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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 THREE MONTHS ENDED 31 MARCH 2019**

FINANCIAL HIGHLIGHTS

	For the three months ended 31 March		Change
	2019	2018	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
		(Restated)	
Revenue by business units:			
Finished drugs	4,244,972	3,174,983	33.7%
Vitamin C	523,610	548,168	-4.5%
Antibiotics	346,963	320,891	8.1%
Others	377,685	330,491	14.3%
Total revenue	5,493,230	4,374,533	25.6%
Gross profit	3,841,465	2,811,608	36.6%
Operating profit	1,156,154	922,478	25.3%
Profit attributable to shareholders	951,831	738,844	28.8%
Earnings per share	RMB15.26 cents	RMB11.83 cents	29.0%

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 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2019

	For the three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Revenue	5,493,230	4,374,533
Cost of sales	(1,651,765)	(1,562,925)
Gross profit	3,841,465	2,811,608
Other income	31,533	39,441
Other gains or losses, net	(10,101)	(4,833)
Selling and distribution expenses	(2,063,738)	(1,477,331)
Administrative expenses	(175,875)	(177,840)
Research and development expenses	(461,010)	(260,271)
Other expenses	(6,120)	(8,296)
Operating profit	1,156,154	922,478
Finance costs	(14,274)	(8,829)
Share of results of joint ventures	15,741	8,176
Profit before tax	1,157,621	921,825
Income tax expense	(210,460)	(181,371)
Profit for the period	947,161	740,454
Profit (loss) for the period attributable to:		
Owners of the Company	951,831	738,844
Non-controlling interests	(4,670)	1,610
	947,161	740,454
	RMB cents	RMB cents
Earnings per share	15.26	11.83

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	For the three months ended 31 march	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Profit for the period	<u>947,161</u>	<u>740,454</u>
Other comprehensive (expense) income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries	320	(1,321)
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on investments in financial assets measured at fair value through other comprehensive income	<u>(16,918)</u>	<u>9,041</u>
Other comprehensive (expense) income for the period, net of income tax	<u>(16,598)</u>	<u>7,720</u>
Total comprehensive income for the period	<u>930,563</u>	<u>748,174</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	935,233	746,564
Non-controlling interests	<u>(4,670)</u>	<u>1,610</u>
	<u>930,563</u>	<u>748,174</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 2019 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2018 except for the adoption of HKFRS 16 *Leases* (effective as of 1 January 2019) and the change in presentation currency for financial statements as described below.

The functional currency of the Company is Renminbi ("RMB") and the consolidated financial statements in prior financial years were presented in Hong Kong dollar ("HK\$"). In view of the fact that the Group's operation is mainly located in the PRC with transactions mainly denominated in RMB, the directors of the Company consider that it is more appropriate to use RMB in presenting the financial performance and financial position of the Group effective from 1 January 2019, and the comparative information has been restated to reflect the change in presentation currency to RMB accordingly.

For the purpose of presenting the comparative information in RMB, the assets and liabilities in the consolidated statement of financial position are translated into RMB using the closing exchange rate at the reporting date whereas income and expenses in the consolidated statement of profit or loss and other comprehensive income are translated using the average exchange rate during the reporting period.

2. Profit for the Period

	For the three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of other intangible assets	4,296	4,805
Amortisation of prepaid lease payments	4,145	3,819
Depreciation of property, plant and equipment	<u>142,955</u>	<u>137,640</u>
	<u>151,396</u>	<u>146,264</u>
Fair value changes on structured bank deposits (included in other gains or losses)	(25,378)	(13,601)
Government grant income	(15,073)	(3,103)
Interest income	(15,208)	(19,491)
Net foreign exchange loss (included in other gains or losses)	<u>15,508</u>	<u>18,143</u>

3. Earnings Per Share

The calculation of earnings per share is based on profit attributable to owners of the Company of RMB951,831,000 (2018: RMB738,844,000) and on 6,236,338,403 shares in issue during the three months ended 31 March 2019 (2018: 6,243,018,403 shares).

No diluted earnings per share is presented as there was no potential ordinary shares in issue during both periods.

4. Dividend

The board of directors does not declare the payment of dividend for the three months ended 31 March 2019 (2018: Nil).

SEGMENT INFORMATION

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (a) Finished Drugs — research and development, manufacture and sale of pharmaceutical products;
- (b) Vitamin C — manufacture and sale of vitamin C products in bulk form;
- (c) Antibiotics — manufacture and sale of antibiotic products in bulk form;
- (d) Others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), glucose products and provision of healthcare services.

