CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2015, the Group recorded the following operating results:

— Revenue increased by 4.0% to HK$11,394 million;

— On the basis that revenue attributable to a former subsidiary was excluded from the 2014 comparative figure, revenue for the current year increased by 7.5%;

— Aggregate revenue of the innovative drugs increased by 35.6% to HK$3,775 million;

— Profit attributable to shareholders increased by 31.3% to HK$1,665 million; and

— Basic earnings per share increased by 31.3% to HK28.18 cents.

The Board recommends the payment of a final dividend of HK11 cents per share.

OVERVIEW

In 2015, the global economic growth experienced a deceleration with deflation pressure in some economies. Likewise, the Chinese economy also encountered increasing downward pressure with a number of impacts and challenges. Facing this complex and mixed environment, the Chinese government persisted with the fundamental task of pursuing stable growth and carried out a series of policies that could stabilise growth, modify structure, promote reform, benefit people's livelihood and prevent risk, with the aim of ensuring the national economy to perform within a reasonable range, achieving progress in structural adjustments and continuously improving the livelihood of people. Changes in the economic environment pose both challenges and opportunities to the Group. The Group will proactively respond to market changes with continuous efforts in aggressively expanding its new drug business and promoting its products and brands to the international market in order to achieve sustainable growth of its business.

The Chinese pharmaceutical industry is one of the fastest growing industries in China and is able to maintain a mid-to-high pace of growth alongside with the continuous growth of the Chinese economy. However, the development of pharmaceutical industry in China also faces problems in areas of innovation system, product structure, quality and safety standard. The Chinese government is currently striving to improve the system in order to build a sound foundation enabling the pharmaceutical industry to maintain a healthy and sustainable development.

Under the environment of sustained economic growth in China, immense changes have been seen in its healthcare service system. Subsequent to several medical reforms, a diversified healthcare service system formed by hospitals, lower-tier healthcare institutions and professional public healthcare organisations has been established preliminarily, covering both urban and rural areas. Healthcare service institutions have been expanding at high speed, with an increasing number of branch hospitals, branch departments and community healthcare service centers. Oncology treatment is one of the most important areas in healthcare services. With the development in healthcare services, both the coverage and standard of oncology treatment services in general hospitals have been expanded and enhanced.

With the accelerating aging of the Chinese population, progress of urbanization policy and increase in the people's income level, the demand for pharmaceutical products in China is expected to have a continuous increase. China has entered an accelerating period of aging population with over 200 million people aged above 65, accounting for approximately 15% of its total population. The incidence rate of cancer, cerebro-cardiovascular diseases, senile dementia, diabetes and other elderly diseases is also increasing on a yearly basis, creating increasing demand for related treatments. Given the massive size of the population with these four types of diseases, the Group's "NBP (恩必普)", "Oulaining (歐來寧)", "Xuanning (玄寧)", "Linmeixin (林美欣)" (Glimepiride dispersible

tablets) products and other oncology drugs possess immense market potential. On the other hand, the expansion of hospitals, increased coverage of the medical reimbursement scope and higher affordability of patients will also ensure that the demand for medical treatments is more able to be met.

Notwithstanding the national policy on restrictive sales and reasonable use of antibiotics which limits the growth of the antibiotics industry, antibiotics is still one of the major categories in the pharmaceutical market featuring high growth in the demand for high-end antibiotics in particular. Antibiotic product "Meropenem for injection" of the Group has attained rapid growth for many consecutive years. Coupled with the launch of new products such as "Biapenem for injection" and "Ertapenem for injection", the Group's antibiotic product series has established strong competitive advantages in the high-end antibiotics market with attractive prospects.

BUSINESS OUTLOOK

Innovative Drug Business

The Group will implement the market strategy of "product differentiation, professional marketing and brand building". In addition, the Group will follow closely on the national and provincial medical insurance and tender policies in order to seize opportunities and minimize risks. The Group's marketing department will also put more efforts into increasing the market coverage of its products and enhancing the quality of academic promotion activities to promote market awareness for its products. With its increasingly mature sales network, expanding professional sales team and exceptional product efficacy and quality, the Group's innovative drug business is expected to achieve rapid growth in 2016 and increase its contribution to the Group.

