石藥集團有限公司

CSPC PHARMACEUTICAL GROUP LIMITED

(Stock Code: 1093)

2013 INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

CAI Dongchen *(Chairman and CEO)*
FENG Zhenying
CHAK Kin Man
PAN Weidong
ZHAO John Huan
WANG Shunlong
WANG Huaiyu
LU Jianmin
WANG Zhenguo
WANG Jinxu

Non-executive Director

LEE Ka Sze, Carmelo

Independent Non-executive Directors

HUO Zhenxing
QI Moujia
GUO Shichang
CHAN Siu Keung, Leonard
WANG Bo
ZHANG Fawang

Committees

Audit Committee

CHAN Siu Keung, Leonard *(Chairman)*
LEE Ka Sze, Carmelo
HUO Zhenxing

Nomination Committee

CAI Dongchen *(Chairman)*
QI Moujia
CHAN Siu Keung, Leonard

Remuneration Committee

CHAN Siu Keung, Leonard *(Chairman)*
LEE Ka Sze, Carmelo
HUO Zhenxing

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

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Websites

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MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2013, the innovative drug business of the Group maintained its growth momentum, with a further expansion of market share and a stronger presence in the high-end medical market. In June of the current year, the Group entered into an agreement to acquire CSPC Baike (Yantai) Biopharmaceutical Co., Ltd. (manufacturer of an oncology Class I new drug "Jinyouli"), giving shape to the Group's oncology innovative drug business and taking it one step further in the overall development of innovative drugs. In respect of the bulk drug business, the Group continued to strengthen its absolute advantageous position that stood apart from its competitors, laying the foundation for making better return in the next upward cycle. On the other hand, the Group also actively adjusted the existing business structure and cut investments in businesses of low added values and relatively weak competitiveness in order to reduce losses and resources consumption.

Innovative Drug Business

"NBP" Series

"NBP" series is a Class I new drug in China and 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 was awarded the State Science and Technology Progress Award (Second Class) in 2009, and the "NBP" brand was honoured as a China's Well-known Trademark in January 2013.

After years of promotion efforts, "NBP" has won wide recognition among patients and medical professionals. With continuous improvements in its sales performance and market recognition, the product has achieved sound social and economic benefits. For the first half of 2013, the sales revenue of "NBP" soft capsule was HK$322 million, an increase of 41% over the same period of last year; whereas the sales revenue of "NBP" injection was HK$126 million, an increase of 116% over the same period of last year.

"Oulaining" Series

"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. For the first half of 2013, the sales revenue of "Oulaining" lyophilized powder injection was HK$231 million, an increase of 67% over the same period of last year; whereas the sales revenue of "Oulaining" capsule was HK$66 million, an increase of 40% over the same period of last year.

Innovative Drug Business *(Continued)*

"Xuanning" Series

"Xuanning" series is an exclusive product in China 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. The drug was awarded the State Technological Invention Award (Second Class) in January 2013. For the first half of 2013, the sales revenue of this product series was HK$118 million, an increase of 35% over the same period of last year.

"Duomeisu"

"Duomeisu" is used for the treatment of various cancers. It is currently at the market introduction stage, and has already gained recognition from numerous renowned hospitals and medical professionals. "Duomeisu" was awarded First Class Award in the First (2010) Provincial Capital Technological Inventions Competition and the 2011 Chinese Medicine Society Science and Technology Award (Third Class). This product also got financial supports from the State 863 Program and the Significant New Drugs Development Project in China.

Branded and Common Generic Drug Business

For the first half of 2013, the Group's common generic drug business vigorously fought against unfavourable policies such as restricted antibiotics use and essential drug tenders. By leveraging on the positive brand effects, this business has penetrated further into the fundamental medical market and end-user market. Also, through timely modifications of strategies, strengthening of the sales team and channel development, sales remained on the stable upward trend with continuous efficiency improvements.

Regarding branded drugs, "Ouyi", "Weihong" and "Gubang" also achieved stable growth during the period by relying on good branding and product quality. Meanwhile, the Chinese medicines portfolio was also further enriched with the newly launch of a series of Chinese medicine soft capsule products in the market.

Bulk Drug Business

Vitamin C Series

In the first half of 2013, the environment of the vitamin C market remained weak, with overcapacity lingering and competition in the industry intensified. However, the competition landscape showed signs of differentiation with some competitors suspending or limiting their production. Leveraging on its strengths in scale and quality, the Group further reinforced its dominant position in the midst of industry competition. However, this business recorded a loss in the first half of 2013 due to competitive pricing pressure.

Antibiotics Series

In the first half of 2013, the antibiotics business remained subject to different challenges such as the restricted antibiotics use policy, industrial overcapacity and aggravated competition. By conducting technological upgrades, reinforcing internal management and reducing energy consumption, production costs continued to decrease. At the same time, the Group leveraged on quality upgrades to expand its market shares in the international high-end markets. In addition, the Group disposed part of its penicillin intermediate and bulk drug business in the first half of 2013 to ratify the resource allocation of its antibiotics business. Despite an overall low price level, this business has achieved a turnaround during the first half of 2013.

Caffeine Series

In the first half of 2013, the caffeine business remained stable with improvement in earnings, sales revenue reached HK$259 million.

Research and Development

The Group is equipped with relatively comprehensive research and development capabilities with technological competitive advantages in different domains. Biopharmaceutical products under research and development are also making progress. Currently, the Group has a total of approximately 167 products under research and development, with a focus on the therapeutic areas of anti-infective, cardio-cerebrovascular, neurology, diabetes and oncology. Among those products, 12 are Class I new drugs and 37 are Class III new drugs.

Research and Development *(Continued)*

The Group will continue to increase its resources in research and development. In the coming years, it is expected that a number of innovative drugs will be launched upon receiving relevant production approvals, including rE4 and DBPR108 (Class I new drug, diabetes drug); pinocembrin (Class I new drug, acute stroke drug); levamlodipine maleate atorvastatin calcium tablet (Class I new drug, high blood pressure and lipid drug); and baicalein tablet (Class I new drug, viral influenza drug). It is expected that one exclusive anti-hepatic fibrosis Chinese medicine product with independent intellectual property rights and two first-to-market generic drugs will be approved for market launch in the second half of the year. Currently, the Group has six new drugs included in the priority review list, forming a solid foundation for the market launch of new drugs next year.

The Group proactively facilitates the cooperation and exchange with international companies to enhance its international competitiveness. During the first half of the year, the Group has submitted the Investigational New Drug ("IND") Application for butylphthalide soft capsules to the U.S. FDA, which will undergo phase II human clinical trials upon approval, and the Abbreviated New Drug Application ("ANDA") for nine products to the U.S. FDA. The Group has entered into a sales agreement with a distributor in the U.S. for its first approved ANDA product, namely tramadol hydrochloride tablets, which is expected to commence sales in the U.S. in the second half of the year.

The Group will also establish an innovative integrated platform with a number of research institutes, universities and hospitals in China for the research and development of cardio-cerebrovascular pharmaceutical products. This project will be supported by government subsidies from the fund of National Science and Technology Major Project for creation of new drugs, and RMB65,560,000 of such government subsidies will be allocated to the Group for carrying out the project.

