CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

2015 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

— Revenue increased by 7.3% to HK$5,730,375,000

— Profit attributable to shareholders increased by 36.9% to HK$822,014,000

— Basic earnings per share increased by 36.8% to HK$13.91 cents

— Diluted earnings per share increased by 36.6% to HK$13.76 cents

RESULTS

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 six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

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

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

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

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

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

3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors, being chief operating decision makers, for the purpose of resources allocation and assessment of segment performance.

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

(a) Finished drugs

(b) Antibiotics (intermediates and bulk drugs)

(c) Vitamin C (bulk drugs)

(d) Caffeine and others (bulk drugs)

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

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

For the six months ended 30 June 2015 (Unaudited)

	Finished Drugs *HK$'000*	Antibiotics *HK$'000*	Vitamin C *HK$'000*	Caffeine and others *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE							
External sales	**3,799,520**	**974,490**	**610,241**	**346,124**	**5,730,375**	**—**	**5,730,375**
Inter-segment sales	**—**	**26,797**	**2,391**	**2,067**	**31,255**	**(31,255)**	**—**
TOTAL REVENUE	**3,799,520**	**1,001,287**	**612,632**	**348,191**	**5,761,630**	**(31,255)**	**5,730,375**
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	**944,501**	**140,016**	**(32,119)**	**61,242**			**1,113,640**
Unallocated income							**5,028**
Unallocated expenses							**(47,701)**
Operating profit							**1,070,967**
Finance costs							**(27,885)**
Share of results of							
— an associate							**141**
— a joint venture							**4,196**
Profit before tax							**1,047,419**

For the six months ended 30 June 2014 (Unaudited)

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

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

4. PROFIT BEFORE TAX

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

Notes:

(i) For the six months ended 30 June 2014 and 2015, cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss and other comprehensive income.

(ii) Government grants include cash subsidies from PRC government which are specific for (i) the acquisition of plant and machineries and are recognised over the useful lives of the related assets and (ii) the development of pharmaceutical products or improvement of production efficiency which are recognised upon compliance with the attached condition.

5. INCOME TAX EXPENSE

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

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

The basic tax rate of the Company's PRC subsidiaries is 25% under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2017.

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

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

6. DIVIDENDS

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

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

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**822,014**	600,665

	For the six months ended 30 June	
	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,908,018**	5,908,018
Effect of dilutive potential ordinary shares: Share options granted by the Company	**65,284**	59,249
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,973,302**	5,967,267

8. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

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

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

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

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (31 December 2014: 180 days) and not yet due at the end of the reporting period, and management considers the default rate is low based on historical information and experience.

9. TRADE AND OTHER PAYABLES/BILLS PAYABLES

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

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

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

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

Results

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

Finished Drug Business

Innovative Drug Products

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

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

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

"NBP"

"NBP" series is a Class I new drug in China and is also a patent-protected exclusive product. Its major ingredient is butylphthalide, and the drug is mainly used for the treatment of acute ischemic stroke. Its soft capsule and injection forms were launched in 2005 and 2010, respectively. This product has been awarded the State Science and Technology Progress Award (Second Class), Golden Award for Outstanding Chinese Patented Invention and China Grand Awards for Industry. "NBP" is a recommended drug in the "Guidelines for Cerebrovascular Disease Prevention and Treatment in China" and the "Guidelines for Acute Ischemic Stroke Treatment in China 2010". In the first half of this year, "NBP" was once again listed as a recommended drug on the "Guidelines for Acute Ischemic Stroke Treatment in China 2014" with more explicit description about the safety, efficacy and recommendation levels. Currently, "NBP" is one of the fastest growing products for the treatment of acute ischemic stroke and is also a blockbuster innovative drug of the Group.

"Oulaining"

"Oulaining" series is available in the forms of capsule and lyophilized powder injection. Its major ingredient is oxiracetam, and the drug is mainly used for the treatment of mild to moderate memory and mental impairment resulting from vascular dementia, senile dementia and brain trauma. It has a broad range of clinical indications with huge market potentials. "Oulaining" lyophilized powder injection is currently an exclusive preparation form in China, and has been awarded the Hebei Province Science and Technology Progress Award (First Class). Currently, "Oulaining" is the number one brand among the oxiracetam products in the market. The Group will continuously increase its efforts in academic-based promotion and building its expert network with a view to further developing "Oulaining" as a leading brand in the neurology therapeutic area.

"Xuanning"

"Xuanning" series is available in the forms of tablet and dispersible tablet. Its major ingredient is maleate levamlodipine, and the drug is mainly used for the treatment of hypertension and angina pectoris. The product has been awarded the State Technological Invention Award (Second Class). After years of market development, "Xuanning" has grown into a major brand among hypertension drugs in China and a leading brand among the domestic players. With its popularity and reputation, "Xuanning" has the prerequisites to further realize its potentials.

"Duomeisu"

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

"Jinyouli"

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

"Ailineng"

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

"Nuolining"

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

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

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

Common Generic Drug Products

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

Bulk Drug Business

Antibiotics

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

Vitamin C

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

Caffeine and Others

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

Research and Development

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

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

During the first half of this year, the Group has obtained production approvals for 4 products in China including "cefdinir raw material", "nafcillin sodium raw material and injection", "cefcapene pivoxil hydrochloride raw material and tablets" and "aspirin enteric coated tablets (100mg)", of which "nafcillin sodium injection" and "cefcapene pivoxil hydrochloride tablets" are the second-to-market drug approved in China. Apart from these, the Group has obtained clinical trial approvals for 4 products including "mitoxantrone hydrochloride liposome injection", "dronedarone hydrochloride

tablets", "DBPR-108 capsules" and "moxifloxacin hydrochloride tablets". Moreover, "cefoselis sulfate raw material and injection" has passed the technology assessment and on-site inspection by the CFDA. During the period, the Group has submitted applications for 28 drugs to the CFDA (of which, 12 are production applications and 16 are clinical trial applications). 6 of the 28 drugs are among the first three applications.

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

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

Outlook

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

Financial Review

Liquidity and Financial Position

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

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

38% of the Group's borrowings are denominated in Hong Kong dollars, 13% in US dollars and the remaining 49% in Renminbi. The Group's revenue is mainly denominated either in Renminbi or in US dollars. The Group has been monitoring closely the currency movement and will use appropriate hedging arrangements to reduce the foreign exchange risk when considered necessary.

Employees

As at 30 June 2015, the Group had about 10,314 employees. The majority of them are employed in mainland China. The Group will continue to offer competitive remuneration packages, discretionary share options and bonuses to staff based on the performance of the Group and the individual employee.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2015 except the deviation from code provisions A.2.1 as set out below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Dongchen, the Company's Chairman, has also assumed the role as the chief executive officer of the Company. The Company believes that vesting both roles in Mr. Cai will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

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

REVIEW OF INTERIM RESULTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2015.

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

Hong Kong, 25 August 2015

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. FENG Zhenying, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo and Mr. WANG Jinxu as executive directors; Mr. LEE Ka Sze, Carmelo as nonexecutive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin as independent non-executive directors.