Common Generic Drug Business

Leveraging on its quality, brand, product chain, channels, professional marketing team and other competitive advantages, the Group will seize the opportunities brought by the low-priced drug policy in order to develop the common generic drug business into another key profit growth driver of the Group. Meanwhile, the Group will continue to innovate its marketing strategies of its common generic drug business in order to maximize the competitive advantage of its professional marketing team and well-established end-user network. The Group will also establish strategic partnerships with end-user operators covering the lower-tier market network to expedite the launch of new products with market size and growth potential. It is expected that the common generic drug business will continue to achieve steady growth in 2016.

Bulk Drug Business

In respect of the bulk drug business, the Group will continue its efforts in technology upgrades, production costs reduction, high-end quality certification and product quality enhancement in order to maintain its leading position in the industry. Currently, the Group has received U.S. FDA approvals for 6 products and 5 production workshops of the bulk drug business. The Group will continue to closely monitor changes in the market and timely adjust its operating strategies. After several years of intense competition, the bulk drug market is showing a steadily upward trend. With its leading position in the industry, the bulk drug business of the Group is expected to remain on a steady trend in 2016.

CAI Dongchen
Chairman

Hong Kong, 21 March 2016

RESULTS

The Board of Directors of CSPC Pharmaceutical Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
Revenue	*2*	**11,393,726**	10,955,077
Cost of sales		**(6,172,848)**	(6,767,724)
Gross profit		**5,220,878**	4,187,353
Other income		**86,561**	134,558
Selling and distribution expenses		**(2,266,958)**	(1,788,032)
Administrative expenses		**(534,881)**	(551,697)
Other expenses		**(339,147)**	(307,814)
Operating profit		**2,166,453**	1,674,368
Finance costs		**(56,335)**	(54,358)
Share of results of			
— an associate		**141**	375
— a joint venture		**10,663**	588
Loss on disposal of an associate		**(8,873)**	—
Gain on disposal of a subsidiary		**—**	511
Profit before tax	*3*	**2,112,049**	1,621,484
Income tax expense	*4*	**(432,423)**	(337,153)
Profit for the year		**1,679,626**	1,284,331
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements to presentation currency		**(423,345)**	(225,574)
Share of exchange differences of an associate and a joint venture		**(1,244)**	(464)
Other comprehensive expense for the year, net of income tax		**(424,589)**	(226,038)
Total comprehensive income for the year		**1,255,037**	1,058,293

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**1,665,271**	1,268,446
Non-controlling interests		**14,355**	15,885
		1,679,626	1,284,331
Total comprehensive income attributable to:			
Owners of the Company		**1,244,595**	1,045,174
Non-controlling interests		**10,442**	13,119
		1,255,037	1,058,293
		HK cents	*HK cents*
Earnings per share			
— Basic	*5*	**28.18**	21.47
— Diluted	*5*	**27.95**	21.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**5,142,767**	5,049,087
Prepaid lease payments		**467,785**	498,522
Goodwill		**119,388**	125,060
Other intangible assets		**96,080**	111,289
Interest in an associate		**—**	56,732
Interest in a joint venture		**27,586**	18,167
Available-for-sale investment		**—**	1,705
Deferred tax assets		**38,706**	34,922
		5,892,312	5,895,484
Current assets			
Inventories		**1,819,228**	1,805,749
Trade and other receivables	*7*	**1,877,617**	2,006,712
Bills receivables	*8*	**1,389,493**	1,079,359
Trade receivables due from related companies		**162,212**	92,471
Amount due from a joint venture		**75,179**	76,450
Prepaid lease payments		**15,057**	14,928
Tax recoverable		**2,477**	2,754
Held for trading investments		**606**	703
Restricted bank deposits		**6,202**	58,199
Bank balances and cash		**2,299,468**	1,468,421
		7,647,539	6,605,746