Outlook

In the first half of 2013, China has shown a slowdown in its overall economic growth, with overcapacity and other aftermaths emerging from the implementation of economic stimulative policies and profound changes of the economic structure. While having negative impact on the competitive environment of the medical industry, these changes in the external economic environment have provided opportunities for the Group to develop and transform its business. The Group will continue to actively explore the new drug business, facilitate product globalisation and consolidate the competitiveness of its bulk drug business, with the objective of ensuring sustainable growth of the Group.

Financial Review

Liquidity and Financial Position

For the first half of 2013, the Group's operating activities generated a net cash inflow of HK$505 million. Debtor turnover period (ratio of the balance of trade receivables to sales, inclusive of value added tax for sales in China) *(Note)* slightly decreased from 69 days in 2012 to 66 days. Inventory turnover period (ratio of inventory balance to cost of sales) *(Note)* increased from 109 days in 2012 to 114 days. As at 30 June 2013, current ratio of the Group improved to 1.4 as compared with 1.1 as at the end of 2012. Capital expenditure in relation to the additions of production facilities amounted to HK$237 million for the current period.

The financial position of the Group remained healthy. As at 30 June 2013, total bank balances and cash amounted to HK$988 million (31 December 2012: HK$1,476 million) and total bank borrowings amounted to HK$1,650 million (31 December 2012: HK$2,316 million). Net gearing ratio (calculated on the basis of the Group's total bank borrowings net of bank balances and cash over total equity) was 9.5% as compared with 12.4% at the end of 2012.

32% of the Group's bank borrowings are denominated in Hong Kong dollars, 20% in US dollars and the remaining 48% 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.

Note: The related figures exclude sales and cost of sales attributable to CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. which was disposed of during the current period.

Contingent Liabilities

The Company and CSPC Weisheng Pharmaceutical (Shijiazhuang) Co. Ltd. ("Weisheng", a wholly owned subsidiary of the Company) are named as, among others, defendants in a number of antitrust complaints filed in the United States. These complaints alleged that certain manufacturers of vitamin C in the PRC have since at least December 2001 conspired to control prices and volumes of exports of vitamin C to the United States and elsewhere in the world and that as such have been in violation of the federal and state laws of the United States. The plaintiffs brought these cases on behalf of direct purchasers under the federal antitrust laws of the United States and indirect purchasers under various state antirust, unfair trade and consumer protection statutes, seeking damages and other relief.

Financial Review *(Continued)*

Contingent Liabilities *(Continued)*

On 12 March 2013, the Company and Weisheng reached a settlement agreement in principle with the plaintiffs in the direct purchaser action. On 15 March 2013, the Company, Weisheng and plaintiffs executed the settlement agreement (the "Settlement Agreement"). The settlement will resolve all the claims in their entirety and terminate the litigation in the direct purchaser action. The settlement, in the amount of US$22.5 million (equivalent to approximately HK$175.5 million), is payable in two installments and subject to approval by the Court. The first US$20 million (equivalent to approximately HK$156 million) has been paid by the Company and Weisheng on 21 April 2013. The remaining US$2.5 million (equivalent to approximately HK$19.5 million) will be paid within 365 days after the Court's final approval of the Settlement Agreement. Plaintiffs' attorney fees and settlement administration fees are to be paid out of the settlement fund. The Court has preliminarily approved the settlement on 3 April 2013.

In accordance with the Settlement Agreement, plaintiffs filed a motion for final approval of the settlement on 19 July 2013. The Court will hold a final approval hearing on 2 October 2013 to determine if the settlement is fair, reasonable and adequate.

It should be noted that the above settlement does not apply to actions brought by indirect purchasers, where such actions were stayed until final judgment is entered by the Court in the direct purchaser action.

In light of the latest development up to date of this report, the directors and management of the Company considered the obligations amounting to approximately US$6.5 million (equivalent to approximately HK$50.7 million) which includes the remaining US$2.5 million (equivalent to approximately HK$19.5 million) settlement arrangement with direct purchasers per above, potential claims by indirect purchasers and related legal cost.

Financial Review *(Continued)*

Disposal of Subsidiaries

On 4 June, 2013, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. ("NMG Zhongrun") and its subsidiaries, CSPC Cenway Inner Mongolia Pharmaceutical Co., Ltd. and CSPC Inner mongolia Zhongkang Sugar Products Co., Ltd.. The disposal was completed on 18 June 2013 and a gain on disposal of HK$117,330,000 was recognised in the condensed consolidated statement of profit or loss and other comprehension income for the six months ended 30 June 2013.

Employees

As at 30 June 2013, the Group had about 10,587 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
(FORMERLY KNOWN AS CHINA PHARMACEUTICAL GROUP LIMITED)
(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 12 to 43 which comprise the condensed consolidated statement of financial position as of 30 June 2013 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

28 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		For the six months ended 30 June	
	Notes	**2013** **HK$'000** **(Unaudited)**	2012 HK$'000 (Unaudited) (restated)
Revenue	3	**5,075,665**	1,449,126
Cost of sales		**(3,534,056)**	(694,930)
Gross profit		**1,541,609**	754,196
Other income		**92,997**	5,598
Selling and distribution expenses		**(659,707)**	(359,804)
Administrative expenses		**(308,628)**	(70,404)
Other expenses		**(83,901)**	(14,191)
Operating profit		**582,370**	315,395
Finance costs		**(36,636)**	(11,973)
Recognition of fair values of financial guarantee contracts issued	19(ii)	**—**	(5,014)
Amortisation of financial guarantee liabilities	19(ii)	**—**	4,581
Gain on disposal of subsidiaries	5	**117,330**	—
Share of results of a joint venture		**(11,420)**	—
Profit before taxation	4	**651,644**	302,989
Taxation	6	**(123,814)**	(56,621)
Profit for the period		**527,830**	246,368
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		**76,642**	(10,194)
Share of exchange differences of a joint venture		**175**	—
Other comprehensive income (expense) for the period		**76,817**	(10,194)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	For the six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Total comprehensive income for the period		**604,647**	236,174
Profit for the period attributable to:			
Owners of the Company		**515,201**	243,851
Non-controlling interests		**12,629**	2,517
		527,830	246,368
Total comprehensive income for the period attributable to:			
Owners of the Company		**589,598**	233,817
Non-controlling interests		**15,049**	2,357
		604,647	236,174
		HK cents	*HK cents*
Earnings per share	8		
Basic		**9.30**	20.39
Diluted		**8.81**	5.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**5,027,298**	6,134,372
Prepaid lease payments		**522,638**	536,340
Other intangible assets		**28,845**	23,146
Goodwill		**104,016**	102,716
Interest in a joint venture		**14,925**	32,420
Available-for-sale investments		**1,705**	1,705
Deferred tax assets		**49,414**	58,160
		5,748,841	6,888,859
Current assets			
Inventories		**2,027,709**	2,022,406
Trade and other receivables	10	**2,320,240**	2,373,229
Bills receivables	10	**579,058**	738,490
Trade receivables due from related companies	11	**68,081**	88,417
Amounts due from related companies	11	**—**	14,388
Amount due from a joint venture	11	**73,868**	63,919
Amount due from a former subsidiary	12	**887,845**	—
Prepaid lease payments		**16,678**	14,750
Tax recoverable		**16,893**	16,674
Held for trading investments		**391**	527
Derivative financial instruments		**163**	623
Restricted bank deposits	13	**33,547**	26,452
Bank balances and cash		**953,988**	1,449,977
		6,978,461	6,809,852

