Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Company Secretary

LEE Ka Sze, Carmelo

Authorised Representatives

CHAK Kin Man

PAN Weidong

Registered Office

Suite 3206

Central Plaza

18 Harbour Road

Wan Chai

Hong Kong

Share Registrar and Transfer Office

Tricor Secretaries Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

Website

www.cspc.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the first half of 2015, the Group recorded sales revenue of approximately HK\$5,730 million and profit attributable to shareholders of approximately HK\$822 million, representing an increase of 7.3% and 36.9% over the same period of last year respectively.

Finished Drug Business

Innovative Drug Products

During the first half of 2015, the innovative drug business maintained strong growth momentum, with continuous expansion of market share and a stronger presence and coverage in the high-end market. The Group also achieved some progress in expanding into the mid-tier market. Sales revenue for the period reached approximately HK\$1,768 million, representing a 36% growth over the same period of last year.

In the first half of 2015, the General Office of the State Council of the People's Republic of China issued the "Guidance Opinion on Improvement of Centralized Procurement of Drugs by Public Hospitals" and the National Health and Family Planning Commission of the People's Republic of China issued the "Circular on Implementing the Guidance Opinion on Improvement of Centralized Procurement of Drugs by Public Hospitals". It is expected that most provinces and cities in China will initiate the drug tender process in the second half of the year, creating opportunities for NBP injection and other innovative drug products to expand sales in the hospitals. The Group will strive to ensure that its innovative drug products can win the tenders at reasonable prices in order to expand market coverage and to drive rapid and sustainable growth. The Group will also further improve its expert network and increase its efforts in academic-based promotion, so as to strengthen the market position of its innovative drug products in the respective therapeutic sector.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Finished Drug Business *(Continued)*

Innovative Drug Products (Continued)

Following is an overview of the Group's major innovative drug products:

"NBP"

"NBP" series is a Class I new drug in China and is 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 has been awarded the State Science and Technology Progress Award (Second Class), Golden Award for Outstanding Chinese Patented Invention and China Grand Awards for Industry. "NBP" is a recommended drug in the "Guidelines for Cerebrovascular Disease Prevention and Treatment in China" and the "Guidelines for Acute Ischemic Stroke Treatment in China 2010". In the first half of this year, "NBP" was once again listed as a recommended drug on the "Guidelines for Acute Ischemic Stroke Treatment in China 2014" with more explicit description about the safety, efficacy and recommendation levels. Currently, "NBP" is one of the fastest growing products for the treatment of acute ischemic stroke and is also a blockbuster innovative drug of the Group.

"Oulaining"

"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. It has a broad range of clinical indications with huge market potentials. "Oulaining" lyophilized powder injection is currently an exclusive preparation form in China, and has been awarded the Hebei Province Science and Technology Progress Award (First Class). Currently, "Oulaining" is the number one brand among the oxiracetam products in the market. The Group will continuously increase its efforts in academic-based promotion and building its expert network with a view to further developing "Oulaining" as a leading brand in the neurology therapeutic area.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Finished Drug Business *(Continued)*

Innovative Drug Products *(Continued)*

“Xuanning”

“Xuanning” series is 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 and angina pectoris. The product has been awarded the State Technological Invention Award (Second Class). After years of market development, “Xuanning” has grown into a major brand among hypertension drugs in China and a leading brand among the domestic players. With its popularity and reputation, “Xuanning” has the prerequisites to further realize its potentials.

“Duomeisu”

“Duomeisu” (Doxorubicin hydrochloride liposome injection) is used as a first-line chemotherapy drug for the treatment of lymphoma, multiple myeloma, ovarian cancer and breast cancer. This product can also be used as a second-line chemotherapy drug for treating patients with improving progress of AIDS-related Kaposi’s sarcoma. In addition, it can be used in patients who cannot tolerate using a combination of two or more of the following drugs: vincristine, bleomycin and doxorubicin (or any anthracycline antibiotics). In January 2015, the China Food and Drug Administration (“CFDA”) approved to extend the expiry period of “Duomeisu” to 36 months, longer than that of the original drug and other domestic brands. Moreover, “Duomeisu”’s patented nano-extrusion technique can make the particle size of the liposome more consistent so to ensure the target enrichment effect of the liposomal drug. Market coverage of this product currently reaches 345 hospitals.

“Jinyouli”

“Jinyouli” (PEG-rhGCSF injection) is the first long-acting growth factor drug in China. This product is a long-acting white blood cell booster used for the prevention of leucopenia and infection induced by chemotherapy. Market coverage of this product currently reaches 245 hospitals.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Finished Drug Business (Continued)

Innovative Drug Products (Continued)

“Ailineng”

“Ailineng” (Elemene injection) is a drug mainly used for the treatment of nerve glioma and brain metastases, and adjuvant treatment of malignant pleural and peritoneal effusion. Its unique liquid injection form has obtained patent in China. Market coverage of this product currently reaches 212 hospitals.

“Nuolining”

“Nuolining” (Imatinib mesylate tablet) is mainly used for the treatment of Philadelphia chromosome-positive chronic myelocytic leukemia (Ph+CML) and Philadelphia chromosome-positive acute lymphoblastic leukemia (Ph+ALL). “Nuolining” is manufactured following high quality control standards resulting in products with high purity and quality stability. Since its market launch in March 2015, market coverage of “Nuolining” has reached 64 hospitals in 24 provinces and cities.

With the progress of academic-based promotion and further enhancement of market recognition, “Duomeisu”, “Jinyouli”, “Ailineng” and “Nuolining” have effectively expanded their market coverage and won tender in a number of provinces and cities, supporting continuous satisfying growth.

In addition, the Group has some other oncology drugs under research and development, among which “bortezomib injection” has been submitted for production approval and is expected to receive the production approval in 2016. “Bortezomib injection” is used for the treatment of multiple myeloma. “Paclitaxel injection (albumin-bound)” has been submitted for clinical trial and is expected to receive the clinical trial approval in the near term.

Common Generic Drug Products

During the period, the Group continued to enhance its common generic drug product portfolio and establish its sales channels, and also cooperated with pharmacy chains in China to further explore market potentials. This results in satisfactory growth with improved profitability. The current key focus is to identify products with higher gross margins and find appropriate sales partners to gradually amplify the results. On the other hand, the Group will study and keep abreast of the policies related to essential drugs and low-priced drugs in order to grasp the market opportunities in these areas.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Bulk Drug Business

Antibiotics

In the first half of 2015, the antibiotics business was relatively stable. Market prices of certain products were higher than the same period of last year, but operating costs also increased due to upgrades in environmental standards and quality control management. The Group continued to improve its competitive capabilities through reinforced internal management, development of better sales channels and product differentiation.