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Current liabilities			
Trade and other payables	*9*	**2,488,645**	2,329,726
Bills payables	*10*	**392,828**	227,150
Trade payables due to related companies		**1,108**	26,483
Trade payables due to an associate		**—**	576
Trade payables due to a joint venture		**1,591**	—
Amounts due to related companies		**3,060**	277,894
Tax liabilities		**145,063**	116,597
Borrowings		**451,966**	624,070
		3,484,261	3,602,496
Net current assets		**4,163,278**	3,003,250
Total assets less current liabilities		**10,055,590**	8,898,734
Non-current liabilities			
Deferred tax liabilities		**46,322**	29,645
Borrowings		**1,010,944**	601,800
Government grants		**185,717**	115,761
		1,242,983	747,206
Net assets		**8,812,607**	8,151,528
Capital and reserves			
Share capital		**9,835,299**	9,819,731
Reserves		**(1,097,244)**	(1,740,577)
Equity attributable to owners of the Company		**8,738,055**	8,079,154
Non-controlling interests		**74,552**	72,374
Total equity		**8,812,607**	8,151,528

NOTES TO FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of reporting period.

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the new Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 109(3) of the predecessor Hong Kong Companies Ordinance (Cap. 32). The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the new Hong Kong Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the new Hong Kong Companies Ordinance.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of these new and revised standards and amendments to the Group and is not yet in a position to state whether these would have a significant impact on the Group's results and financial position.

2. Revenue and Segment Information

	2015	2014
	HK$'000	*HK$'000*
Sale of goods	**11,393,726**	10,955,077

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 the chief operating decision maker, 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.

Segment revenues and results

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

For the year ended 31 December 2015:

	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	**7,793,705**	**1,718,436**	**1,202,694**	**678,891**	**11,393,726**	**—**	**11,393,726**
Inter-segment sales	**—**	**55,434**	**4,126**	**8,245**	**67,805**	**(67,805)**	**—**
TOTAL REVENUE	**7,793,705**	**1,773,870**	**1,206,820**	**687,136**	**11,461,531**	**(67,805)**	**11,393,726**
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	**2,030,600**	**189,496**	**(39,577)**	**119,853**	**2,300,372**		**2,300,372**
Unallocated income							**9,807**
Unallocated expenses							**(143,726)**
Operating profit							**2,166,453**
Finance costs							**(56,335)**
Share of results of							
— an associate							**141**
— a joint venture							**10,663**
Loss on disposal of an associate							**(8,873)**
Profit before tax							**2,112,049**

For the year ended 31 December 2014:

	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	6,716,184	2,369,864	1,243,347	625,682	10,955,077	—	10,955,077
Inter-segment sales	—	47,514	6,794	8,332	62,640	(62,640)	—
TOTAL REVENUE	6,716,184	2,417,378	1,250,141	634,014	11,017,717	(62,640)	10,955,077
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	1,635,411	155,929	(87,666)	122,688	1,826,362		1,826,362
Unallocated income							7,849
Unallocated expenses							(159,843)
Operating profit							1,674,368
Finance costs							(54,358)
Share of results of							
— an associate							375
— a joint venture							588
Gain on disposal of a subsidiary							511
Profit before tax							1,621,484

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, loss on disposal of an associate and gain on disposal of a subsidiary. This is the measure reported to the board of directors for the purposes of resources allocation and performance assessment.

Geographical information

The following is an analysis of the Group's revenue by geographical market based on geographical location of customers:

	2015 ***HK$'000***	2014 *HK$'000*
The People's Republic of China (the "PRC") (country of domicile)	**8,671,612**	8,164,521
Other Asian regions	**1,122,154**	1,134,235
Americas	**830,673**	790,634
Europe	**607,443**	711,190
Others	**161,844**	154,497
	11,393,726	10,955,077

The Group's operations are substantially based in the PRC and significantly all non-current assets of the Group are located in the PRC. Therefore, no further analysis of geographical information is presented.