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
Current liabilities			
Trade and other payables	14	**2,542,442**	2,718,093
Bills payables	14	**436,139**	730,326
Trade payables due to related companies	11	**551**	544
Trade payable due to a joint venture	11	**3,319**	5,360
Amounts due to related companies	11	**909,472**	722,794
Tax liabilities		**45,321**	39,345
Provision for litigation	19(i)	**50,700**	206,700
Unsecured bank loans	15	**922,191**	1,816,883
		4,910,135	6,240,045
Net current assets		**2,068,326**	569,807
Total assets less current liabilities		**7,817,167**	7,458,666
Non-current liabilities			
Unsecured bank loans	15	**727,716**	499,345
Deferred tax liabilities		**41,341**	47,307
Government grants		**49,526**	39,646
Amount due to a related company	11	**—**	108,623
		818,583	694,921
Net assets		**6,998,584**	6,763,745
Capital and reserves			
Share capital	16	**382,542**	272,542
Reserves		**6,448,058**	6,314,218
Equity attributable to owners of the Company		**6,830,600**	6,586,760
Non-controlling interests		**167,984**	176,985
Total equity		**6,998,584**	6,763,745

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Equity attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note ii)*	Statutory reserve HK$'000 *(note i)*	Capital contribution reserve HK$'000 *(note iii)*	Convertible bonds HK$'000 *(note v)*	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012 (Audited)	152,977	1,116,727	(800,906)	53,403	129,742	–	–	85,157	212,279	949,379	11,573	960,952
Profit for the period	–	–	–	–	–	–	–	–	243,851	243,851	2,517	246,368
Other comprehensive expense for the period	–	–	–	–	–	–	–	(10,034)	–	(10,034)	(160)	(10,194)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(10,034)	243,851	233,817	2,357	236,174
Dividends recognised as distribution	–	–	–	–	–	–	–	–	(300,400)	(300,400)	(975)	(301,375)
Transfer to statutory reserve	–	–	–	19,302	–	–	–	–	(19,302)	–	–	–
Capital injection *(note vi)*	–	–	845,994	–	–	–	–	–	–	845,994	–	845,994
Imputed interest from amount due to a related party	–	–	–	–	14,649	–	–	–	–	14,649	–	14,649
Adjustment arising on group reorganization *(note iv)*	–	–	(530,526)	–	(98,827)	–	–	–	–	(629,353)	–	(629,353)
At 30 June 2012 (Unaudited)	152,977	1,116,727	(485,438)	72,705	45,564	–	–	75,123	136,428	1,114,086	12,955	1,127,041
At 1 January 2013 (Audited)	**272,542**	**3,268,906**	**(5,523,729)**	**114,006**	**45,564**	**6,278,283**	**–**	**117,677**	**2,013,511**	**6,586,760**	**176,985**	**6,763,745**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**515,201**	**515,201**	**12,629**	**527,830**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74,397**	**–**	**74,397**	**2,420**	**76,817**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74,397**	**515,201**	**589,598**	**15,049**	**604,647**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(382,542)**	**(382,542)**	**(15,111)**	**(397,653)**
Transfer to statutory reserve	**–**	**–**	**–**	**4,198**	**–**	**–**	**–**	**–**	**(4,198)**	**–**	**–**	**–**
Conversion of convertible bonds	**110,000**	**2,129,575**	**–**	**–**	**–**	**(2,239,575)**	**–**	**–**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**–**	**–**	**–**	**36,784**	**–**	**–**	**36,784**	**–**	**36,784**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,935**	**(1,935)**	**–**	**(8,939)**	**(8,939)**
At 30 June 2013 (Unaudited)	**382,542**	**5,398,481**	**(5,523,729)**	**118,204**	**45,564**	**4,038,708**	**36,784**	**194,009**	**2,140,037**	**6,830,600**	**167,984**	**6,998,584**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

Notes:

(i) 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.

(ii) The balance in other reserve as at 1 January 2012 and 30 June 2012 represents the difference between the share capital and share premium amounts of the Company and those of the entities comprising the Robust Sun Holdings Limited ("Robust Sun") and its subsidiaries (collectively referred to as the "Robust Sun Group"). The balance in other reserve as at 1 January 2013 also 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 Acquisition (as defined in note 1). Details are set out in the Company's consolidated financial statements for the year ended 31 December 2012.

(iii) The balance in capital contribution reserve represents the deemed contribution by Shijiazhuang Pharmaceutical Group Company Limited ("SPG") which comprises 1) the difference between the carrying amount of the net assets of entities comprising the Robust Sun Group and the consideration paid to SPG and its subsidiaries during the group reorganisation under the Robust Sun Group and 2) the imputed interest arising on loan from SPG (see note 11 for details).

(iv) As part of the group reorganisation of the Robust Sun Group, there are series of acquisitions and disposal of interests in subsidiaries between the group companies and SPG. The net amount payable by the Group to SPG and China Charmaine Pharmaceutical Company Limited ("China Charmaine") amounting to approximately HK$629,353,000 was treated as reserves. Details of the group reorganisation of the Robust Sun Group are set out in the Company's consolidated financial statements for the year ended 31 December 2012.

(v) Details of the convertible bonds are set out in note 37 to the Company's consolidated financial statements for the year ended 31 December 2012. On 13 May 2013, the convertible bonds holder exercised part of its conversion rights and principal amounts of HK$2,365,000,000 were converted into 1,100,000,000 shares of the Company.

(vi) The amount represents capital injection by SPG and Joyful Horizon Limited to the Robust Sun Group prior to the Acquisition (as defined in note 1). Details are set out in the Company's consolidated financial statements for the year ended 31 December 2012.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (restated)
Net cash from operating activities	**505,376**	309,115
Net cash used in investing activities:		
Purchases of property, plant and equipment	**(322,859)**	(144,165)
Purchases of intangible assets	**(9,505)**	—
Interest received	**3,175**	2,832
Proceeds on disposal of property, plant and equipment	**7,529**	365
Repayment from (advance to) related parties	**14,388**	(138,113)
Disposal of subsidiaries *(note 5)*	**275,765**	—
Other investing cash flows	**(16,870)**	(8,244)
	(48,377)	(287,325)
Net cash (used in) from financing activities:		
Repayments of bank loans	**(1,497,828)**	(234,568)
Dividend paid	**(382,542)**	(407,494)
Dividend paid to non-controlling interests	**(15,111)**	(975)
Proceeds from capital injection	**—**	291,137
Advance from related parties	**74,444**	—
New bank loans raised	**859,750**	496,296
	(961,287)	144,396
Net (decrease) increase in cash and cash equivalents	**(504,288)**	166,186
Cash and cash equivalents at 1 January	**1,449,977**	310,423
Effect of foreign exchange rate changes	**8,299**	4,636
Cash and cash equivalents at 30 June	**953,988**	481,245

1. GENERAL AND 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.

On 17 June 2012, the Company entered into a sale and purchase agreement with Joyful Horizon Limited (the "Seller") which is a wholly owned subsidiary of Hony Capital Fund III, L.P. ("Hony Capital"). Pursuant to the sale and purchase agreement, the Company acquired, and the Seller sold, 100% of the total issued share capital of Robust Sun, for a total consideration of HK$8,980,000,000 (the "Acquisition"). The consideration consisted of (i) HK$2,271,744,570.30 by way of allotment and issue of 1,195,655,037 new shares of the Company at an issue price of HK$1.9 per share and (ii) HK$6,708,255,430.70 by way of issue of convertible bonds ("Convertible Bonds").