Vitamin C

Overcapacity of the vitamin C market still lingered in the first half of 2015, but the market has shown signs of recovery with relatively stable demands and improving product price. Leveraging on its advantages in scale, quality and production costs, the Group continued to maintain its absolute competitiveness in the industry. The Group also increased its efforts in overseas expansion by adjusting and improving its product structure. Overall, the vitamin C business has shown signs of an upturn in the second quarter of 2015 and is expected to further improve in the second half of the year.

Caffeine and Others

In the first half of 2015, both the market demand and product price of caffeine remained stable, this business continued to contribute stable profit to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Research and Development

The Group continued to capitalise on its technological advantages in the realm of drug research and development. Currently, the Group has over 180 products under research and development, with focus on the therapeutic areas of cardio-cerebrovascular, diabetes, oncology, neurology and anti-infective. Among these products, 14 are Class I new drugs and 51 are Class III new drugs (of which 36 products are among the first three applications).

6 of the 14 Class I new drugs are in clinical trial. Of which, “recombinant glucagon-like peptide-1 receptor agonist for injection (rE4)” has completed phase II clinical trial. The supplemental application for changing into injectable pen form has passed the technology assessment by the Center for Drug Evaluation (“CDE”) and the application is currently being assessed by the registration department. It shall commence phase III clinical trial after approval is granted. “Compound amlodipine and atorvastatin calcium tablet” has passed the ethical evaluation and is currently in phase III clinical trial. “Pinocembrin injection” is in phase II clinical trial. Data for phase II and III clinical trial application of “baicalein tablet” has been submitted to the CDE and assessment by the CDE is expected to begin in the near term. “DBPR-108” is in phase I clinical trial. “L-butylphthalide tablet and injection” has completed phase I clinical trial and the CDE has completed the assessment of the data submitted for the phase II clinical trial application. The Group is currently preparing supplemental data according to the requirements of the CDE. In addition, “mitoxantrone hydrochloride liposome injection” has obtained the phase II and III clinical trial approval and has commenced phase II clinical trial.

During the first half of this year, the Group has obtained production approvals for 4 products in China including “cefdinir raw material”, “nafcillin sodium raw material and injection”, “cefcapene pivoxil hydrochloride raw material and tablets” and “aspirin enteric coated tablets (100mg)”, of which “nafcillin sodium injection” and “cefcapene pivoxil hydrochloride tablets” are the second-to-market drug approved in China. Apart from these, the Group has obtained clinical trial approvals for 4 products including “mitoxantrone hydrochloride liposome injection”, “dronedarone hydrochloride tablets”, “DBPR-108 capsules” and “moxifloxacin hydrochloride tablets”. Moreover, “cefoselis sulfate raw material and injection” has passed the technology assessment and on-site inspection by the CFDA. During the period, the Group has submitted applications for 28 drugs to the CFDA (of which, 12 are production applications and 16 are clinical trial applications). 6 of the 28 drugs are among the first three applications.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Research and Development *(Continued)*

With regard to overseas registrations, the Group's product "benzonatate soft capsule" had received the Abbreviated New Drug Application ("ANDA") approval in July this year. Currently, the Group has a total of 9 drugs applying for ANDA of the U.S. FDA. Meanwhile, the protocol for phase II clinical trial application of "butylphthalide soft capsule" has been approved by the U.S. FDA and the pharmacokinetic research in human subjects as requested by the U.S. FDA has also been completed. The Group is currently preparing supplemental data of application for "mitoxantrone hydrochloride liposome injection" according to the Pre-Investigational New Drug (Pre-IND) meeting held by the U.S. FDA. It is expected that application for phase II clinical trial can be submitted to the U.S. FDA by the end of this year.

The Group also continued to increase its efforts in research and development, registration and obtaining approval. It is expected that 4 drug applications in China ("cefosis sulfate raw material and injection", "amoxicillin and ambroxol hydrochloride tablets", "Qinggan Huayu capsule (清肝化痰胶囊)" and "acarbose tablets") and 3 drug applications for ANDA in the U.S. ("cefixime tablets", "cefotaxime sodium for injection" and "clopidogrel hydrogen sulfate tablets") will receive approval in the second half of 2015.

Outlook

With the further ageing of population, progress of national urbanisation and increase in people's income level in China, the demand for pharmaceutical products in China is expected to further increase over the coming decade. In view of that, the Group believes that its core products will have huge market potential prospect. The Group will continue to actively develop the new drug business, promote product internationalisation and consolidate the competitiveness of its bulk drug business, with the objective of ensuring sustainable growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

Liquidity and Financial Position

For the first half of 2015, the Group's operating activities generated a net cash inflow of HK\$694 million. Debtor turnover period (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) slightly shortened from 55 days in 2014 to 53 days. Inventory turnover period (ratio of inventory balance to cost of sales) increased from 102 days in 2014 to 125 days. The higher stock turnover period for the first half of 2015 was mainly attributable to the need to maintain a higher level of inventories in anticipation of shut down of certain production workshops for maintenance works in July. Current ratio of the Group as at 30 June 2015 was 2.0 as compared to 1.8 as at 31 December 2014. Capital expenditure in relation to the additions of production facilities amounted to HK\$401 million for the current period.

The financial position of the Group remained healthy. As at 30 June 2015, total bank balances and cash amounted to HK\$1,931 million (31 December 2014: HK\$1,527 million) and total borrowings amounted to HK\$1,811 million (31 December 2014: HK\$1,226 million), comprising bank loans of HK\$1,570 million and loans from a related company of HK\$241 million. Of the total borrowings, HK\$595 million will be repayable within one year and the remaining HK\$1,216 million repayable between two to four years. Gearing ratio (calculated on the basis of the Group's total borrowings over total equity) was 21.6% as compared to 15.0% as at 31 December 2014.

38% of the Group's borrowings are denominated in Hong Kong dollars, 13% in US dollars and the remaining 49% 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.