3. Profit Before Tax

	2015	2014
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executive's remuneration		
— Salaries, wages and other benefits	**789,421**	823,626
— Contribution to retirement benefit schemes	**106,812**	96,894
— Share-based payment expense (included in administrative expenses)	**—**	53,187
Total staff costs	**896,233**	973,707
Amortisation of intangible assets (included in cost of sales)	**18,430**	19,850
Amortisation of prepaid lease payments	**14,794**	15,319
Depreciation of property, plant and equipment	**572,036**	575,043
Total depreciation and amortisation	**605,260**	610,212
Auditor's remuneration	**3,660**	3,600
Gain on disposal of an available-for-sale investment (included in other income)	**(358)**	—
Government grant income	**(39,730)**	(85,547)
Interest income	**(8,459)**	(7,852)
Loss (gain) on disposal of property, plant and equipment (included in other expenses/other income)	**7,012**	(3,402)
Net foreign exchange loss	**1,786**	4,518
Rental expenses	**36,577**	31,268
Reversal on write down of inventories (included in cost of sales)	**—**	(7,342)
Net impairment loss on trade receivables	**9,024**	2,883
Research and development expenditure recognised as an expense (included in other expenses)	**324,505**	307,223

Note: Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2015 and 2014.

4. Income Tax Expense

	2015	2014
	HK$'000	*HK$'000*
The tax charge comprises:		
Current taxation		
— PRC Enterprise Income Tax	**377,464**	300,781
— PRC withholding tax on dividends distributed by subsidiaries	**42,096**	32,422
	419,560	333,203
Deferred taxation	**12,863**	3,950
	432,423	337,153

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 years.

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 regulations 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.

5. 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:

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**1,665,271**	1,268,446
	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,908,795**	5,908,018
Effect of dilutive potential ordinary shares:		
Share options granted by the Company	**48,879**	59,664
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,957,674**	5,967,682

6. Dividends

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 Final, paid — HK10 cents (2014: 2013 Final, paid — HK8 cents) per share	**590,802**	472,641

The directors recommend the payment of a final dividend of HK11 cents (2014: HK10 cents) per share in respect of the year ended 31 December 2015. Subject to approval by the shareholders in the forthcoming annual general meeting, the proposed final dividend will be paid on or around Friday, 17 June 2016 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 8 June 2016.

7. Trade and Other Receivables

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**1,560,948**	1,699,086
Less: allowance for doubtful debts	**(13,181)**	(4,395)
	1,547,767	1,694,691
Prepayment for purchase of raw materials	**176,527**	183,695
Deposits and prepayment for utilities	**62,798**	40,093
Other tax recoverable	**29,325**	28,672
Others	**61,200**	59,561
	1,877,617	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 date at the end of the reporting period which approximated the respective revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**1,375,675**	1,479,654
91 to 180 days	**129,875**	210,236
181 to 365 days	**42,217**	4,801
	1,547,767	1,694,691

8. Bills Receivables

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

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**752,256**	955,617
Customer deposits and advance from customers	**441,063**	373,342
Other tax payables	**113,088**	53,984
Freight and utilities charges payable	**70,562**	28,430
Construction cost and acquisition of property, plant and equipment payable	**678,785**	601,792
Government grants	**109,537**	88,596
Staff welfare payable	**111,950**	131,792
Selling expense payable	**145,430**	60,260
Others	**65,974**	35,913
	2,488,645	2,329,726

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

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**613,893**	703,652
91 to 180 days	**65,471**	104,716
More than 180 days	**72,892**	147,249
	752,256	955,617

The general credit period on purchases of goods is up to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

10. Bills Payables

All bills payables of the Group are aged within 180 days (2014: 180 days) and not yet due at the end of the reporting period.

RESULTS

In 2015, the Group recorded sales revenue of approximately HK$11,394 million and profit attributable to shareholders of approximately HK$1,665 million, representing an increase of 4.0% and 31.3% over last year, respectively.