Vitamin supplements are included as functional food products in the segment information for the period, where they were included as finished drugs in prior financial years. The comparative information have been restated to conform with current period's presentation.

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

For the three months ended 31 March 2019 (Unaudited):

	Finished Drugs RMB'000	Vitamin C RMB'000	Antibiotics RMB'000	Others RMB'000	Segment Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE							
External sales	4,244,972	523,610	346,963	377,685	5,493,230	—	5,493,230
Inter-segment sales	—	559	14,408	987	15,954	(15,954)	—
TOTAL REVENUE	<u>4,244,972</u>	<u>524,169</u>	<u>361,371</u>	<u>378,672</u>	<u>5,509,184</u>	<u>(15,954)</u>	<u>5,493,230</u>
SEGMENT PROFIT	<u>913,063</u>	<u>165,615</u>	<u>25,314</u>	<u>57,520</u>	<u>1,161,512</u>		1,161,512
Unallocated income							40,586
Unallocated expenses							<u>(45,944)</u>
Operating profit							1,156,154
Finance costs							(14,274)
Share of results of joint ventures							<u>15,741</u>
Profit before tax							<u>1,157,621</u>

For the three months ended 31 March 2018 (Unaudited)(Restated):

	Finished Drugs RMB'000	Vitamin C RMB'000	Antibiotics RMB'000	Others RMB'000	Segment Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE							
External sales	3,174,983	548,168	320,891	330,491	4,374,533	—	4,374,533
Inter-segment sales	—	13,979	24,085	1,210	39,274	(39,274)	—
TOTAL REVENUE	<u>3,174,983</u>	<u>562,147</u>	<u>344,976</u>	<u>331,701</u>	<u>4,413,807</u>	<u>(39,274)</u>	<u>4,374,533</u>
SEGMENT PROFIT	<u>620,901</u>	<u>210,716</u>	<u>28,128</u>	<u>70,459</u>	<u>930,204</u>		930,204
Unallocated income							25,132
Unallocated expenses							<u>(32,858)</u>
Operating profit							922,478
Finance costs							(8,829)
Share of results of joint ventures							<u>8,176</u>
Profit before tax							<u>921,825</u>

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, finance costs, central administrative expenses and share of results of joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

BUSINESS REVIEW

For the first three months of 2019, the Group recorded sales of RMB5,493 million, representing an increase of 25.6% compared with the same period of last year; and profit attributable to shareholders of RMB952 million, representing an increase of 28.8% compared with the same period of last year.

Finished drug business has achieved good performance with sales reaching RMB4,245 million for the period, representing a growth of 33.7% compared with the same period of last year. The innovative drug products, namely “NBP” (butylphthalide soft capsules and injections), “Duomeisu” (doxorubicin hydrochloride liposome for injection), “Jinyouli” (PEG-rhGCSF for injection), “Keaili” (paclitaxel for injection (albumin-bound)), “Ailineng” (elemene for injection), “Nuolining” (imatinib mesylate tablets), “Oulaining” (oxiracetam capsules and lyophilized powder injections) and “Xuanning” (levamlodipine maleate tablets) recorded sales of RMB2,954 million, representing a growth of 54.4% compared with the same period of last year; and the common generic drug products recorded sales of RMB1,291 million, representing a growth of 2.4% compared with the same period of last year.

Sales of the major products during the period maintained a strong growth momentum. “NBP” and the oncology drug portfolio achieved a growth of 32.1% and 208.0% compared with the same period of last year respectively, while various common generic drug products such as meropenem for injection, aspirin enteric coated tablets, ibuprofen granules and enalapril maleate tablets also recorded a significant growth.

In respect of the vitamin C business, the Group stepped up its sale efforts to seize market share during the period. Sales reached RMB524 million, representing a decrease of 4.5% compared with the same period of last year. The market conditions of antibiotics remained sluggish with sales of RMB347 million, representing an increase of 8.1% compared with the same period of last year.

REVIEW OF RESULTS

The financial data for the three months ended 31 March 2019 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.

By order of the Board
Cai Dongchen
Chairman

Hong Kong, 21 May 2019

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LU Hua, Dr. LI Chunlei, Dr. WANG Qingxi and Mr. CHAK Kin Man as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Prof. LO Yuk Lam, Dr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.