The Robust Sun Group is principally engaged in the manufacture and sale of pharmaceutical products.

The Acquisition was completed on 29 October 2012, upon which the Seller received shares representing 43.87% of the enlarged share capital of the Company and Convertible Bonds of the Company which will result in the Seller holding a total of 73.83% (assuming issuance of maximum number of conversion shares) of the enlarged issued share capital of the Company. Further, the Robust Sun Group's relative size (measured in terms of profit of the Robust Sun Group and the Company and its subsidiaries immediately prior to the Acquisition (the "CPG Group") for the year ended 31 December 2011 and valuation of the two groups) was significantly greater than those of the CPG Group immediately prior to the Acquisition. Under Hong Kong Financial Reporting Standard ("HKFRS") 3 *Business Combinations*, the Acquisition was accounted for as a reverse acquisition. For accounting purpose, the Robust Sun Group was the accounting acquirer and the Company and its subsidiaries (the accounting acquiree) were deemed to have been acquired by the Robust Sun Group.

The consolidated financial statements for the year ended 31 December 2012 were prepared as a continuation of the Robust Sun Group. Accordingly, the comparative information presented in the consolidated condensed financial statements in respect of the six months ended 30 June 2012 have been restated to present those of the Robust Sun Group rather than those of the CPG Group.

1. GENERAL AND BASIS OF PREPARATION *(Continued)*

Details of basis of preparation of the consolidated financial statements and group reorganisation of the Robust Sun Group are mentioned in the Company's consolidated financial statements for the year ended 31 December 2012.

During the six months ended 30 June 2013, the Seller converted HK$2,365,000,000 Convertible Bonds into 1,100,000,000 shares of the Company; and thereafter, the Seller directly held approximately 39.32% of the issued share capital of the Company. As at 30 June 2013, Hony Capital, through the Seller and several of its subsidiaries, indirectly controls more than 50% of the Company's shares.

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.

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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In respect of the share options newly granted to employees under the Company's share option scheme during the period, the Group has applied the following accounting policy to account for such equity-settled share-based payment transactions:

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share option granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- HKFRS 10 *Consolidated Financial Statements;*
- HKFRS 11 *Joint Arrangements;*
- HKFRS 12 *Disclosure of Interests in Other Entities;*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;*
- HKFRS 13 *Fair Value Measurement;*
- HKAS 19 (as revised in 2011) *Employee Benefits;*
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures;*
- Amendments to HKFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities;*
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income;*
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2009-2011 Cycle;* and
- HK(IFRIC) — Int 20 *Stripping Costs in the Production Phase of a Surface Mine*.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 *Interests in Joint Ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the interest in a jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The directors of the Company consider that the application of HKFRS 13 in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 34 Interim Financial Reporting

(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009 — 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The Group's reportable and operating segments are based on different revenue streams. During the six months ended 30 June 2013, other than segment revenue and segment profit analysis presented by revenue streams were provided to the CODM for performance assessment and resources allocation, information about assets and liabilities was no longer regularly provided to the CODM since 2013. Accordingly, the Group has not included total assets and liabilities information as part of segment information as set out in note 3.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Robust Sun Group

1. NBP — Innovative Drugs (including NBP series)
2. OYY and its subsidiaries (the "OYY Group") — Innovative Drugs and Generic Drugs (including Oulaining series, Xuanning series and others)
3. XNW — Bulk Drugs (including caffeine and others)

CPG Group

4. Vitamin C (bulk drugs)
5. Antibiotics (intermediates and bulk drugs)
6. Generic Drugs

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

3. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review.

For the six months ended 30 June 2013 (Unaudited)

	Robust Sun Group			CPG Group					
	NBP	OYY Group	XNW	Vitamin C	Antibiotics	Generic Drugs	Segments total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE									
External sales	458,881	1,048,591	322,646	553,446	1,315,474	1,376,627	5,075,665	–	5,075,665
Inter-segment sales	–	15,018	2,834	1,549	94,185	1,992	115,578	(115,578)	–
TOTAL REVENUE	458,881	1,063,609	325,480	554,995	1,409,659	1,378,619	5,191,243	(115,578)	5,075,665
Inter-segment sales are charged at prevailing market rates.									
SEGMENT PROFIT (LOSS)	229,224	220,389	86,084	(86,847)	23,110	184,384			656,344
Unallocated income									23,124
Unallocated expenses									(97,098)
Operating profit									582,370
Gain on disposal of subsidiaries									117,330
Share of results of a joint venture									(11,420)
Finance costs									(36,636)
Profit before taxation									651,644

3. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended 30 June 2012 (Unaudited) (restated):

	Robust Sun Group			Segments		
	NBP	OYY Group	XNW	total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE						
External sales	303,544	768,269	377,313	1,449,126	—	1,449,126
Inter-segment sales	—	39,338	1,802	41,140	(41,140)	—
TOTAL REVENUE	303,544	807,607	379,115	1,490,266	(41,140)	1,449,126
Inter-segment sales are charged at prevailing market rates.						
SEGMENT PROFIT	121,550	156,272	38,685			316,507
Unallocated income						488
Unallocated expenses						(1,600)
Operating profit						315,395
Recognition of fair value of financial guarantee contracts issued						(5,014)
Amortisation of financial guarantee liabilities						4,581
Finance costs						(11,973)
Profit before taxation						302,989

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of interest income, finance costs, central administrative expenses, share of results of a joint venture, gain on disposal of subsidiaries, recognition of fair value of financial guarantee contracts issued and amortisation of financial guarantee liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(restated)
Profit before taxation has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets (included in cost of sales)	**4,167**	236
Amortisation of prepaid lease payments	**6,873**	1,674
Depreciation of property, plant and equipment	**353,695**	34,107
Allowance for inventories (included in cost of sales)	**17,649**	—
Gain on disposal of property, plant and equipment (included in other income)	**(672)**	(338)
Net foreign exchange losses	**2,455**	898
Research and development expenses (included in other expenses)	**83,847**	13,943
Share-based payment expense (included in administrative expenses)	**36,784**	—
Government grants income *(note ii)*	**(63,212)**	(888)
Interest income	**(3,175)**	(2,832)

Notes:

(i) For the six months ended 30 June 2012 and 2013, 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 income include cash subsidies received from government of the PRC in relation to development of certain pharmaceutical products, improvement of production efficiency and enhancement of environment protection. Those costs related to these activities have been expensed when they were incurred.