FINISHED DRUG BUSINESS

A number of medical policies have been released in 2015 to move on the medical reform in China. These policy changes in relation to drug price control, drug tenders and medical reimbursements have asserted high pressure on the entire pharmaceutical industry. The Group has formulated measures to maximize the benefits with consideration of market and price level for its products under the new environment. On the other hand, the Group's continued efforts in product promotion, market exploration and channel building have been fruitful. In 2015, sales revenue of the finished drug business reached HK$7,794 million, representing a growth of 16.0% over last year. The following is a business review of the Group's major innovative drug products and common generic drugs within the finished drug business.

Innovative Drug Products

During the year, the innovative drug business of the Group maintained strong growth momentum, with continuous expansion of market share and a stronger presence and coverage in the high-end market. With the continuous efforts in academic-based promotion, the innovative drug business maintained a rapid growth in sales. For the current year, sales revenue reached approximately HK$3,775 million, representing a 35.6% growth over last year.

Tenders of all the provinces and cities in China are expected to be completed successively, 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 2014" (the

"New Guideline"). It is worth noting that in the New Guideline newly amended during the year, "NBP" was promoted to class II recommendation and level B evidence, with more in-depth and detailed description on its mechanism of action, safety and efficacy. The New Guideline also added a description on the better efficacy of the "NBP" sequential treatment group (14 days of "NBP" injection followed by 76 days of "NBP" capsules) against the control group. During the year, the China Food and Drug Administration ("CFDA") has approved the supplemental application of "NBP" injections for adding information on the better clinical results of the 90-day "NBP" sequential treatment group against the control group in the original prescription information, which provides support for more scientific use of "NBP" products. "NBP" also achieved important breakthrough in exploring into new treatment areas. The study results of a large-scale clinical research on the treatment of vascular cognitive impairment no dementia with butylphthalide was accepted and published by the international authoritative medical journal "Alzheimer's & Dementia". 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). In face of the intense market competition of the oxiracetam injection products, the Group will continuously increase its efforts in academic-based promotion and building its expert network with a view to differentiate from other preparations in order to capture a bigger market share.

"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. It is well positioned to capture a bigger market share.

"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). "Duomeisu"'s patented nano-extrusion technique can make the particle size of the liposome more consistent so as to ensure the target enrichment effect of the liposomal drug.

"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.

"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. It is a category B product under the national reimbursement drug list in China. The upgraded liquid formulation of this product has obtained patent in China.

"Nuolining"

"Nuolining" (Imatinib mesylate tablets) is the Group's first approved small molecule targeted cancer drug. It is a first-line drug mainly for the treatment of Philadelphia chromosome-positive chronic myelocytic leukemia (Ph+CML) and Philadelphia chromosome-positive acute lymphoblastic leukemia (Ph+ALL). This product was launched in March 2015.

Common Generic Drug Products

During the year, the Group has proactively responded to the promulgation and implementation of the national policies on essential drugs and low-priced drugs, further enhancing its sales strategies, building sales channel and continuously improving the product mix of the common generic drugs, Sound growth in both the lower-tier medical market and the non-prescriptive drug market and improved profitability were achieved. Amongst all, the Group's Chinese medicine soft capsule product series (including "Qingre Jiedu soft capsules（清熱解毒軟膠囊）", "Ganmao Qingre soft capsules（感冒清熱軟膠囊）", "Yin Huang soft capsules（銀黃軟膠囊）", "Xiangsha Yangwei soft capsules（香砂養胃軟膠囊）" and "Huoxiang Qushu soft capsules（藿香祛暑軟膠囊）") have formed a brand portfolio and have attained sound growth during the year. Meanwhile, the Group's high-end antibiotics product "Zhongnuo Shuluoke（中諾舒羅克）" (meropenem for injection) and health supplement product "Guoweikang（果維康）" (vitamin C tablet) have also recorded rapid growth for many consecutive years. Products for chronic diseases also represent one of the Group's key development areas. Sales of existing product series including "Qinkexi（勤可息）" (enalapril maleate tablets), "Gubang（固邦）" (alendronate sodium enteric coated tablets), "Ouyi（歐意）" (aspirin enteric coated tablets), "Ouwei（歐維）" (mecobalamin tablets) and "Linmeixin（林美欣）" (glimepiride dispersible tablets) have also achieved growth during this year. As to antibiotics products, individual essential drugs have recorded declining sales due to market and product mix adjustments. In 2015, the common generic drug business has achieved stable growth, generating a sales revenue of HK$4,019 million, representing an increase of 2.2% over last year.