Employees

As at 30 June 2015, the Group had about 10,314 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.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司


(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CSPC Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 38, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of



making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | | For the six months ended 30 June | |
|--|-------|-------------------------------------|---------------------------------|
| | Notes | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Revenue | 3 | 5,730,375 | 5,342,470 |
| Cost of sales | | <u>(3,153,649)</u> | <u>(3,321,420)</u> |
| Gross profit | | 2,576,726 | 2,021,050 |
| Other income | | 36,518 | 90,530 |
| Selling and distribution expenses | | (1,100,322) | (846,327) |
| Administrative expenses | | (265,624) | (302,889) |
| Other expenses | | <u>(176,331)</u> | <u>(160,918)</u> |
| Operating profit | | 1,070,967 | 801,446 |
| Finance costs | | (27,885) | (29,231) |
| Share of results of | | | |
| — an associate | | 141 | — |
| — a joint venture | | <u>4,196</u> | <u>(526)</u> |
| Profit before tax | 4 | 1,047,419 | 771,689 |
| Income tax expense | 5 | <u>(217,399)</u> | <u>(162,263)</u> |
| Profit for the period | | <u>830,020</u> | <u>609,426</u> |
| Other comprehensive expense: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Exchange differences arising on translation of financial statements to presentation currency | | — | (216,076) |
| Share of exchange differences of a joint venture | | — | <u>(444)</u> |
| Other comprehensive expense for the period | | — | <u>(216,520)</u> |
| Total comprehensive income for the period | | <u>830,020</u> | <u>392,906</u> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2015

| | | For the six months ended 30 June | |
|--|-------|---|---|
| | Notes | 2015 HK\$'000 (Unaudited) | 2014 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 822,014 | 600,665 |
| Non-controlling interests | | 8,006 | 8,761 |
| | | 830,020 | 609,426 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 822,014 | 386,683 |
| Non-controlling interests | | 8,006 | 6,223 |
| | | 830,020 | 392,906 |
| | | HK cents | <i>HK cents</i> |
| Earnings per share | 7 | | |
| — Basic | | 13.91 | 10.17 |
| — Diluted | | 13.76 | 10.07 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | Notes | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 5,155,044 | 5,049,087 |
| Prepaid lease payments | | 497,424 | 498,522 |
| Goodwill | | 125,060 | 125,060 |
| Other intangible assets | | 108,102 | 111,289 |
| Interest in an associate | | 56,873 | 56,732 |
| Interest in a joint venture | | 22,363 | 18,167 |
| Available-for-sale investment | | — | 1,705 |
| Deferred tax assets | | 37,255 | 34,922 |
| | | 6,002,121 | 5,895,484 |
| Current assets | | | |
| Inventories | | 2,173,892 | 1,805,749 |
| Trade and other receivables | 9 | 2,033,712 | 2,006,712 |
| Bills receivables | 9 | 1,319,367 | 1,079,359 |
| Trade receivables due from related companies | 10 | 114,358 | 92,471 |
| Trade receivable due from an associate | 10 | 19,638 | — |
| Amount due from a joint venture | 10 | 69,552 | 76,450 |
| Prepaid lease payments | | 15,769 | 14,928 |
| Tax recoverable | | 2,420 | 2,754 |
| Held for trading investments | | 766 | 703 |
| Restricted bank deposits | 11 | 56,558 | 58,199 |
| Bank balances and cash | | 1,874,566 | 1,468,421 |
| | | 7,680,598 | 6,605,746 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2015

| | Notes | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|--|-------|---|---|
| Current liabilities | | | |
| Trade and other payables | 12 | 2,483,977 | 2,329,726 |
| Bills payables | 12 | 104,563 | 227,150 |
| Trade payables due to related companies | 10 | 92,484 | 26,483 |
| Trade payable due to an associate | 10 | — | 576 |
| Amounts due to related companies | 10 | 456,551 | 277,894 |
| Tax liabilities | | 84,520 | 116,597 |
| Borrowings | 13 | 594,869 | 624,070 |
| | | <u>3,816,964</u> | <u>3,602,496</u> |
| Net current assets | | <u>3,863,634</u> | <u>3,003,250</u> |
| Total assets less current liabilities | | <u>9,865,755</u> | <u>8,898,734</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 59,939 | 29,645 |
| Borrowings | 13 | 1,216,622 | 601,800 |
| Government grants | | 200,948 | 115,761 |
| | | <u>1,477,509</u> | <u>747,206</u> |
| Net assets | | <u>8,388,246</u> | <u>8,151,528</u> |
| Capital and reserves | | | |
| Share capital | 14 | 9,819,731 | 9,819,731 |
| Reserves | | (1,509,365) | (1,740,577) |
| Equity attributable to owners of the Company | | <u>8,310,366</u> | <u>8,079,154</u> |
| Non-controlling interests | | <u>77,880</u> | <u>72,374</u> |
| Total equity | | <u>8,388,246</u> | <u>8,151,528</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