5. DISPOSAL OF SUBSIDIARIES

On 4 June 2013, the Group entered into a sale and purchase agreement with Best Century Group Limited (the "Purchaser"), an independent third party, to dispose of its entire equity interest in CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. ("NMG Zhongrun") and its subsidiaries, CSPC Cenway Inner Mongolia Pharmaceutical Co., Ltd. and CSPC Inner Mongolia Zhongkang Sugar Products Co., Ltd. (collectively referred to as the "Disposal Group") at a consideration of approximately HK$364,557,000 to be satisfied in cash. The disposal was completed on 18 June 2013 on which date the Group lost control over the Disposal Group.

The Disposal Group is principally engaged in the manufacture and sales of penicillin intermediates and bulk drugs, which is included in Antibiotics segment as disclosed in note 3. Subsequent to this disposal, the Group still continues to carry out the manufacture and sale of penicillin intermediates and bulk drugs in other subsidiaries, which was hence not classified as discontinued operations within the scope of HKFRS 5 *Non-current Assets Held for Sales and Discontinued Operations*.

The net assets of the Disposal Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,059,463
Prepaid lease payments	11,790
Deferred tax assets	6,408
Inventories	191,383
Trade and other receivables	523,879
Bills receivables	77,171
Restricted bank deposits	6,329
Bank balances and cash	88,792
Trade and other payables *(note)*	(1,632,987)
Bills payables	(37,722)
Tax liabilities	(365)
Unsecured bank loans	(37,975)
Net assets disposed of	256,166
Gain on disposal of subsidiaries	
Cash consideration received	364,557
Net assets disposed of	(256,166)
Non-controlling interests	8,939
Gain on disposal	117,330
Net cash inflow arising on disposal:	
Cash consideration received	364,557
Less: bank balances and cash disposed of	(88,792)
	275,765

5. **DISPOSAL OF SUBSIDIARIES** *(Continued)*

Note: Intragroup balance due from NMG Zhongrun to the Group amounting to approximately HK$887,845,000 was included in trade and other payables and is repayable by NMG Zhongrun after the disposal as set out in note 12.

6. **TAXATION**

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(restated)
The tax charge comprises:		
PRC Enterprise Income Tax		
— Current year	**109,342**	50,652
— Underprovision in prior periods	**3,405**	—
	112,747	50,652
Deferred taxation	**11,067**	5,969
	123,814	56,621

The Company and its subsidiaries incorporated in Hong Kong are subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax.

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.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company established before 16 March 2007 is entitled to exemption from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction in tax rate for the next three years. The tax relief began in 2008 and ended in 2012. In addition, 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 to be at a reduced rate of 15% for a period of 3 years up to 2014.

Capital gain tax was determined at the applicable PRC withholding tax rate of 10% based on the surplus of sales proceeds from disposal of subsidiaries as set out in note 5 over investment cost of those disposed subsidiaries according to the relevant tax rule in the PRC.

6. TAXATION *(Continued)*

In respect of the withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the shareholders, deferred taxation of HK$9,724,000 (2012: HK$5,032,000) has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits. During the period, withholding tax of HK$14,506,000 (2012: nil) has been paid.

As at 30 June 2013, the Group had unused tax losses of HK$181,865,000 (31 December 2012: HK$46,284,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Most of the unrecognised tax losses will expire in various dates up to 2017. There was no other significant unprovided deferred tax for the period or at the end of the reporting period.

7. DIVIDENDS

During the six months ended 30 June 2013, final dividend of HK10 cents per share was distributed to shareholders in respect of the year ended 31 December 2012. The aggregate amount of final dividend distributed and paid in the current period amounted to approximately HK$382,542,000.

During the six months ended 30 June 2012, dividends declared by the Robust Sun Group prior to the Acquisition were as follow:

	HK$'000 (Unaudited) (restated)
Dividend recognised as distribution during the period:	
CSPC NBP Pharmaceutical Co., Ltd. ("NBP")	6,504
CSPC Ouyi Pharmaceutical Co., Ltd. ("OYY")	220,464
CSPC XNW Pharmaceutical Joint Stock Co., Ltd. ("XNW")	74,407
Less: Dividend paid to non-controlling interest	(975)
	300,400

The directors do not declare the payment of an interim dividend for the six months ended 30 June 2013.

8. 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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**515,201**	243,851
	'000	*'000*
	(Unaudited)	(Unaudited)
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,537,570**	1,195,655
Effect of dilutive potential ordinary shares:		
Tranche I Convertible Bonds as if converted *(Note)*	**—**	2,808,107
Tranche II Convertible Bonds as if converted *(Note)*	**312,750**	312,012
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,850,320**	4,315,774

Note: On 29 October 2012, the Company issued two tranches of Convertible Bonds with principal amount of US$774,029,472.70 (equivalent to HK$6,037,429,887.06) ("Tranche I Convertible Bonds") and US$86,003,274.70 (equivalent to HK$670,825,542.66) ("Tranche II Convertible Bonds") to the Seller upon completion of the Acquisition. Details of the Convertible Bonds are set out in the Company's consolidated financial statements for the year ended 31 December 2012.

In accordance with the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK$2.15 per share to HK$2.0855 per share since 17 June 2013.

8. EARNINGS PER SHARE *(Continued)*

During the six months ended 30 June 2012, the weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share have been retrospectively adjusted for the effects of the recapitalisation that occurs in the reverse acquisition as detailed in note 1 and reflect the weighted average number of shares of the Company deemed to be outstanding for the period from 1 January 2012 to the acquisition date of the reverse acquisition based on the exchange ratio established in the Acquisition.

The Tranche I Convertible Bonds share similar characteristics of ordinary shares of the Company and accordingly treated as outstanding and included in the 2013 calculation of basic earnings per share from the date when all necessary conditions are satisfied (i.e. the downward adjustment depending on the financial performance of the Robust Sun Group for the year ended 31 December 2012 was fixed on 1 January 2013).

The computation of diluted earnings per share in 2013 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares from the date of grant of the options to end of the reporting period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had addition of property, plant and equipment of approximately HK$236,859,000 (2012: HK$118,301,000) 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$6,857,000 (2012: HK$27,000), resulting in a gain of approximately HK$672,000 (2012: a gain of approximately HK$338,000).

10. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
Trade receivables	**1,878,725**	1,856,877
Less: allowance for doubtful debts	**(1,378)**	(1,361)
	1,877,347	1,855,516
Prepayment for purchase of raw materials	**226,567**	172,951
Utility deposits	**34,430**	87,837
Other tax recoverable	**56,701**	147,764
Others	**125,195**	109,161
	2,320,240	2,373,229

The Group allows a general credit period of up to 90 days to its trade customers. The following is an analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice date which approximated the revenue recognition date.

	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
0 to 90 days	**1,555,301**	1,563,311
91 to 180 days	**208,262**	244,782
181 to 365 days	**112,691**	44,815
Over 365 days	**1,093**	2,608
	1,877,347	1,855,516

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (31 December 2012: 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.