BULK DRUG BUSINESS

Antibiotics

In 2015, sales revenue of the antibiotics business decreased significantly, which was mainly attributable to the inclusion of sales revenue from a former subsidiary in the 2014 comparative figure. Improvements in the antibiotics market were seen in 2015. The Group has implemented a number of measures such as technology upgrades, reinforcement of internal management, energy saving and consumption reduction in order to decrease its production costs and maintain its leading position in this industry. In 2015, the antibiotics business recorded significant growth in profit.

Vitamin C

Overcapacity of the vitamin C market still lingered in 2015, but market conditions remained relatively stable. Leveraging on its advantages in scale, production costs and quality, the Group continued to maintain its leading position in the industry. In 2015, both the total sales volume and export volume of the Group's vitamin C products were top-ranked in the industry. The Group also managed to reduce the loss of this business through reduction in production costs.

Caffeine and Others

In 2015, both the market demand and product price of caffeine remained stable while the Group's market share has further increased. As some manufacturers has halted or limited their production, the total supply has dropped and led to a mild increase in the market prices. The Group has also enhanced its product sales structure for this business by cutting the sales of some non-major products. In 2015, this business continued to make steady contribution to the Group's profits.

RESEARCH AND DEVELOPMENT

The Group continued to invest in the research and development of new products, and currently has approximately 170 products under research and development, with focus on the therapeutic areas of cardio-cerebrovascular, diabetes, oncology, neurology and anti-infection. Among these products, 15 are Class 1 new drugs and 50 are Class 3 new drugs (including Class 3 + 6).

In 2015, the Group has submitted applications for 29 products to the CFDA (of which, 7 are production applications and 22 are clinical trial applications). The Group has also obtained production approvals for 4 products (including "nafcillin sodium raw material and injection", "cefcapene pivoxil hydrochloride raw material and tablets", "aspirin enteric coated tablets (100mg)" and "cefdinir raw material"), as well as clinical trial approvals for 25 products (including Class 1 new drug "DBPR108 capsules"). In the first two months of 2016, the Group has further obtained clinical trial approvals for 16 products (including Class 1 new drug "SKLB1028 capsules"). Out of these 41 clinical trial approvals obtained, one product has completed the bioequivalence study and has submitted the application for production, 11 products have confirmed the institutions doing the clinical study and are either undergoing clinical trial or preparing clinical trial samples. On the other hand, pursuant to the "Opinions on Implementation of Priority Evaluation, Examination

and Approval to Solve the Application Backlog of Registration of Drugs" of the CFDA, the Group has 7 products qualified for priority evaluation, examination and approval and has submitted the applications to the Center for Drug Evaluation accordingly.

At present, the Group has 28 products pending for production approval by the CFDA (including 4 Class 3 new drugs (including Class 3 + 6)); 16 products undergoing bioequivalence study or clinical trial (including 7 Class 1 new drugs); and 29 products granted clinical trial approvals. Of these 73 products pending approval or under development, 13 are oncology drugs, 8 are diabetes drugs, 9 are cardio-cerebrovascular drugs, 12 are neurology drugs, 15 are anti-infective drugs and 16 others.

With regard to overseas research and development, the Group has submitted 2 Abbreviated New Drug Application ("ANDA") in the U.S. during the year. Currently, the Group has a total of 10 drugs applying for ANDA in the U.S.. During the year, the ANDA application for the Group's "benzonatate soft capsules" and "donepezil hydrochloride tablets" (change of production site) have been approved by the U.S. FDA. Meanwhile, the protocol for phase II clinical trial application of "butylphthalide soft capsules" has been approved by the U.S. FDA and has started subject screening. The Investigational New Drug ("IND") application for "mitoxantrone hydrochloride liposome injection" has also been submitted to the U.S. FDA in March 2016.