| | Equity attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total |
|---|--|---------------|----------------------|-----------------------|------------------------------|-----------------------|-----------------------|---------------------|---------------------|-----------|---------------------------|-----------|
| | Share capital | Share premium | Other reserve | Statutory reserve | Capital contribution reserve | Convertible bonds | Share options reserve | Translation reserve | Accumulated profits | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 (note i) | HK\$'000 (note ii) | HK\$'000 (note iii) | HK\$'000 (note iv) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2014 (Audited) | 558,636 | 8,700,054 | (5,523,729) | 244,994 | 45,564 | 561,041 | 128,246 | 263,637 | 2,474,177 | 7,452,620 | 144,180 | 7,596,800 |
| Profit for the period | — | — | — | — | — | — | — | — | 600,665 | 600,665 | 8,761 | 609,426 |
| Other comprehensive expense for the period | — | — | — | — | — | — | — | (213,982) | — | (213,982) | (2,538) | (216,520) |
| Total comprehensive (expense) income for the period | — | — | — | — | — | — | — | (213,982) | 600,665 | 386,683 | 6,223 | 392,906 |
| Dividends recognised as distribution (note 6) | — | — | — | — | — | — | — | — | (472,641) | (472,641) | — | (472,641) |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | (17,997) | (17,997) |
| Transfer to statutory reserve pursuant to the new Hong Kong Companies Ordinance on 3 March 2014 (note 14) | — | — | — | 6,397 | — | — | — | — | (6,397) | — | — | — |
| Conversion of convertible bonds | 8,700,054 | (8,700,054) | — | — | — | — | — | — | — | — | — | — |
| Recognition of equity-settled share-based payments expenses | 561,041 | — | — | — | — | (561,041) | — | — | — | — | — | — |
| Acquisition of additional interest in a subsidiary (note v) | — | — | — | — | — | — | 53,187 | — | — | 53,187 | — | 53,187 |
| | — | — | — | — | — | — | — | — | 814 | 814 | (7,054) | (6,240) |
| At 30 June 2014 (Unaudited) | 9,819,731 | — | (5,523,729) | 251,391 | 45,564 | — | 181,433 | 49,655 | 2,596,618 | 7,420,663 | 125,352 | 7,546,015 |
| At 1 January 2015 (Audited) | 9,819,731 | — | (5,523,729) | 514,760 | 45,564 | — | 181,433 | 35,269 | 3,006,126 | 8,079,154 | 72,374 | 8,151,528 |
| Profit and total comprehensive income for the period | — | — | — | — | — | — | — | — | 822,014 | 822,014 | 8,006 | 830,020 |
| Dividends recognised as distribution (note 6) | — | — | — | — | — | — | — | — | (590,802) | (590,802) | — | (590,802) |
| Dividends paid to a non-controlling interest | — | — | — | — | — | — | — | — | — | — | (2,500) | (2,500) |
| Transfer to statutory reserve | — | — | — | 3,923 | — | — | — | — | (3,923) | — | — | — |
| At 30 June 2015 (Unaudited) | 9,819,731 | — | (5,523,729) | 518,683 | 45,564 | — | 181,433 | 35,269 | 3,233,415 | 8,310,366 | 77,880 | 8,388,246 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Notes:

- (i) The balance in other reserve mainly included an amount of HK\$5,038,291,000 which represents the difference between the fair value of the deemed consideration under the reverse acquisition of HK\$3,288,998,000 and the fair value of the consideration paid by the Company of HK\$8,327,289,000 in the reverse acquisition on 29 October 2012.
- (ii) The statutory reserves were appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") under the laws and regulations of the PRC.
- (iii) The balance in capital contribution reserve represents the deemed contribution by Shijiazhuang Pharmaceutical Group Company Limited ("SPG") which comprise (1) the difference between the carrying amount of the net assets of entities comprising Robust Sun Holdings Limited ("Robust Sun") and its subsidiaries (collectively referred to as the "Robust Sun Group") and the consideration paid to SPG and its subsidiaries (collectively referred to as the "SPG Group") during group reorganisation under Robust Sun Group in 2012 and (2) the imputed interest arising on loan from SPG (see note 10 for details).
- (iv) Details of the convertible bonds are set out in note 33 to the Group's consolidated financial statements for the year ended 31 December 2014. On 9 May 2014, the convertible bonds holder exercised the conversion rights and converted the convertible bonds into 321,661,732 shares of the Company.
- (v) On 29 January 2014, the Group entered into equity transfer agreements with China Charmaine Pharmaceutical Company Limited ("China Charmaine") to acquire 21.43% equity interest in Unigene Biotechnology Company Limited ("Unigene"). The transaction was completed on 19 March 2014. Upon completion of this acquisition, Unigene became wholly-owned subsidiary of the Company. Accordingly, the differences between the carrying amounts of net assets attributable to the additional interests acquired at the date of acquisition and the fair value of consideration paid by the Company for this acquisition were debited/credited to accumulated profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Net cash from operating activities | 694,372 | 1,009,912 |
| Net cash used in investing activities: | | |
| Purchases of property, plant and equipment | (475,789) | (370,847) |
| Purchases of intangible assets | (7,293) | (2,130) |
| Proceeds on disposal of property, plant and equipment | 8,607 | 7,316 |
| Repayment from (advance to) a joint venture | 6,898 | (9,849) |
| Interest received | 4,670 | 2,873 |
| Proceeds on disposal of available-for-sale investment | 2,063 | — |
| Acquisition of additional interest in a subsidiary | — | (6,240) |
| Other investing cash flows | 1,641 | (9,490) |
| | (459,203) | (388,367) |
| Net cash from (used in) financing activities: | | |
| Repayments of bank loans | (680,890) | (249,988) |
| Dividend paid | (590,802) | (472,641) |
| Repayment of loans from a related company | (58,489) | — |
| Dividend paid to non-controlling interests | (2,500) | (17,997) |
| New loans raised from bank | 1,025,000 | 231,949 |
| New loans raised from a related company | 300,000 | — |
| Advance from (repayment to) related parties | 178,657 | (273,955) |
| | 170,976 | (782,632) |
| Net increase (decrease) in cash and cash equivalents | 406,145 | (161,087) |
| Cash and cash equivalents at 1 January | 1,468,421 | 1,187,751 |
| Effect of foreign exchange rate changes | — | (27,680) |
| Cash and cash equivalents at 30 June, represented by bank balances and cash | 1,874,566 | 998,984 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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.

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Company's condensed consolidated financial statements:

- Amendments to HKAS19 *Defined Benefit Plans: Employee Contributions*;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2010-2012 Cycle and
- Amendments to HKFRSs Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. **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 and operating segments are engaged in the manufacture and sales of pharmaceutical products.

3. SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 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 | 3,799,520 | 974,490 | 610,241 | 346,124 | 5,730,375 | — | 5,730,375 |
| Inter-segment sales | — | 26,797 | 2,391 | 2,067 | 31,255 | (31,255) | — |
| TOTAL REVENUE | 3,799,520 | 1,001,287 | 612,632 | 348,191 | 5,761,630 | (31,255) | 5,730,375 |
| Inter-segment sales are charged at prevailing market rates. | | | | | | | |
| SEGMENT PROFIT (LOSS) | 944,501 | 140,016 | (32,119) | 61,242 | | | 1,113,640 |
| Unallocated income | | | | | | | 5,028 |
| Unallocated expenses | | | | | | | (47,701) |
| Operating profit | | | | | | | 1,070,967 |
| Finance costs | | | | | | | (27,885) |
| Share of results of | | | | | | | |
| — an associate | | | | | | | 141 |
| — a joint venture | | | | | | | 4,196 |
| Profit before tax | | | | | | | 1,047,419 |

