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CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS				
	For the three months ended 31 March		Change in %	Change in % excluding foreign currency effects (Note)
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)		
Revenue by business units:				
Finished drugs				
<i>Innovative drugs</i>	1,419,735	1,095,470	29.6%	37.0%
<i>Common generic drugs</i>	1,136,926	1,020,886	11.4%	17.7%
Bulk drugs				
<i>Antibiotics</i>	321,387	390,315	-17.7%	-12.9%
<i>Vitamin C</i>	310,613	315,960	-1.7%	3.9%
<i>Caffeine and others</i>	282,242	170,705	65.3%	74.8%
Total revenue	<u>3,470,903</u>	<u>2,993,336</u>	16.0%	22.6%
Gross profit	1,978,861	1,459,717	35.6%	43.3%
Operating profit	806,890	636,954	26.7%	33.9%
Profit attributable to shareholders	637,882	505,622	26.2%	33.4%

Note: Majority of the Group's sales are conducted in the PRC and are denominated in Renminbi. Results stated on a constant currency basis are calculated by applying the average exchange rate of the same period in the prior year to current period local currency 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 three months ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	For the three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	3,470,903	2,993,336
Cost of sales	(1,492,042)	(1,533,619)
Gross profit	1,978,861	1,459,717
Other income	22,153	26,670
Selling and distribution expenses	(883,025)	(617,872)
Administrative expenses	(149,239)	(141,699)
Other expenses	(161,860)	(89,862)
Operating profit	806,890	636,954
Finance costs	(8,164)	(10,923)
Share of results of joint ventures	7,060	3,690
Profit before tax	805,786	629,721
Income tax expense	(164,953)	(120,516)
Profit for the period	<u>640,833</u>	<u>509,205</u>

	For the three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of financial statements to presentation currency	104,316	56,336
Share of exchange differences of joint ventures	630	193
	<u>104,946</u>	<u>56,529</u>
Other comprehensive income for the period, net of income tax		
	104,946	56,529
	<u>104,946</u>	<u>56,529</u>
Total comprehensive income for the period	745,779	565,734
	<u>745,779</u>	<u>565,734</u>
Profit for the period attributable to:		
Owners of the Company	637,882	505,622
Non-controlling interests	2,951	3,583
	<u>640,833</u>	<u>509,205</u>
	640,833	509,205
	<u>640,833</u>	<u>509,205</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	742,253	561,725
Non-controlling interests	3,526	4,009
	<u>745,779</u>	<u>565,734</u>
	745,779	565,734
	<u>745,779</u>	<u>565,734</u>
	HK cents	HK cents
Earnings per share		
— Basic	10.54	8.55
	<u>10.54</u>	<u>8.55</u>
— Diluted	10.54	8.47
	<u>10.54</u>	<u>8.47</u>

Notes:

1. Principal Accounting Policies

The principal accounting policies used in the preparation of the financial data for the three months ended 31 March 2017 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2016.

2. Profit Before Tax

	For the three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Amortisation of other intangible assets (included in cost of sales)	3,841	3,901
Amortisation of prepaid lease payments	3,878	3,502
Depreciation of property, plant and equipment	140,838	134,724
Research and development expenditure recognized as expense (included in other expenses)	159,119	87,670
Government grant income	(2,406)	(5,095)
	<u>637,882</u>	<u>505,622</u>

3. Earnings Per Share

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

	For the three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>637,882</u>	<u>505,622</u>

	For the three months ended	
	31 March	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,052,649	5,911,018
Effect of dilutive potential ordinary shares: Share options granted by the Company	<u>1,369</u>	<u>57,980</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,054,018</u>	<u>5,968,998</u>

4. Dividend

The board of directors does not declare the payment of an interim dividend for the three months ended 31 March 2017 (2016: Nil).

SEGMENT INFORMATION

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

- (a) Finished Drugs
- (b) Antibiotics (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 segment.

For the three months ended 31 March 2017 (Unaudited):

	Finished Drugs <i>HK\$'000</i>	Antibiotics <i>HK\$'000</i>	Vitamin C <i>HK\$'000</i>	Caffeine and others <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE							
External sales	2,556,661	321,387	310,613	282,242	3,470,903	—	3,470,903
Inter-segment sales	—	14,487	9,611	3,842	27,940	(27,940)	—
TOTAL REVENUE	<u>2,556,661</u>	<u>335,874</u>	<u>320,224</u>	<u>286,084</u>	<u>3,498,843</u>	<u>(27,940)</u>	<u>3,470,903</u>
SEGMENT PROFIT	<u>674,318</u>	<u>19,465</u>	<u>73,808</u>	<u>61,465</u>			829,056
Unallocated income							3,326
Unallocated expenses							<u>(25,492)</u>
Operating profit							806,890
Finance costs							(8,164)
Share of results of joint ventures							<u>7,060</u>
Profit before tax							<u>805,786</u>

For the three months ended 31 March 2016 (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	2,116,356	390,315	315,960	170,705	2,993,336	—	2,993,336
Inter-segment sales	—	9,708	842	1,527	12,077	(12,077)	—
TOTAL REVENUE	<u>2,116,356</u>	<u>400,023</u>	<u>316,802</u>	<u>172,232</u>	<u>3,005,413</u>	<u>(12,077)</u>	<u>2,993,336</u>
SEGMENT PROFIT (LOSS)	<u>609,385</u>	<u>14,287</u>	<u>(3,377)</u>	<u>36,012</u>			656,307
Unallocated income							8,561
Unallocated expenses							<u>(27,914)</u>
Operating profit							636,954
Finance costs							(10,923)
Share of results of a joint venture							<u>3,690</u>
Profit before tax							<u>629,721</u>

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of interest income, finance costs, central administrative expenses and share of results of joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

BUSINESS REVIEW

Results

For the first three months of 2017, the Group recorded sales of approximately HK\$3,471 million, representing an increase of 16.0% (or 22.6% increase on a constant currency basis) year-on-year. Profit attributable to shareholders for the period amounted to approximately HK\$638 million, representing an increase of 26.2% (or 33.4% increase on a constant currency basis) year-on-year.

Finished Drug Business

Major innovative drugs of the Group include “NBP” (butylphthalide soft capsules and injections), “Oulaining” (oxiracetam capsules and lyophilized powder injections), “Xuanning” (levamlodipine maleate tablets), “Duomeisu” (doxorubicin hydrochloride liposome injections), “Jinyouli” (PEG-rhGCSF injections), “Ailineng” (elemene injections) and “Nuolining” (imatinib mesylate tablets). This portfolio of innovative drugs continued to deliver strong growth for the period with aggregate sales reaching approximately HK\$1,420 million, representing a growth of 29.6% (or growth of 37.0% on a constant currency basis) year-on-year. On the other hand, the portfolio of common generic drugs of the Group maintained a stable growth with aggregate sales reaching approximately HK\$1,137 million for the period, representing a growth of 11.4% (or growth of 17.7% on a constant currency basis) year-on-year.

Bulk Drug Business

Market competition of the antibiotics remained fierce, product prices were still staying at a low level. On the contrary, the vitamin C market has seen a strong recovery during the period. Both the product price and profit margin have significantly improved. Caffeine business remained stable and good, and the Group continued to expand its market share during the period. The significant growth of the caffeine and other business is also attributable to the contribution from the glucose business which was acquired by the Group in June 2016.

REVIEW OF RESULTS

The financial data for the three months ended 31 March 2017 is based on the internal records and management accounts of the Group and has not been reviewed or audited by the external auditor of the Company.

By order of the Board
Cai Dongchen
Chairman

Hong Kong, 25 May 2017

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