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中國製藥集團有限公司
China Pharmaceutical Group Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 1093)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Revenue increased by 3.0% to HK$7,031,601,000
- Profit attributable to shareholders increased by 3.2% to HK$970,739,000
- Earnings per share increased by 3.4% to HK63.24 cents
- Final dividend of HK24 cents per share proposed

RESULTS

The Board of Directors of China 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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	2	**7,031,601**	6,829,995
Cost of sales		**(4,764,308)**	(4,548,661)
Gross profit		**2,267,293**	2,281,334
Other income		**49,482**	42,834
Selling and distribution expenses		**(587,842)**	(470,787)
Administrative expenses		**(461,522)**	(514,493)
Other expenses		**(96,848)**	(120,801)
Operating profit		**1,170,563**	1,218,087
Share of results of a jointly controlled entity		**1,035**	1,442
Share of results of an associate		**—**	1,362
Gain on termination of a derivative financial instrument		**—**	6,851
Net gain on disposal of subsidiaries		**24,128**	—
Impairment loss on an available-for-sale investment		**—**	(10,362)
Finance costs		**(69,916)**	(109,367)
Profit before tax	3	**1,125,810**	1,108,013
Income tax expense	4	**(142,776)**	(160,983)
Profit for the year		**983,034**	947,030
Attributable to:			
Owners of the Company		**970,739**	940,560
Minority interests		**12,295**	6,470
		983,034	947,030
		HK cents	*HK cents*
Earnings per share — Basic	6	**63.24**	61.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**4,044,989**	3,781,309
Prepaid lease payments		**257,499**	198,524
Intangible assets		**154,528**	89,333
Goodwill		**150,843**	106,753
Interest in a jointly controlled entity		**23,976**	22,941
Available-for-sale investments		**7,770**	5,307
Pledged bank deposits		**—**	2,048
		4,639,605	4,206,215
Current assets			
Inventories		**978,525**	1,324,711
Trade and other receivables	*7*	**1,065,967**	908,094
Bills receivables	*7*	**725,750**	297,382
Prepaid lease payments		**7,605**	6,149
Tax recoverable		**60**	3,246
Trade receivables due from a connected company		**28,283**	23,063
Amount due from a jointly controlled entity		**17,939**	13,484
Pledged bank deposits		**50,637**	—
Bank balances and cash		**1,443,163**	1,121,062
		4,317,929	3,697,191
Current liabilities			
Trade and other payables	*8*	**1,497,610**	1,403,365
Bills payables	*8*	**357,045**	253,409
Trade payables due to a related company		**829**	17,711
Amounts due to related companies		**7,057**	14,375
Amounts due to connected companies		**37,449**	—
Tax liabilities		**96,540**	120,216
Unsecured bank loans		**880,782**	568,636
Loans from a related company		**—**	8,382
		2,877,312	2,386,094
Net current assets		**1,440,617**	1,311,097
Total assets less current liabilities		**6,080,222**	5,517,312

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Unsecured bank loans		**687,027**	804,991
Loan from a related company		**—**	113,636
Loan from a jointly controlled entity		**28,409**	—
Deferred tax liabilities		**35,323**	15,490
		750,759	934,117
Net assets		**5,329,463**	4,583,195
Capital and reserves			
Share capital		**153,496**	153,496
Reserves		**5,006,788**	4,343,882
Equity attributable to owners of the Company		**5,160,284**	4,497,378
Minority interests		**169,179**	85,817
Total equity		**5,329,463**	4,583,195

Notes:

1. Accounting policies

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 2).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods. In the current year, the Group has not capitalised any borrowing costs in accordance with HKAS 23 (Revised 2007).

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2010.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

2. Revenue and segment information

	2009	2008
	HK$'000	*HK$'000*
Sale of goods	**7,013,351**	6,819,852
Service income	**18,250**	10,143
	7,031,601	6,829,995

The Group's reportable segments include the manufacture and sale of (i) intermediates and bulk drugs (including vitamin C series and antibiotics series), (ii) finished drugs, and (iii) other pharmaceutical related businesses.

