

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2018

FINANCIAL HIGHLIGHTS				
	For the three months ended 31 March		Change in %	Change in % excluding foreign currency effects (Note)
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)		
Revenue by business units:				
Finished drugs				
<i>Innovative drugs</i>	<b>2,356,699</b>	1,419,735	66.0%	52.0%
<i>Common generic drugs</i>	<b>1,695,945</b>	1,136,926	49.2%	36.6%
Bulk drugs				
<i>Vitamin C</i>	<b>675,084</b>	310,613	117.3%	99.0%
<i>Antibiotics</i>	<b>395,186</b>	321,387	23.0%	12.6%
<i>Caffeine and others</i>	<b>264,442</b>	282,242	-6.3%	-14.2%
Total revenue	<b>5,387,356</b>	3,470,903	55.2%	42.1%
Gross profit	<b>3,462,572</b>	1,978,861	75.0%	60.2%
Research and development expenditure	<b>320,531</b>	159,119	101.4%	84.4%
Operating profit	<b>1,136,057</b>	806,890	40.8%	28.9%
Profit attributable to shareholders	<b>909,907</b>	637,882	42.6%	30.6%
Basic earnings per share	<b>HK14.57 cents</b>	HK10.54 cents	38.2%	26.5%

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 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2018

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>5,387,356</b>	3,470,903
Cost of sales	<b>(1,924,784)</b>	(1,492,042)
Gross profit	<b>3,462,572</b>	1,978,861
Other income	<b>55,431</b>	22,153
Selling and distribution expenses	<b>(1,819,373)</b>	(883,025)
Administrative expenses	<b>(230,759)</b>	(149,239)
Other expenses	<b>(331,814)</b>	(161,860)
Operating profit	<b>1,136,057</b>	806,890
Finance costs	<b>(10,874)</b>	(8,164)
Share of results of joint ventures	<b>13,679</b>	7,060
Share of results of an associate	<b>(3,610)</b>	—
Profit before tax	<b>1,135,252</b>	805,786
Income tax expense	<b>(223,363)</b>	(164,953)
Profit for the period	<b><u>911,889</u></b>	<b><u>640,833</u></b>
Profit for the period attributable to:		
Owners of the Company	<b>909,907</b>	637,882
Non-controlling interests	<b>1,982</b>	2,951
	<b><u>911,889</u></b>	<b><u>640,833</u></b>
	<b>HK cents</b>	<b>HK cents</b>
Earnings per share		
— Basic	<b><u>14.57</u></b>	<b><u>10.54</u></b>
— Diluted	<b><u>N/A</u></b>	<b><u>10.54</u></b>

**Notes:**

**1. Principal Accounting Policies**

The principal accounting policies used in the preparation of the financial data for the three months ended 31 March 2018 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2017.

**2. Profit Before Tax**

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before tax has been arrived at after charging (crediting):		
Amortisation of other intangible assets	<b>5,917</b>	3,841
Amortisation of prepaid lease payments	<b>4,703</b>	3,878
Depreciation of property, plant and equipment	<b>169,507</b>	140,838
Research and development expenditure recognized as expense (included in other expenses)	<b>320,531</b>	159,119
Government grant income	<b>(3,821)</b>	(2,406)

**3. Earnings Per Share**

The calculation of basic earnings per share for the three months ended 31 March 2018 is based on the profit for the period attributable to the owners of the Company of HK\$909,907,000 and 6,243,018,403 shares in issue during the period.

No diluted earnings per share is presented for the three months ended 31 March 2018 as there was no potential ordinary shares in issue during the period.

The calculation of basic and diluted earnings per share for the three months ended 31 March 2017 was based on the following data:

	<i>HK\$'000</i> (Unaudited)
<b>Earnings</b>	
Earnings for the purpose of basic and diluted earnings per share	<u><u>637,882</u></u>

'000  
(Unaudited)

**Number of shares**

Weighted average number of ordinary shares for the purpose of basic earnings per share	6,052,649
Effect of dilutive potential ordinary shares: Share options granted by the Company	<u>1,369</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>6,054,018</u></u>

**4. Dividend**

The board of directors does not declare the payment of an interim dividend for the three months ended 31 March 2018 (2017: Nil).