11. RELATED PARTY DISCLOSURES

During the period, the Group had significant transactions and balances with related parties. 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 Parties

Name of company	Nature of transactions/balances	For the six months ended 30 June 2013 HK$'000 (Unaudited)	For the six months ended 30 June 2012 HK$'000 (Unaudited) (restated)
Shijiazhuang Pharmaceutical Group Company Limited ("SPG"), its subsidiaries and associates *(note i)*	Purchase of raw materials	**145,939**	450
	Interest income received	**—**	4,444
	Dividend paid	**—**	301,375
	Rental expense	**1,035**	—
	Sales of finished drugs	**156,675**	19,701

		As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
	Balance due from (to) the SPG Group		
	— trade receivables aged 0-90 days	**33,014**	51,326
	— trade payables aged 0-90 days	**551**	544
	— other receivables *(note iii)*	**—**	14,388
	— other payables — current *(note iv)*	**909,472**	722,794
	— other payables — non current *(note iv)*	**—**	108,623

Name of company	Nature of transactions/balances	For the six months ended 30 June 2013 HK$'000 (Unaudited)	For the six months ended 30 June 2012 HK$'000 (Unaudited) (restated)
CPG Group *(note ii)*	Purchase of raw materials	**—**	8,336

11. RELATED PARTY DISCLOSURES *(Continued)*

(I) Related Parties *(Continued)*

Name of company	Nature of transactions/balances	For the six months ended 30 June 2013 HK$'000 (Unaudited)	For the six months ended 30 June 2012 HK$'000 (Unaudited) (restated)
Guangdong Titan Pharmaceutical Co., Ltd., a wholly-owned subsidiary by a non-controlling interest of a subsidiary	Sales of finished goods	**50,722**	—

		As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
	Balance due from Guangdong Titan — trade receivables aged 0-90 days	**35,067**	37,091

Name of company	Nature of transactions/balances	For the six months ended 30 June 2013 HK$'000 (Unaudited)	For the six months ended 30 June 2012 HK$'000 (Unaudited) (restated)
Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong"), a joint venture of CPG Group *(note v)*	Purchase of raw materials	**—**	6,901

		As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
Total	Balance due from (to)		
	— trade receivables	**68,081**	88,417
	— trade payables	**551**	544
	— other receivable	**—**	14,388
	— other payables — current	**909,472**	722,794
	— other payables — non-current	**—**	108,623

As at 30 June 2013, SPG has also given corporate guarantees to banks in the PRC to secure loan facilities to the extent of approximately HK$614,000,000 (31 December 2012: HK$950,000,000) granted to the Group. As at 30 June 2013, the extent of utilisation by the Group amounted to approximately HK$614,000,000 (31 December 2012: HK$950,000,000).

11. RELATED PARTY DISCLOSURES *(Continued)*

(II) A Joint Venture

Name of company	Nature of transactions/balances	For the six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Huarong, a joint venture of the Group *(note v)*	Purchase of raw materials	**4,266**	—
	Sales of raw materials	**2,879**	—
	Sales of consumables	**195**	—
	Provision of utility services	**16,976**	—

		As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Unaudited)
	Balance due from (to) Huarong		
	— trade payables aged 0-90 days	**3,319**	5,360
	— other receivables *(note iii)*	**73,868**	63,919

(III) Compensation of Key Management Personnel

In addition, the remuneration of key management personnel of the Group during the period is as follows:

	For the six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Short-term benefits	**4,008**	913
Post-employment benefits	**439**	62
Share-based payment expense	**31,143**	—
	35,590	975

11. RELATED PARTY DISCLOSURES *(Continued)*

Notes:

(i) SPG was an intermediate holding company of Robust Sun Group subsidiaries prior to May 2012 while it became a fellow subsidiary of the Robust Sun Group after the group reorganisation of Robust Sun Group as described in note 1.

(ii) The Company was a related party of Robust Sun Group in which Hony Capital has equity stake prior to October 2012 while the Company became the holding company of the Robust Sun Group after the Acquisition as described in note 1.

(iii) Amounts are unsecured, non-interest bearing and repayable on demand.

(iv) 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. Accordingly, the balance is presented as non-current amount due to a related party as at 31 December 2012 and classified as current liability as at 30 June 2013. Imputed interest is computed using the prevailing market interest rate of 6.56% per annum for comparable long term borrowings on 31 May 2012. The discount at 31 May 2012 amounting to approximately HK$14,649,000 was recorded as capital contribution in the condensed consolidated statement of changes in equity. During the six months ended 30 June 2013, imputed interest arising on loan from SPG of approximately HK$3,611,000 (2012: HK$568,000) is recorded as finance costs in the condensed consolidated statement of profit or loss and other comprehensive income.

(v) Huarong is a joint venture of CPG Group prior to October 2012 while it became a joint venture of the Group after the Acquisition as described in note 1.

12. AMOUNT DUE FROM A FORMER SUBSIDIARY

The amount is owed by NMG Zhongrun, which was disposed of by the Group on 18 June 2013 as set out in note 5. It is non-trade nature, unsecured and non-interest bearing.

Pursuant to the sale and purchase agreement for the disposal of NMG Zhongrun, the Purchaser undertook to procure NMG Zhongrun to repay such debts to the Group on or before 30 December 2013. It was further agreed that if NMG Zhongrun fails to repay such debts by 30 December 2013 in full, the Purchaser shall be liable to repay the amount.

On 4 June 2013, the Group received from the Purchaser a guarantee issued by a bank in the PRC amounting to RMB800,000,000 (equivalent to approximately HK$1,102,000,000). Pursuant to the guarantee, the Group is entitled to demand immediate payment of the outstanding amount from the bank issuing the guarantee if the Purchaser fails to fully repay all outstanding debts to the Group by 30 December 2013.

13. RESTRICTED BANK DEPOSITS

As at 30 June 2013, the Group had restricted bank deposits of approximately HK$33,547,000 (31 December 2012: HK$26,452,000) to banks to secure short-term banking facilities granted to the Group and the deposits were therefore classified as current assets.

14. TRADE AND OTHER PAYABLES/BILLS PAYABLES

	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
Trade payables	**1,176,616**	1,171,731
Other tax payables	**47,513**	71,602
Freight and utilities charges payable	**36,336**	26,599
Construction cost and acquisition of property, plant and equipment payable	**553,586**	746,757
Government grants	**119,792**	167,868
Receipt in advance from customers	**253,047**	203,338
Staff welfare payable	**170,062**	216,535
Selling expense payable	**104,999**	69,924
Others	**80,491**	43,739
	2,542,442	2,718,093

The following is an aged analysis of trade payables presented based on the invoice date.

	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
0 to 90 days	**851,875**	763,369
91 to 180 days	**127,902**	72,837
Over 180 days	**196,839**	335,525
	1,176,616	1,171,731

All bills payables of the Group are aged within 180 days at the end of the reporting period.

15. UNSECURED BANK LOANS

During the period, the Group obtained various new bank loans of approximately HK$859,750,000 (2012: HK$496,296,000) with maturity dates ranging from 17 September 2013 to 28 September 2017.