FINANCIAL REVIEW

Results

	2015	2014	Change
Revenue *(HK$'000)*			
Finished drugs	**7,793,705**	6,716,184	+16.0%
Bulk drugs	**3,600,021**	4,238,893	-15.1%
Total	**11,393,726**	10,955,077	+4.0%
Operating profit *(HK$'000)*	**2,166,453**	1,674,368	+29.4%
Operating profit margin	**19.0%**	15.3%	
Profit attributable to shareholders *(HK$'000)*	**1,665,271**	1,268,446	+31.3%
Net profit margin	**14.6%**	11.6%	
Basic earnings per share *(HK cents)*	**28.18**	21.47	+31.3%

Revenue from the finished drug business remained the major growth driver to the Group. In particular, the innovative drugs continued to deliver strong growth in 2015 with aggregate sales revenue reaching approximately HK$3,775 million, representing a growth of 35.6%. Mainly due to the growing contribution from the innovative drugs, operating profit margin and net profit margin of the Group improved to 19.0% and 14.6% in 2015, respectively. Profit attributable to shareholders increased by 31.3% to HK$1,665 million with a corresponding increase in basic earnings per share to HK28.18 cents in 2015.

Liquidity and Financial Position

In 2015, the Group's operating activities generated a cash inflow of HK$2,251 million (2014: HK$1,806 million). Average turnover period of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) was 49 days for 2015, a decrease of 6 days as compared with 2014. Average turnover period of inventories (ratio of balance of inventories to cost of sales) slightly increased to 108 days for 2015. Current ratio of the Group improved further from 1.8 a year earlier to 2.2 as at 31 December 2015. Capital expenditure in relation to the additions of production facilities amounted to HK$924 million for the year.

The Group's financial position remained solid. As at 31 December 2015, total bank balances and cash amounted to HK$2,306 million and total borrowings amounted to HK$1,463 million, resulting in a net cash positon of HK$843 million (2014: HK$301 million). Total borrowings comprise bank loans of HK$1,382 million and loans from a related company of HK$81 million. HK$452 million of the total borrowings are repayable within one year and the remaining HK$1,011 million repayable between two to three years. Gearing ratio as at 31 December 2015 was 16.6% as compared to 15.0% a year earlier.

44% of the Group's borrowings are denominated in Hong Kong dollars, 16% in United States dollars and 40% in Renminbi. The Group's sales are mainly denominated in Renminbi for domestic sales in China and in United States dollars for export sales. The Group manages its foreign exchange risks by closely monitoring its net foreign exchange exposures and mitigating the impact of foreign currency fluctuations by using appropriate hedging arrangements when considered necessary.

Employees

As at 31 December 2015, the Group had about 10,023 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.

SUSTAINABLE DEVELOPMENT STRATEGIES

The Group will continue to pursue the development strategies of (i) active development of innovative drug business; (ii) continuation of products internationalization; and (iii) consolidation of leadership in the bulk drug business in order to achieve long-term sustainable growth.

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 year ended 31 December 2015 except the deviations 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.

According to rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the members of the Board. During the period from 1st January 2015 to 25th May 2015, the composition of the Board comprised ten (10) 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 less than one-third of the members of the Board. 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 Company has complied with rule 3.10A of the Listing Rules from 26 May 2015.

Following the resignation of Mr. Chen Shilin as an independent non-executive director on 8 January 2016, the number of independent non-executive directors on the Board represents less than one-third of the members of the Board required under rule 3.10A of the Listing Rules. The composition of the Board currently comprises nine (9) executive directors, one (1) non-executive director and four (4) independent non-executive directors. The Company is endeavoring to identify a suitable candidate to act as an independent nonexecutive director to meet the requirement set out in rule 3.10A of the Listing Rules and will make an announcement as and when appropriate.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2016 to Monday, 30 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Monday, 30 May 2016, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2016.

The register of members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 3 June 2016.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

By order of the Board
CAI Dongchen
Chairman

Hong Kong, 21 March 2016

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo, Mr. WANG Jinxu and Mr. LU Hua 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 as independent non-executive directors.