Segment revenue and results

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

For the year ended 31 December 2009:

	Intermediates and Bulk Drugs					
	Vitamin C series	Antibiotics series	Finished Drugs	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE						
External sales	2,222,093	2,419,479	2,188,596	201,433	—	7,031,601
Inter-segment sales	7,704	574,451	—	14,289	(596,444)	—
TOTAL REVENUE	2,229,797	2,993,930	2,188,596	215,722	(596,444)	7,031,601

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	1,119,996	32,516	142,169	12,029		1,306,710
Unallocated income						9,751
Unallocated expenses						(145,898)
Operating profit						1,170,563
Share of results of a jointly controlled entity						1,035
Net gain on disposal of subsidiaries						24,128
Finance costs						(69,916)
Profit before tax						1,125,810
Income tax expense						(142,776)
Profit for the year						983,034

For the year ended 31 December 2008:

	Intermediates and Bulk Drugs					
	Vitamin C series *HK$'000*	Antibiotics series *HK$'000*	Finished Drugs *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE						
External sales	2,156,731	2,606,899	1,988,677	77,688	—	6,829,995
Inter-segment sales	2,338	721,917	—	6,472	(730,727)	—
TOTAL REVENUE	2,159,069	3,328,816	1,988,677	84,160	(730,727)	6,829,995

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT (LOSS)	977,500	225,876	124,097	(3,213)		1,324,260
Unallocated income						6,743
Unallocated expenses						(112,916)
Operating profit						1,218,087
Share of results of a jointly controlled entity						1,442
Share of results of an associate						1,362
Gain on termination of a derivative financial instrument						6,851
Impairment loss on an available-for-sale investment						(10,362)
Finance costs						(109,367)
Profit before tax						1,108,013
Income tax expense						(160,983)
Profit for the year						947,030

Geographical information

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

	2009 *HK$'000*	2008 *HK$'000*
The People's Republic of China (the "PRC")	**4,422,439**	4,401,791
Asia other than the PRC	**1,291,746**	1,116,506
Americas	**681,762**	641,922
Europe	**552,623**	593,684
Others	**83,031**	76,092
	7,031,601	6,829,995

3. Profit before tax

	2009	2008
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including those of directors	**528,256**	492,117
Contribution to retirement benefit schemes, including those of directors	**61,704**	57,819
Total staff costs	**589,960**	549,936
Amortisation of intangible assets (included in cost of sales)	**22,686**	23,482
Amortisation of prepaid lease payments	**6,271**	5,736
Depreciation of property, plant and equipment	**473,234**	442,018
Total depreciation and amortisation	**502,191**	471,236
Auditor's remuneration	**2,000**	1,800
Impairment loss on trade receivables (included in administrative expenses)	**5,000**	2,000
Interest income	**(9,751)**	(6,743)
Loss on disposal/write-off of property, plant and equipment (included in other expenses)	**11,229**	66,045
Net foreign exchange losses	**5,011**	25,964
Research and development expenditure recognised as an expense (included in other expenses)	**70,787**	43,674

Note: Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated income statement for both years.

4. Income tax expense

	2009	2008
	HK$'000	*HK$'000*
The tax charge comprises:		
PRC Enterprise Income Tax		
— current year	**181,058**	165,831
— overprovision in prior years	**(5,961)**	(449)
— tax credits	**(47,682)**	(19,889)
	127,415	145,493
Deferred taxation	**15,361**	15,490
	142,776	160,983

No Hong Kong Profits Tax is payable by the Company nor its subsidiaries incorporated in Hong Kong since they either had no assessable profit or incurred tax losses for both years.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries of the Company established before 16 March 2007 are entitled to exemption from PRC Enterprise Income Tax for two years starting from their first profit-making years, followed by a 50% reduction in tax rate for the next three years. In addition, pursuant to approvals granted by the relevant tax authority, certain subsidiaries of the Company were granted tax credits, which were mainly derived from the following activities:

a. Tax credits of HK$46,786,000 (2008: HK$19,011,000) resulted from the purchase of plant and equipment manufactured in the PRC by certain subsidiaries of the Company in the PRC. The tax credits are calculated with reference to 40% of the cost of the qualifying plant and equipment approved by the relevant tax authority. Such credits can be used to offset against current tax charges of the relevant subsidiaries.

b. Tax credit of HK$896,000 (2008: HK$878,000) resulted from a subsidiary of the Company established in the PRC which has, instead of making distributions to its foreign shareholders, re-invested certain distributable reserves as capital contributions to a PRC subsidiary of the Company.

The tax charge for both years represents income tax provision which has taken into account of the above-mentioned tax incentives.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation regulation of the EIT law, the tax rate of the PRC subsidiaries is 25% starting from 1 January 2008, except those which are under the tax exemption as mentioned above will continue to be entitled to the exemption based on the tax rate of 25% and enjoying the concessionary tax rate of 15% in the relevant special zone in the PRC during the concessionary period ending in 2010.