In addition, the Group repaid bank loans of approximately HK$1,497,828,000 (2012: HK$234,568,000) during the period.

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

	As at 30 June 2013	As at 31 December 2012
Effective interest rate:		
Floating-rate HK$ bank loans	**1.80% to 3.12% per annum**	1.89% to 3.00% per annum
Floating-rate US$ bank loans	**3.09% to 3.25% per annum**	2.74% to 3.33% per annum
Fixed-rate US$ bank loans	**1.00% per annum**	1.00% per annum
Floating-rate RMB bank loans	**3.27% to 6.94% per annum**	2.6% to 6.56% per annum
Fixed-rate RMB bank loans	**3.25% to 5.70% per annum**	3.25% to 5.24% per annum

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

16. SHARE CAPITAL

Under reverse acquisition in 2012 as detailed in note 1, the amounts of share capital and share premium in the condensed consolidated statement of financial position have been retrospectively adjusted to reflect the legal capital of the Company.

	Number of shares		Share capital	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised				
At 1 January and 30 June	**30,000,000**	3,000,000	**3,000,000**	300,000
Issued and fully paid				
At 1 January	**2,725,422**	1,529,767	**272,542**	152,977
Conversion of Convertible Bonds (note)	**1,100,000**	—	**110,000**	—
At 30 June	**3,825,422**	1,529,767	**382,542**	152,977

Note: Details of the Convertible Bonds are set out in note 37 to the Company's consolidated financial statements for the year ended 31 December 2012. On 13 May 2013, the Convertible Bonds holder exercised part of its conversion rights and principal amounts of HK$2,365,000,000 were converted into 1,100,000,000 shares of the Company.

17. SHARE-BASED PAYMENT TRANSACTIONS

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.

No option has been granted or agreed to be granted under the share option scheme in the prior period.

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.

17. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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 will revise its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

18. CAPITAL AND OTHER COMMITMENTS

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

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
— acquisition of property, plant and equipment	**319,235**	167,760
— acquisition of PRC subsidiaries	**147,177**	—
Other commitment *(note)*	**104,810**	128,963

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

19. CONTINGENT LIABILITIES AND GUARANTEES

(i) Litigations

The Company and CSPC Weisheng Pharmaceutical (Shijiazhuang) Co. Ltd. ("Weisheng", a wholly owned subsidiary of the Company) are named as, among others, defendants in a number of antitrust complaints filed in the United States. These complaints alleged that certain manufacturers of vitamin C in the PRC have since at least December 2001 conspired to control prices and volumes of exports of vitamin C to the United States of America (the "United States") and elsewhere in the world and that as such have been in violation of the federal and state laws of the United States. The plaintiffs brought these cases on behalf of direct purchasers under the federal antitrust laws of the United States and indirect purchasers under various state antirust, unfair trade and consumer protection statutes, seeking damages and other relief.

Details of this legal case have been disclosed in the Company's consolidated financial statements for the year ended 31 December 2012.

On 12 March 2013, the Company and Weisheng reached a settlement agreement in principle with the plaintiffs in the direct purchaser action. On 15 March 2013, the Company, Weisheng and plaintiffs executed the settlement agreement (the "Settlement Agreement"). The settlement will resolve all the claims in their entirety and terminate the litigation in the direct purchaser action. The settlement, in the amount of US$22.5 million (equivalent to approximately HK$175.5 million), is payable in two instalments and subject to approval by the Court. The Court has preliminarily approved the settlement on 3 April 2013.

The first instalment of US$20 million (equivalent to approximately HK$156 million) has been paid by the Group on 21 April 2013. The remaining US$2.5 million (equivalent to approximately HK$19.5 million) will be paid within 365 days after the Court's final approval of the Settlement Agreement. Plaintiffs' attorney fees and settlement administration fees are to be paid out of the settlement fund.

In accordance with the Settlement Agreement, plaintiffs filed a motion for final approval of the settlement on 19 July 2013. The Court will hold a final approval hearing on 2 October 2013 to determine if the settlement is fair, reasonable and adequate.

It should be noted that the above settlement does not apply to actions brought by indirect purchasers, where such actions were stayed until final judgment is entered by the Court in the direct purchaser action.

In light of the latest development up to date of this report, the directors and management of the Company considered the obligations amounting to approximately US$6.5 million (equivalent to approximately HK$50.7 million) which includes the remaining US$2.5 million (equivalent to approximately HK$19.5 million) settlement arrangement with direct purchasers per above, potential claims by indirect purchasers and related legal cost.

19. CONTINGENT LIABILITIES AND GUARANTEES *(Continued)*

(ii) Guarantees

During the six months ended 30 June 2012, guarantees given to banks in respect of credit facilities granted to SPG and the third parties and the movement of guarantee liabilities are shown as below:

	HK$'000
At 1 January 2012 (Audited) (restated)	13,355
Recognition of fair values of financial guarantee contracts	5,014
Amortisation of financial liabilities	(4,581)
At 30 June 2012 (Unaudited) (restated)	13,788

The fair values were calculated by using the default risk method for the banking facilities obtained by the related parties and the third parties. The fair values were based on certain key assumptions on credit strength of the borrowers and default rate. Financial guarantee contracts are initially recognised at fair value and subsequently amortised in accordance with HKAS 18 *Revenue* over the guarantee periods, ranging from one to two years. No guarantee liabilities had been utilised during the six months ended 2012 and the guarantees given to banks in respect of credit facilities granted to SPG and the third parties are all released in August 2012. As at 30 June 2012, there were guarantees of approximately HK$9,641,000,000 in respect of credit facilities granted to SPG and the third parties. There were no such guarantees as at 30 June 2013.

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 25 June 2013, the Group entered into two sale and purchase agreements for the acquisition of 100% equity interests in CSPC Baike (Yantai) Biopharmaceutical Co., Ltd. ("Baike") and its subsidiary, CSPC Baike (Shandong) Biopharmaceutical Co., Ltd. (collectively referred to as the "Baike Group") and the remaining 45% in CSPC Huasheng Pharmaceutical Co., Ltd. ("Huasheng"), respectively.

With regards to the acquisition of Baike Group, the equity transfer agreement dated 25 June 2013 was signed between SPG and China Charmaine as vendors and NBP, a wholly-owned subsidiary of the Company and the Company as purchasers in relation to the sale and purchase of 100% equity interest in Baike in aggregate, at the total consideration of RMB106,000,000 (equivalent to approximately HK$134,177,000) to be satisfied in cash. The transaction was completed on 22 August 2013.

As for the acquisition of Huasheng, the equity transfer agreement dated 25 June 2013 was signed between, among others, China Charmaine as vendor and the Company as purchaser in relation to the sale and purchase of remaining 45% equity interest in Huasheng, at the consideration of HK$13,000,000 to be satisfied in cash. The transaction was completed on 20 August 2013. Upon completion of this acquisition, Huasheng became a wholly-owned subsidiary of the Company.

As at 30 June 2013, the considerations of both acquisitions have not yet been paid and included in capital commitment in note 18.

Up to the date of approving these condensed consolidated financial statements, the initial accounting for these acquisitions has not yet been completed and the directors of the Company are still in the process of accessing the financial impact of the acquisitions.