3. SEGMENT INFORMATION *(Continued)*
For the six months ended 30 June 2014 (Unaudited)

| | Finished Drugs | Antibiotics | Vitamin C | Caffeine and others | Segment total | Eliminations | Consolidated |
|--|-------------------|------------------|----------------|------------------------|------------------|-----------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| SEGMENT REVENUE | | | | | | | |
| External sales | 3,189,617 | 1,173,402 | 656,137 | 323,314 | 5,342,470 | — | 5,342,470 |
| Inter-segment sales | — | 23,676 | 4,273 | 3,627 | 31,576 | (31,576) | — |
| TOTAL REVENUE | 3,189,617 | 1,197,078 | 660,410 | 326,941 | 5,374,046 | (31,576) | 5,342,470 |
| Inter-segment sales are charged at prevailing market rates. | | | | | | | |
| SEGMENT PROFIT (LOSS) | 789,265 | 75,250 | (18,464) | 58,100 | | | 904,151 |
| Unallocated income | | | | | | | 2,873 |
| Unallocated expenses | | | | | | | (105,578) |
| Operating profit | | | | | | | 801,446 |
| Finance costs | | | | | | | (29,231) |
| Share of results of a joint venture | | | | | | | (526) |
| Profit before tax | | | | | | | 771,689 |

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.

4. PROFIT BEFORE TAX

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Profit before tax has been arrived at after charging (crediting): | | |
| Amortisation of intangible assets (included in cost of sales) | 10,480 | 9,790 |
| Amortisation of prepaid lease payments | 7,346 | 7,704 |
| Depreciation of property, plant and equipment | 284,398 | 294,000 |
| Total depreciation and amortisation | 302,224 | 311,494 |
| Loss (gain) on disposal of property, plant and equipment (included in other expenses/other income) | 2,400 | (2,828) |
| Government grant income (<i>note ii</i>) | (9,462) | (67,150) |
| Interest income | (4,670) | (2,873) |
| Reversal of write-down of inventories (included in cost of sales) | — | (9,873) |
| Net foreign exchange (gain) losses | (2,674) | 1,344 |
| Impairment loss on trade receivables | 8,199 | 989 |
| Research and development expenses (included in other expenses) | 171,325 | 155,631 |
| Share-based payments expenses (included in administrative expenses) | — | 53,187 |
| | — | — |

Notes:

- (i) For the six months ended 30 June 2014 and 2015, 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 grants include cash subsidies from PRC government which are specific for (i) the acquisition of plant and machineries and are recognised over the useful lives of the related assets and (ii) the development of pharmaceutical products or improvement of production efficiency which are recognised upon compliance with the attached condition.

5. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|-----------------------------|---|-------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| The tax charge comprises: | | |
| Current taxation | | |
| — PRC Enterprise Income Tax | 189,438 | 144,361 |
| Deferred taxation | 27,961 | 17,902 |
| | 217,399 | 162,263 |

The Company and its subsidiaries incorporated in Hong Kong are subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable income for both periods.

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. 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 reduced to 15% for a period of 3 years up to 2017.

Under the EIT Law of PRC, withholding tax is imposed on dividends distributed in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or a lower tax rate, if applicable.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$3,732,107,000 (2014: HK\$3,373,329,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDENDS

During the six months ended 30 June 2015, final dividend of HK10 cents (2014: HK8 cents) per share was distributed to shareholders in respect of the year ended 31 December 2014. The aggregate amount of final dividend distributed and paid in the current period amounted to approximately HK\$590,802,000 (2014: HK\$472,641,000).

The directors do not declare the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

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 | |
|---|----------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Earnings | | |
| Earnings for the purposes of basic and diluted earnings per share | 822,014 | 600,665 |

| | For the six months ended 30 June | |
|--|----------------------------------|--------------|
| | 2015 '000 | 2014 '000 |
| 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 | 65,284 | 59,249 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 5,973,302 | 5,967,267 |

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had addition of property, plant and equipment of approximately HK\$401,362,000 (2014: HK\$396,660,000) in order to upgrade its manufacturing capabilities.

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$11,007,000 (2014: HK\$4,488,000), resulting in a loss of approximately HK\$2,400,000 (2014: gain of approximately HK\$2,828,000).

9. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|--|--|---|
| Trade receivables | 1,781,890 | 1,699,086 |
| Less: allowance for doubtful debts | (12,594) | (4,395) |
| | 1,769,296 | 1,694,691 |
| Prepayment for purchase of raw materials | 175,374 | 183,695 |
| Deposits and prepayment for utilities | 20,984 | 40,093 |
| Other tax recoverable | 25,980 | 28,672 |
| Others | 42,078 | 59,561 |
| | 2,033,712 | 2,006,712 |

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 dates at the end of the reporting period which approximated the respective revenue recognition dates:

| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|-----------------|--|---|
| 0 to 90 days | 1,584,497 | 1,479,654 |
| 91 to 180 days | 171,106 | 210,236 |
| 181 to 365 days | 13,693 | 4,801 |
| | 1,769,296 | 1,694,691 |

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (31 December 2014: 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. RELATED PARTIES DISCLOSURES

During the period, the Group had significant transactions and balances with related parties. Other than acquisition of additional interest in a subsidiary in January 2014 as disclosed in note (v) to the condensed consolidated statement of changes in equity, the Group had also entered into the following transactions. The significant transactions with these companies during the period, and balances with them at the end of the reporting period, are as follows:

(I) Related Companies

| Name of company | Nature of transactions/balances | For the six months ended 30 June | |
|---|--|--|---------------------------------|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| SPG and its subsidiaries and associates (note i) | Purchase of pharmaceutical products | 93,139 | 100,404 |
| | Rental expense | 8,207 | 7,865 |
| | Interest on borrowings | 2,731 | — |
| | Sales of pharmaceutical products | 103,528 | 93,952 |
| | Purchase of steam | 5,005 | 7,481 |
| | Warehouse service income | 3,904 | — |
| | | 3,904 | — |
| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) | |
| Balance due from/to the SPG Group | | | |
| — trade receivables aged 0-90 days | 114,358 | 92,471 | |
| — trade payables aged 0-90 days | 92,484 | 26,483 | |
| — other payables — current (note ii) | 456,551 | 277,894 | |
| — unsecured borrowings | | | |
| — current (note iii) | 73,022 | — | |
| — unsecured borrowings — non-current (note iii) | 168,489 | — | |