Pursuant to the approvals by the relevant tax authorities, certain subsidiaries of the Company are qualified as advanced technology enterprises in Hebei Province, the PRC for a period of 3 years up to 2011. The applicable tax rate for these enterprises is 15% during those years.

5. Dividend

	2009	2008
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2008 final dividend of HK20 cents (2008: 2007 final dividend of HK5 cents) per share	**306,992**	76,906

The directors recommend the payment of a final dividend of HK24 cents per share in respect of 2009 (2008: HK20 cents), representing a distribution of HK$368,391,000 (2008: HK$306,992,000). Subject to approval by the shareholders in the forthcoming annual general meeting, the proposed final dividend will be paid on 15 June 2010.

6. Earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company for the year ended 31 December 2009 is based on the profit for the year of HK$970,739,000 (2008: HK$940,560,000) and 1,534,960,661 shares in issue (2008: 1,537,782,278 weighted average number of ordinary shares) during the year.

No diluted earnings per share is presented for the years ended 31 December 2008 and 2009 as there were no potential ordinary shares in issue during both years.

7. Trade and other receivables/Bills receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**848,251**	716,367
Less: allowance for doubtful debts	**(8,726)**	(6,012)
	839,525	710,355
Bills receivables	**725,750**	297,382
	1,565,275	1,007,737
Other receivables	**226,442**	197,739
	1,791,717	1,205,476

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) and bills receivables presented based on invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**1,525,668**	963,307
91 to 180 days	**37,102**	41,837
181 to 365 days	**2,505**	2,593
	1,565,275	1,007,737

8. Trade and other payables/Bills payables

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**663,594**	638,593
Bills payables	**357,045**	253,409
	1,020,639	892,002
Other payables	**834,016**	764,772
	1,854,655	1,656,774

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

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**863,773**	745,560
91 to 180 days	**63,293**	46,094
181 to 365 days	**52,140**	37,208
More than 365 days	**41,433**	63,140
	1,020,639	892,002

The average 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Intermediates and Bulk Drugs Business

Vitamin C Series

Under the impact of the financial crisis, the demand from overseas market declined slightly in 2009. However, the balance of supply and demand was maintained and product prices remained at high level. Revenue and operating profit of the business for the year reached HK$2,222 million and HK$1,120 million, representing an increase of 3.0% and 14.6% respectively as compared to last year.

In 2009, the Group actively developed the overseas market and strengthened the business relationship with major end-user customers. The number of customers with annual purchase of over 100 tonnes continued to increase. The Group also made significant achievement in expanding into the high-end pharmaceutical market. In addition to the award of GMP certificate from Germany last year, the Group obtained GMP certificate from Japan during the year and passed the US FDA on-site inspection in February 2010. Being the only PRC vitamin C manufacturer qualified to enter the international high-end pharmaceutical market, the Group is endowed with a new opportunity for further growth.

The market is expected to be increasingly competitive in 2010. The Group will consolidate its leading edge by enhancing its technological standard, increasing the proportion of sales to end-user customers and actively exploiting the international high-end pharmaceutical market and emerging market.

Antibiotics Series

The penicillin business faced a difficult operating environment in 2009. Over-capacity has been aggravated by the significant expansion of production capacity by competitors, leading to weak selling prices. Leveraging on the advantages of product quality and production cost, the Group was able to maintain its market share with similar sales volume as last year. The operating environment of the cephalosporin business remained stable in 2009. With the increase in sales volume of the new product "cefuroxime acid", this business has achieved satisfactory growth in revenue.

During the year, the Group further achieved vertical integration through the acquisition of a major raw material supplier, effectively reducing its production costs and strengthening its competitive advantages. The Group also expanded into the business of GCLE, a cephalosporin intermediate, through the acquisition of 90% equity interest in CSPC Cenway (Tianjin) Pharmaceutical Co., Ltd. to improve its product mix. In addition, the construction of a production workshop with annual capacity of 600 tonnes was completed, further extending the product chain to include downstream products such as cefotaxime sodium, cefuroxime sodium and cefixime.

With the gradual improvement in market environment and contribution from new products, the performance of this business is expected to be able to improve.