OTHER INFORMATION

Directors' Interest in Shares, Underlying Shares and Debentures

As at 30 June 2013, 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 interested under the Convertible Bonds	Number of underlying shares of share options held *(Note i)*	Percentage of the issued share capital of the Company
Cai Dongchen	Beneficial owner	6,438,000	—	—	0.17%
	Beneficial owner	—	—	80,000,000	2.09%
Feng Zhenying	Beneficial owner	—	—	3,000,000	0.078%
Chak Kin Man	Beneficial owner	4,000	—	—	0.0001%
	Beneficial owner	—	—	3,000,000	0.078%
Pan Weidong	Beneficial owner	—	—	10,000,000	0.26%
Zhao John Huan	Interest of controlled corporation	2,801,373,430 *(Note ii & iii)*	—	—	73.23%
	Interest of controlled corporation	—	2,082,596,705 *(Note ii & iii)*	—	54.44%
Wang Huaiyu	Beneficial owner	—	—	15,000,000	0.39%
Lu Jianmin	Beneficial owner	—	—	10,000,000	0.26%
Wang Zhenguo	Beneficial owner	—	—	3,000,000	0.078%
Wang Jinxu	Beneficial owner	—	—	3,000,000	0.078%

OTHER INFORMATION *(Continued)*

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

Long Positions *(Continued)*

Notes:

(i) On 17 April 2013, these directors were granted share options under the share option scheme of the Company to subscribe shares of the Company, exercisable at a price of HK$3.980 per share during a period from 17 April 2014 to 16 April 2023.

(ii) Mr. Zhao John Huan is deemed to be interested in 2,801,373,430 shares and 2,082,596,705 shares underlying the Convertible Bonds through Hony Managing Partners Limited ("HMPL"), which is wholly-owned by Mr. Zhao John Huan. HMPL owns 80% issued share capital in Hony Capital Management Limited ("HCML"), which through its direct and indirect wholly owned subsidiaries controls the general partner of a fund vehicle, Hony Capital Fund III, L.P. ("HCFLP"), which wholly owns March Rise Limited("MRL"). MRL owns 75% of Massive Top Limited ("MTL"). MTL wholly owns Shijiazhuang Pharmaceutical Group Company Limited ("SPG"), Massive Giant Group Limited ("MGGL") and Joyful Horizon Limited ("JHL"). SPG (through its direct and indirect wholly owned subsidiaries), MGGL and JHL hold an aggregate of 2,801,373,430 shares. In addition, JHL holds 2,082,596,705 shares underlying the Convertible Bonds which represent such number of underlying shares which will be issued to JHL upon conversion at an adjusted conversion price of HK$2.0855.

(iii) China Charmaine Pharmaceutical Company Limited ("CCPCL"), a direct wholly owned subsidiary of SPG, and Jinling Investment Limited ("Jinling"), a direct wholly owned subsidiary of CCPCL, holds 55,036,000 and 458,870,000 shares, respectively. MGGL and JHL hold 783,482,393 and 1,503,985,037 shares, respectively.

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 2013.

Arrangements to Purchase Shares or Debentures

Other than the share option scheme of the Company, at no time during the period was the Company, its holding company, fellow subsidiaries or 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 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the share capital of the Company.

Name of substantial shareholder	Capacity	Number of issued Ordinary shares held	Number of underlying shares interested under the Convertible Bonds	Approximate percentage of the issued share capital of the Company
Zhao John Huan	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
HMPL	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
HCML	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
Hony Capital Fund III, G.P. Limited	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%

Substantial Shareholders *(Continued)*

Name of substantial shareholder	Capacity	Number of issued Ordinary shares held	Number of underlying shares interested under the Convertible Bonds	Approximate percentage of the issued share capital of the Company
Hony Capital Fund III, G.P. L.P.	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
HCFLP	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
MRL	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
MTL	Interest in controlled corporation	2,801,373,430 *(Note i & ii)*	—	73.23%
	Interest in controlled corporation	—	2,082,596,705 *(Note i & ii)*	54.44%
JHL	Beneficial owner	1,503,985,037 *(Note i & ii)*	—	39.32%
	Beneficial owner	—	2,082,596,705 *(Note i & ii)*	54.44%

Substantial Shareholders *(Continued)*

Name of substantial shareholder	Capacity	Number of issued Ordinary shares held	Number of underlying shares interested under the Convertible Bonds	Approximate percentage of the issued share capital of the Company
MGGL	Beneficial owner	783,482,393 *(Note i & ii)*	—	20.48%
SPG	Interest in controlled corporation	513,906,000 *(Note i & ii)*	—	13.43%
CCPCL	Interest in controlled corporation	458,870,000 *(Note ii)*	—	12.00%
	Beneficial owner	55,036,000 *(Note ii)*	—	1.43%
Jinling	Beneficial owner	458,870,000 *(Note ii)*	—	12.00%

Notes:

(i) Mr. Zhao John Huan is deemed to be interested in 2,801,373,430 shares and 2,082,596,705 shares underlying the Convertible Bonds through HMPL, which is wholly-owned by Mr. Zhao John Huan. HMPL owns 80% issued share capital in HCML, which through its direct and indirect wholly owned subsidiaries controls the general partner of a fund vehicle, HCFLP, which wholly owns MRL. MRL owns 75% of MTL. MTL wholly owns SPG, MGGL and JHL. SPG (through its direct and indirect wholly owned subsidiaries), MGGL and JHL hold an aggregate of 2,801,373,430 shares. In addition, JHL holds 2,082,596,705 shares underlying the Convertible Bonds which represent such number of underlying shares which will be issued to JHL upon conversion at an adjusted conversion price of HK$2.0855.

(ii) CCPCL, a direct wholly owned subsidiary of SPG, and Jinling, a direct wholly owned subsidiary of CCPCL, holds 55,036,000 and 458,870,000 shares, respectively. MGGL and JHL holds 783,482,393 and 1,503,985,037 shares,respectively.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company or any other interests representing 5% or more of the issued share capital of the Company as at 30 June 2013.

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.

Details of the share options to subscribe for Shares granted under the Share Option Scheme during the period under review are as follows:

Category	Date of grant	Exercise price per share *(HK$)*	Exercisable period	Number of Share Options: Outstanding at 1 January 2013	Granted	Exercised	Cancelled	Lapsed	Outstanding at 30 June 2013
Directors of the Company									
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
Other									
Employees	17 April 2013	3.98	17 April 2014 — 16 April 2023	—	23,000,000	—	—	—	23,000,000
Total				—	150,000,000	—	—	—	150,000,000
Exercisable at the end of the period				—					—

The closing price of shares on the Stock Exchange immediate before the date on which the options were granted was HK$3.98. No option was exercised, cancelled or lapsed during the period.

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 2013 with deviation from code provision 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.

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 2013.

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 2013.

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

Mr. LEE Ka Sze, Carmelo, a non-executive director of the Company, was appointed as an independent non-executive director of Esprit Holdings Limited (listed on the Stock Exchange) with effect from 25 July 2013.

By Order of Board
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 28 August 2013