**SEGMENT INFORMATION**

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

- (a) Finished Drugs
- (b) Vitamin C (bulk drugs)
- (c) Antibiotics (bulk drugs)
- (d) Caffeine (bulk drugs) and others

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 2018 (Unaudited):*

	Finished Drugs <i>HK\$'000</i>	Vitamin C <i>HK\$'000</i>	Antibiotics <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	4,052,644	675,084	395,186	264,442	5,387,356	—	5,387,356
Inter-segment sales	—	17,215	29,661	1,491	48,367	(48,367)	—
TOTAL REVENUE	<u>4,052,644</u>	<u>692,299</u>	<u>424,847</u>	<u>265,933</u>	<u>5,435,723</u>	<u>(48,367)</u>	<u>5,387,356</u>
SEGMENT PROFIT	<u>798,847</u>	<u>259,502</u>	<u>34,640</u>	<u>52,582</u>	<u>1,145,571</u>		1,145,571
Unallocated income							30,951
Unallocated expenses							<u>(40,465)</u>
Operating profit							1,136,057
Finance costs							(10,874)
Share of results of joint ventures							13,679
Share of results of an associate							<u>(3,610)</u>
Profit before tax							<u>1,135,252</u>

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

	Finished Drugs HK\$'000	Vitamin C HK\$'000	Antibiotics HK\$'000	Caffeine and others HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE							
External sales	2,556,661	310,613	321,387	282,242	3,470,903	—	3,470,903
Inter-segment sales	—	9,611	14,487	3,842	27,940	(27,940)	—
TOTAL REVENUE	<u>2,556,661</u>	<u>320,224</u>	<u>335,874</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>73,808</u>	<u>19,465</u>	<u>61,465</u>	<u>829,056</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>

Segment profit represents the profit earned by each segment without allocation of interest income, finance costs, central administrative expenses and share of results of joint ventures and an associate. 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 2018, the Group recorded sales of approximately HK\$5,387 million, representing an increase of 55.2% (or 42.1% increase on a constant currency basis) year-on-year; and profit attributable to shareholders of approximately HK\$910 million, representing an increase of 42.6% (or 30.6% increase on a constant currency basis) year-on-year.

### **Finished Drug Business**

The finished drug business maintained a strong growth momentum with sales reaching approximately HK\$4,053 million for the first quarter of the year, representing a growth of 58.5% (or 45.1% growth on a constant currency basis) year-on-year. Innovative drug products, namely “NBP” (butylphthalide soft capsules and injections), “Oulaining” (oxiracetam capsules and lyophilized powder injections), “Xuanning” (levamlodipine maleate tablets), “Duomeisu” (doxorubicin hydrochloride liposome for injection), “Jinyouli” (PEG-rhGCSF for injection), “Ailineng” (elemene for injection), “Nuolining” (imatinib mesylate tablets) and “Keaili” (paclitaxel for injection (albumin-bound)) (newly launched in March this year) recorded sales of approximately HK\$2,357 million, representing a growth of 66.0% (or 52.0% growth on a constant currency basis) year-on-year. Sales of the common generic drug products accelerated with sales reaching approximately HK\$1,696 million, representing a growth of 49.2% (or 36.6% growth on a constant currency basis) year-on-year.

### **Bulk Drug Business**

Benefited from the market recovery during last year, prices of vitamin C products for the period were substantially higher than the same period last year, driving a significant increase in profit contribution from the vitamin C business. Owing to the recent increase in product prices, performance of the antibiotic business slightly improved during the period. Performance of the caffeine business slightly weakened as compared with the same period last year due to certain sales volume decline and production cost increase during the period.

## **REVIEW OF RESULTS**

The financial data for the three months ended 31 March 2018 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 2018

*As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. WANG Zhenguo, Mr. WANG Jinxu, Mr. LU Hua, Mr. LI Chunlei 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.*