Finished Drugs Business

In 2009, the finished drugs business maintained its growth momentum with revenue increasing by 10.1% to HK$2,189 million as compared to last year. The revenue of antibiotics, health supplements and cardio-cerebrovascular products amounted HK$1,734 million, HK$147 million and HK$87 million, representing 79.2%, 6.7% and 4.0% of the revenue of this business respectively. The newly acquired business of TCM ("Traditional Chinese Medicines") and intravenous infusion solution products also contributed revenue of HK$52 million. With the improvement of product portfolio, the gross profit margin of this business increased to 29.9% while its operating profit rose to HK$142 million.

The PRC government's vast investment in improving the medical and healthcare services and expanding the medical insurance coverage has driven the demand for pharmaceutical products. To seize the opportunities, the Group has established a specialised sales force, which focuses on developing the end-user market in county hospitals, township health centers and community healthcare service centers, in order to increase its market share. Moreover, the Group also endeavoured to enhance the product portfolio by increasing the proportion of products with high margin. During the year, apart from the acquisition of the business of TCM and intravenous infusion products, the Group was able to boost the sales of high margin products including vitamin C supplement "Guo Wei Kang" and meropenem injection through effective marketing strategies.

Looking ahead to 2010, the Group will formulate effective strategies in light of the progress of the medical reform and strive to capitalize on the growth opportunities. Apart from active market expansion, the Group will also step up its research and development effort with focus on antibiotics (carbapenem type), cardiovascular medicines (lowering of blood pressure, blood lipid and blood glucose) and anti-tumor medicines and carry out international drug registration in order to achieve the goal of sustainable and rapid development. With effective implementation of the growth strategies, we believe that finished drugs will be developed as the leading business segment of the Group.

Financial Review

Liquidity and financial position

In 2009, the Group's operating activities generated a net cash inflow of HK$1,567,697,000. Capital expenditure in relation to the addition of production facilities amounted to HK$594,224,000. As at 31 December 2009, current ratio of the Group was 1.5, same as last year. As customers increased the use of bills for settlement, debtor turnover period (ratio of the total balance of trade receivables and bills receivables to sales, inclusive of value added tax for sales in the PRC) increased from 49 days in the previous year to 73 days in the current year. Inventory turnover period (ratio of inventory balance to cost of sales) shortened from 106 days in the previous year to 75 days in the current year.

The Group's financial position remained strong. As at 31 December 2009, total bank balances and cash amounted to HK$1,493,800,000 and total loans amounted to HK$1,596,218,000 (comprising bank loans of HK$1,567,809,000 and loan from a jointly controlled entity of HK$28,409,000). Out of the loans, HK$880,782,000 will be repayable within one year and the remaining HK$715,436,000 repayable between two to five years. Net gearing ratio (calculated on the basis of the Group's total loans net of bank balances and cash over shareholders' equity) further decreased from 8% a year earlier to 2% as at 31 December 2009.

46% of the Group's loans are denominated in Hong Kong dollars or US dollars and the remaining 54% in Renminbi. The Group's revenue is mainly either in Renminbi or in US dollars. The Group believes that its exposure to foreign currency risks is not significant, but we will monitor closely the currency movement.

Pledge of assets

As at 31 December 2009, bank deposits of HK$50,637,000 (2008: HK$2,048,000) were pledged to banks to secure short-term banking facilities.

Contingent liabilities

As disclosed in the press announcement of the Company dated 22 February 2005, the Company and one of its subsidiaries were named as, among others, defendants in a number of antitrust complaints filed in the United States. Up to the date of this announcement, four antitrust complaints have been served on the Company and three antitrust complaints have been served on the subsidiary.

The directors and management of the Company intend to contest the claims set out in the antitrust complaints vigorously. The Group has appointed legal advisers to advise them in the legal proceedings and the outcome of the antitrust complaints cannot be reliably estimated with reasonable certainty at this stage.

Further information on the antitrust complaints is set out in the notes to the accounts in the 2009 Annual Report.

Employees

As at 31 December 2009, the Group had about 10,623 employees. The majority of them are employed in the PRC. 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 Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009 with deviation from code provision A.2.1 as set out below.

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

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2009 in conjunction with the external auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 May 2010 to Friday, 28 May 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 May 2010.

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
China Pharmaceutical Group Limited
Cai Dongchen
Chairman

Hong Kong, 9 April 2010

As at the date of this announcement, the Board comprises Mr. Cai Dongchen, Mr. Yue Jin, Mr. Feng Zhenying, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Zhao John Huan and Mr. Wang Shunlong as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive Director; and Mr. Huo Zhenxing, Mr. Qi Moujia, Mr. Guo Shichang and Mr. Chan Siu Keung, Leonard as independent non-executive Directors.