10. RELATED PARTIES DISCLOSURES (Continued)

(I) Related Companies (Continued)

As at 30 June 2015, SPG has also given corporate guarantees to banks in the PRC to secure loan facilities to the extent of approximately HK\$525,000,000 (31 December 2014: HK\$112,500,000) granted to the Group. As at 30 June 2015, the extent of utilisation by the Group amounted to approximately HK\$525,000,000 (31 December 2014: HK\$112,500,000).

| | | For the six months ended 30 June | |
|--|-------------------------|-------------------------------------|---------------------------------|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Guangdong Titan Pharmaceutical Co., Ltd., a wholly-owned subsidiary of a non- controlling interest of Siping City Fine Chemicals Product Co. Ltd. ("Siping") (ceased to be a related party since 1 November 2014) | Sales of finished goods | — | 119,450 |

Notes:

- (i) SPG is owned as to 40% by True Ally Holdings Limited ("True Ally") and 60% by Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) ("Zhongyihe"). True Ally and Zhongyihe are both shareholders of the Company and collectively have significant influence over the Group.
- (ii) Amounts are unsecured, non-interest bearing and repayable on demand except that on 31 May 2012, SPG agreed to change the maturity of a balance of RMB97,705,193 (equivalent to approximately HK\$104,503,000) to 31 May 2014. Imputed interest is computed using the prevailing market interest rate of 6.56% per annum for comparable long term borrowings on 31 May 2012. During the six month ended 30 June 2014, the balance was fully repaid and imputed interest arising on loan from SPG of approximately HK\$3,126,000 was recorded as finance costs in the condensed consolidated statement of profit or loss and other comprehensive income.

10. RELATED PARTIES DISCLOSURES (Continued)

(I) Related Companies (Continued)

Notes: (Continued)

(iii) The details of these loans from a related company are set out in note 13 to the condensed consolidated financial statements.

(II) A Joint Venture

| Name of company | Nature of transactions/balances | For the six months ended 30 June | |
|--|--|---|---|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong") | Purchase of raw materials | 10,373 | 7,754 |
| | Provision of utility services | 24,934 | 20,930 |
| | | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
| | Balance due from Huarong — other receivables (note) | 69,552 | 76,450 |

Note: Amounts are unsecured, non-interest bearing and repayable on demand.

10. RELATED PARTIES DISCLOSURES (Continued)

(III) An Associate

| Name of company | Nature of transactions/balances | For the six months ended 30 June | |
|-----------------|------------------------------------|----------------------------------|---------------------------------|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Siping | Purchase of raw materials | 3,411 | — |
| | Sales of raw materials | 20,192 | — |
| | | 23,603 | — |
| | | As at 30 June | As at 31 December |
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Audited) |
| | Balance due from/to Siping | | |
| | — trade receivables aged 0-90 days | 19,638 | — |
| | — trade payables aged 0-90 days | — | 576 |
| | | 19,638 | 576 |

10. **RELATED PARTIES DISCLOSURES** *(Continued)*

(IV) Compensation of Key Management Personnel

The remuneration of key management personnel, which represents the Company's directors of the Group during the period is as follows:

| | For the six months ended 30 June | |
|-------------------------------|---|-------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Short-term benefits | 6,046 | 5,814 |
| Post-employment benefits | 471 | 468 |
| Share-based payments expenses | — | 45,032 |
| | 6,517 | 51,314 |

11. **RESTRICTED BANK DEPOSITS**

As at 30 June 2015, the Group had restricted bank deposits of approximately HK\$56,558,000 (31 December 2014: HK\$58,199,000) placed in banks to secure short-term banking facilities granted to the Group and the deposits were therefore classified as current assets.

12. TRADE AND OTHER PAYABLES/BILLS PAYABLES

| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|---|--|---|
| Trade payables | 946,626 | 955,617 |
| Other tax payables | 91,766 | 53,984 |
| Freight and utilities charges payables | 32,306 | 28,430 |
| Construction cost and acquisition of property, plant and equipment payable | 527,365 | 601,792 |
| Government grants | 115,365 | 88,596 |
| Customer deposits and advance from customers | 429,596 | 373,342 |
| Staff welfare payable | 131,239 | 131,792 |
| Selling expense payable | 152,435 | 60,260 |
| Others | 57,279 | 35,913 |
| | <u>2,483,977</u> | <u>2,329,726</u> |

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

| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|--------------------|--|---|
| 0 to 90 days | 788,259 | 703,652 |
| 91 to 180 days | 69,555 | 104,716 |
| More than 180 days | 88,812 | 147,249 |
| | <u>946,626</u> | <u>955,617</u> |

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

13. BORROWINGS

An analysis of borrowings of the Group is as follows:

| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|---|--|---|
| Current portion | | |
| — Unsecured bank loans (<i>note i</i>) | 521,847 | 624,070 |
| — Loans from a related company (<i>note ii</i>) | <u>73,022</u> | <u>—</u> |
| | <u>594,869</u> | <u>624,070</u> |
| Non-current portion | | |
| — Unsecured bank loans (<i>note i</i>) | 1,048,133 | 601,800 |
| — Loans from a related company (<i>note ii</i>) | <u>168,489</u> | <u>—</u> |
| | <u>1,216,622</u> | <u>601,800</u> |
| Total | <u><u>1,811,491</u></u> | <u><u>1,225,870</u></u> |

Note:

- (i) During the period, the Group obtained new unsecured bank loans of approximately HK\$1,025,000,000 (2014: HK\$231,949,000) which are repayable within 1 to 3 years and repaid unsecured bank loans of approximately HK\$680,890,000 (2014: HK\$249,988,000).
- (ii) During the period, the Group obtained new unsecured loans from a related company of approximately HK\$300,000,000 (2014: nil) which are repayable within 1 to 4 years and repaid unsecured loans from a related company of approximately HK\$58,489,000 (2014: nil).

13. **BORROWINGS** (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

| | As at 30 June 2015 | As at 31 December 2014 |
|---|--------------------------------------|-------------------------------|
| Effective interest rate: | | |
| Floating-rate HK\$ bank loans | From 2.03% to 2.98% per annum | From 1.8% to 2.98% per annum |
| Floating-rate US\$ bank loans | From 2.68% to 3.18% per annum | From 2.65% to 3.17% per annum |
| Floating-rate RMB bank loans | 3.65% per annum | From 6.15% to 6.4% per annum |
| Fixed-rate RMB bank loans | 5.08% per annum | From 3.25% to 6.0% per annum |
| Fixed-rate RMB loans from a related company | 4.6% per annum | N/A |

The floating-rate of HK\$, US\$ and RMB bank loans are subject to interest at HIBOR plus a spread, LIBOR plus a spread and PRC Base Rate plus a spread, respectively.

14. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|---|----------------------|------------------------------|
| Ordinary shares | | |
| Authorised | | |
| At 1 January 2014 | | |
| — Ordinary shares of HK\$0.1 each | 30,000,000,000 | 3,000,000 |
| At 30 June 2014, 1 January 2015 and 30 June 2015 (<i>note a</i>) | N/A | N/A |
| Issued and fully paid | | |
| At 1 January 2014 | 5,586,356,671 | 558,636 |
| Transfer pursuant to the new Hong Kong Companies Ordinance on 3 March 2014 (<i>note a</i>) | — | 8,700,054 |
| Conversion of convertible bonds on 9 May 2014 (<i>note b</i>) | 321,661,732 | 561,041 |
| At 30 June 2014, 1 January 2015 and 30 June 2015 | <u>5,908,018,403</u> | <u>9,819,731</u> |

Notes:

- (a) On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (the “new CO”) came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. All amounts received for issuing equity shares of a company should be recorded as share capital. Pursuant to the adoption of the new CO, the balance of share premium was transferred to share capital.
- (b) Details of the convertible bonds and movement of convertible bonds in 2014 are set out in note 33 to the Group’s consolidated financial statements for the year ended 31 December 2014. On 9 May 2014, the convertible bonds holder exercised the conversion rights and the convertible bonds with carrying amount of HK\$561,041,000 were converted into 321,661,732 shares of the Company.

15. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 6 July 2004 for the purpose of providing incentive to directors (or any persons proposed to be appointed as such, whether executive or non-executive) and employees (whether full-time or part-time) of each member of the Group; eligible business consultants, professionals and other advisers who have rendered service or will render service to the Group as determined by the board of directors. The scheme shall be valid and effective for a period of 10 years from its adoption and has expired on 5 July 2014.

On 17 April 2013, the Company granted a total of 150,000,000 options to its directors and eligible employees. The options granted will fully vest on the 1st anniversary of the date of grant. The closing price of the Company's shares on 17 April 2013, the date of grant, was HK\$3.98. The fair values of the options determined at the date of grant using the Binomial model were approximately HK\$181,433,000.

The following assumptions were used to calculate the fair values of share options:

| | |
|-------------------------|---------------|
| Date of grant | 17 April 2013 |
| Grant date share price | HK\$3.98 |
| Exercise price | HK\$3.98 |
| Expected life | 7.5 years |
| Expected volatility | 35.392% |
| Dividend yield | 2.57% |
| Risk-free interest rate | 0.905% |

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting period, the Group shall revise its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, would be recognised in profit and loss, with a corresponding adjustment to the share options reserve. On 17 April 2014, the share options granted were fully vested and there is no exercise of share option after vesting date.

During the period ended 30 June 2014, HK\$53,187,000 share-based payment expense was recognised in profit and loss and included in administrative expenses, with a corresponding increase in the share options reserve.

Except those share options granted on 17 April 2013, no other share options have been exercised, granted nor lapsed during both periods. As at 30 June 2015, the number of share options outstanding is 150,000,000 (2014: 150,000,000).

16. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

| | As at 30 June 2015 HK\$'000 (Unaudited) | As at 31 December 2014 HK\$'000 (Audited) |
|---|--|---|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment | 581,823 | 410,416 |
| Other commitment (<i>note</i>) | 148,008 | 154,295 |

Note: Amount refers to commitment arising from research and development projects.

17. EVENT AFTER THE END OF THE REPORTING PERIOD

On 16 June 2015, the Group entered into an agreement with existing non-controlling shareholders of Siping to dispose of its remaining 40% equity interest for a cash consideration of RMB38,400,000 (equivalent to approximately HK\$48,000,000). The disposal was completed on 28 July 2015. Siping ceased to be an associate upon the completion.

OTHER INFORMATION

Directors' Interest in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Long Positions

| Name of director | Capacity | Number of issued ordinary shares held | Number of underlying shares of share options held (Note i) | Total | Percentage of shares in issue of the Company |
|------------------|------------------------------------|---------------------------------------|---|---------------|--|
| Cai Dongchen | Beneficial owner | 6,538,000 | 80,000,000 | 86,538,000 | 1.46% |
| | Interest of controlled corporation | 1,765,825,534 (Note ii) | — | 1,765,825,534 | 29.89% |
| Feng Zhenying | Beneficial owner | — | 3,000,000 | 3,000,000 | 0.05% |
| Chak Kin Man | Beneficial owner | 4,000 | 3,000,000 | 3,004,000 | 0.05% |
| Pan Weidong | Beneficial owner | — | 10,000,000 | 10,000,000 | 0.17% |
| Wang Huaiyu | Beneficial owner | — | 15,000,000 | 15,000,000 | 0.25% |
| Lu Jianmin | Beneficial owner | — | 10,000,000 | 10,000,000 | 0.17% |
| Wang Zhenguo | Beneficial owner | — | 3,000,000 | 3,000,000 | 0.05% |
| Wang Jinxu | Beneficial owner | — | 3,000,000 | 3,000,000 | 0.05% |

OTHER INFORMATION *(Continued)*

Directors' Interest in Shares, Underlying Shares and Debentures *(Continued)*

Long Positions *(Continued)*

Notes:

- (i) The share options were granted pursuant to the share option scheme of the Company as set out in the section below headed "Share Option Scheme".
- (ii) Mr. Cai Dongchen is deemed to be interested in 1,765,825,534 shares, comprising (i) 493,880,000 shares directly held by True Ally Holdings Limited ("True Ally"), a direct wholly-owned subsidiary of Mr. Cai Dongchen; (ii) 213,929,500 shares directly held by Key Honesty Limited, an indirect wholly-owned subsidiary of Mr. Cai Dongchen; and (iii) 1,058,016,034 shares directly held by Massive Giant Group Limited by virtue of his interests in a chain of corporations holding Massive Giant Group Limited, namely Massive Top Limited, of which March Rise Limited, Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) (北京中宜和合眾投資管理中心(有限合夥)) ("Zhongyihe") and True Ally own 75%, 15% and 10%, respectively. March Rise Limited in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai Dongchen.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2015.

Arrangements to Purchase Shares or Debentures

Other than the share option holdings disclosed above, at no time during the period was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders (other than interests disclosed under the section "Directors' interests in shares, underlying shares and debentures" above) had notified the Company of relevant interests in the shares in issue of the Company.

OTHER INFORMATION (Continued)

Substantial Shareholders (Continued)

Long Positions

| Name of substantial shareholder | Capacity | Number of issued ordinary shares held | Percentage of shares in issue of the Company |
|--|------------------------------------|---------------------------------------|--|
| True Ally Holdings Limited | Beneficial owner | 493,880,000 | 8.36% |
| | Interest in controlled corporation | 1,271,945,534 (Note (i)) | 21.53% |
| Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) | Interest in controlled corporation | 1,058,016,034 (Note (iii)) | 17.91% |
| March Rise Limited | Interest in controlled corporation | 1,058,016,034 (Note (ii)) | 17.91% |
| Massive Top Limited | Interest in controlled corporation | 1,058,016,034 (Note (ii)) | 17.91% |
| Massive Giant Group Limited | Beneficial owner | 1,058,016,034 (Note (iii)) | 17.91% |
| JPMorgan Chase & Co. | Beneficial owner | 23,442,676 | |
| | Investment manager | 104,456,000 | |
| | Custodian/approved lending agent | 169,504,632 | |
| | | <hr/> | |
| | | 297,403,308 | 5.03% |
| Commonwealth Bank of Australia | Interest in controlled corporation | 296,644,000 | 5.02% |

Note:

- (i) The interests comprise 213,929,500 shares directly held by Key Honesty Limited, a direct wholly-owned subsidiary of True Ally Holdings Limited ("True Ally") and 1,058,016,034 shares directly held by Massive Giant Group Limited described in Note (ii) below.
- (ii) The interests represent 1,058,016,034 shares directly held by Massive Giant Group Limited, of which Massive Top Limited owns 100%. Massive Top Limited in turn is owned as to 75% by March Rise Limited, 15% by Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) (北京中宜和合眾投資管理中心(有限合夥)) ("Zhongyihe") and 10% by True Ally. March Rise Limited is owned as to 40% by True Ally and 60% by Zhongyihe.

Lending Pool

| Name of substantial shareholder | Capacity | Number of issued ordinary shares held | Percentage of shares in issue of the Company |
|---------------------------------|----------------------------------|---------------------------------------|--|
| JPMorgan Chase & Co. | Custodian/approved lending agent | 169,504,632 | 2.86% |

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares in issue of the Company or any other interests representing 5% or more of the shares in issue of the Company as at 30 June 2015.

OTHER INFORMATION (Continued)

Share Option Scheme

The Company's share option scheme was adopted on 6 July 2004 for the purpose of providing incentive to directors (or any persons proposed to be appointed as such, whether executive or non-executive) and employees (whether full-time or part-time) of each member of the Group, eligible business consultants, professionals and other advisers who have rendered services or will render service to the Group as determined by the board of directors. The scheme is valid and effective for a period of 10 years since its adoption and has expired on 5 July 2014.

The following table discloses movements in the Company's shares options during the period:

| Category | Date of grant | Exercise price (HK\$) | Exercisable period | Number of Share Options | | | | | As at 30 June 2015 |
|------------------|---------------|-----------------------|-------------------------------|-------------------------|----------|-----------|-----------|----------|--------------------|
| | | | | As at 1 January 2015 | Granted | Exercised | Cancelled | Lapsed | |
| Directors | | | | | | | | | |
| Cai Dongchen | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 80,000,000 | — | — | — | — | 80,000,000 |
| Feng Zhenying | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 3,000,000 | — | — | — | — | 3,000,000 |
| Chak Kin Man | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 3,000,000 | — | — | — | — | 3,000,000 |
| Pan Weidong | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 10,000,000 | — | — | — | — | 10,000,000 |
| Wang Huaiyu | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 15,000,000 | — | — | — | — | 15,000,000 |
| Lu Jianmin | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 10,000,000 | — | — | — | — | 10,000,000 |
| Wang Zhenguo | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 3,000,000 | — | — | — | — | 3,000,000 |
| Wang Jinxu | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 3,000,000 | — | — | — | — | 3,000,000 |
| Employees | | | | | | | | | |
| In aggregate | 17 April 2013 | 3.98 | 17 April 2014 — 16 April 2023 | 23,000,000 | — | — | — | — | 23,000,000 |
| Total | | | | 150,000,000 | — | — | — | — | 150,000,000 |

The closing price of the Company's shares immediately before the date of grant of the options was HK\$3.98.

No option was granted, lapsed or cancelled during the six months ended 30 June 2015.

OTHER INFORMATION *(Continued)*

Share Option Scheme *(Continued)*

As at 30 June 2015, options to subscribe for an aggregate of 150,000,000 shares of the Company were outstanding, representing 2.54% of the existing shares in issue of the Company as at the date of this report and the date of the 2014 annual report of the Company.

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 2015 except the deviation from code provisions 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.

Following the retirement of Mr. ZHAO John Huan, an executive director of the Company, at the annual general meeting of the Company held on 26 May 2015, the composition of the Board comprises nine (9) executive directors, one (1) non-executive director and five (5) independent non-executive directors. The number of independent non-executive directors on the Board represents not less than one-third of the members of the Board as required under rule 3.10A of the Listing Rules.

Review of Interim Results

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

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

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 2015.

Update on Director's Information under Rule 13.51b(1) of the Listing Rules

Mr. WANG Shunlong, an executive director of the Company, resigned as a managing director of Hony Capital Limited effective on 1 July 2015.

Mr. LEE Ka Sze, Carmelo, a non-executive director of the Company, resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (listed on The Stock Exchange of Hong Kong Limited) effective on 30 June 2015 and ceased to be the chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited effective on 10 July 2015.

Mr. WANG Bo, an independent non-executive director of the Company, was appointed as an independent director of Henan Taloph Pharmaceutical Stock Co., Ltd. (listed on Shanghai Stock Exchange) effective on 11 May 2015.

By Order of Board
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 25 August 2015