



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)

**UNAUDITED RESULTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008**

The Board of Directors of China Pharmaceutical Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2008 as follows:

**FINANCIAL HIGHLIGHTS**

	Three months ended		Nine months ended	
	30 September 2008	2007	30 September 2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Results</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>1,914,750</b>	1,290,829	<b>5,210,653</b>	3,599,880
Profit attributable to shareholders	<b>311,410</b>	206,728	<b>755,362</b>	330,122
Basic earnings per share	<b>HK20.25 cents</b>	HK13.44 cents	<b>HK49.11 cents</b>	HK21.46 cents

  

	At	At
	30 September 2008	31 December 2007
<b>Balance Sheet</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Equity attributable to shareholders ( <i>HK\$'000</i> )	<b>4,319,498</b>	3,352,298
Net assets per share	<b>HK\$2.81</b>	HK\$2.18
Total borrowings ( <i>HK\$'000</i> )	<b>1,657,860</b>	1,701,830
Balance balances and cash ( <i>HK\$'000</i> )	<b>947,348</b>	436,843
Net debt/equity ratio	<b>16.4%</b>	37.7%

## CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2008

	Nine months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	5,210,653	3,599,880
Cost of sales	<u>(3,420,853)</u>	<u>(2,489,516)</u>
Gross profit	1,789,800	1,110,364
Other income	32,167	15,922
Selling and distribution expenses	(296,823)	(279,651)
Administrative expenses	(384,585)	(352,250)
Other expenses	<u>(101,466)</u>	<u>(43,033)</u>
Operating profit	1,039,093	451,352
Share of results of a jointly controlled entity	369	(5,203)
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	(6,486)	—
Finance costs	<u>(85,041)</u>	<u>(83,122)</u>
Profit before taxation	956,148	363,027
Taxation	<u>(196,111)</u>	<u>(34,269)</u>
Profit for the period	<u><u>760,037</u></u>	<u><u>328,758</u></u>
Attributable to:		
Equity holders of the Company	755,362	330,122
Minority interests	<u>4,675</u>	<u>(1,364)</u>
	<u><u>760,037</u></u>	<u><u>328,758</u></u>
Dividend	<u>—</u>	<u>—</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share	<u><u>49.11</u></u>	<u><u>21.46</u></u>

Notes:

1. The accounting policies used in the preparation of the financial data for the nine months ended 30 September 2008 are consistent with those followed in the preparation of the interim financial statements of the Group for the six months ended 30 June 2008.
2. The calculation of the basic earnings per share for the nine months ended 30 September 2008 is based on the unaudited profit attributable to equity holders of the Company of HK\$755,362,000 (1.1.2007 to 30.9.2007: HK\$330,122,000) and the 1,538,124,661 shares (1.1.2007 to 30.9.2007: 1,538,124,661 shares) in issue during the period.  
  
No diluted earnings per share is presented for the nine months ended 30 September 2007 and 2008 as there were no potential ordinary shares in issue during both periods.
3. The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (1.1.2007 to 30.9.2007: Nil).
4. The financial data for the nine months ended 30 September 2008 is based on the internal records and management accounts of the Group and has not been reviewed or audited by the external auditors of the Company.

## REVENUE AND SEGMENT INFORMATION

The Group reports its primary segment information by products, namely bulk drugs (including penicillin series, cephalosporin series and vitamin C series), finished drugs and others. Segment information about these products is presented below:

### For the nine months ended 30 September 2008

	Bulk Drugs			Finished Drugs	Others	Eliminations	Consolidated
	Penicillin series	Cephalosporin series	Vitamin C series				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	1,511,756	572,918	1,595,972	1,475,256	54,751	—	5,210,653
Inter-segment sales	426,723	154,811	1,518	—	1,684	(584,736)	—
<b>TOTAL REVENUE</b>	<b>1,938,479</b>	<b>727,729</b>	<b>1,597,490</b>	<b>1,475,256</b>	<b>56,435</b>	<b>(584,736)</b>	<b>5,210,653</b>
SEGMENT RESULTS	235,343	3,312	721,649	100,401	(3,276)		1,057,429
Unallocated income							4,036
Unallocated expenses							(22,372)
Operating profit							<b>1,039,093</b>

## For the nine months ended 30 September 2007

	Bulk Drugs			Finished Drugs	Others	Eliminations	Consolidated
	Penicillin series	Cephalosporin series	Vitamin C series				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	1,256,722	543,698	739,766	1,055,683	4,011	—	3,599,880
Inter-segment sales	293,029	29,877	623	—	190	(323,719)	—
<b>TOTAL REVENUE</b>	<b>1,549,751</b>	<b>573,575</b>	<b>740,389</b>	<b>1,055,683</b>	<b>4,201</b>	<b>(323,719)</b>	<b>3,599,880</b>
SEGMENT RESULTS	361,239	30,253	111,193	(36,749)	(1,588)		464,348
Unallocated income							2,248
Unallocated expenses							(15,244)
Operating profit							<b>451,352</b>

Inter-segment sales are charged at prevailing market rates.

## BUSINESS REVIEW

The Group's unaudited profit attributable to shareholders for the third quarter and the first nine months of 2008 amounted to HK\$311,410,000 and HK\$755,362,000 respectively, representing an increase of 50.6% and 128.8% over the same period last year.

The performance of the vitamin C business remained robust during the period. The average selling price rose to US\$10.24 per kg for the third quarter, while the average selling price was US\$8.57 per kg for the first nine months of this year. The Group currently possesses the largest vitamin C production capacity in the world and the significant increase in product prices has contributed substantial profits to the Group. For the first nine months of this year, the vitamin C business reported a revenue of approximately HK\$1,596 million and a gross profit of approximately HK\$930 million. Under such favourable market environment, the Group has strengthened its business relationship with the overseas end-customers actively in order to optimise its sales channels, further solidifying its leading position in the industry.

For the penicillin business, product prices declined during the third quarter as recent market supply was more sufficient. The performance of the cephalosporin business showed a slight improvement during the third quarter with the gradual increase in product prices.

The finished drugs business maintained strong growth during the first nine months of this year, with its revenue increasing by 39.7% to approximately HK\$1,475 million and gross profit increasing by 50.1% to approximately HK\$399 million as compared to the same period last year. The growth was primarily driven by the increasing demand for pharmaceutical products in the PRC arising from the implementation of the new medical insurance system and the new rural cooperative medical system, the Group's increased marketing efforts, expansion of sales network and an enhanced product portfolio.

## **FINANCIAL POSITION**

For the first nine months of this year, the Group maintained a strong cash inflow from its operating activities and the overall financial position showed significant improvement. As at 30 September 2008, the Group had total borrowings of HK\$1,657,860,000 while bank balances and cash amounted HK\$947,348,000. The net debt/equity ratio improved to 16.4% as at 30 September 2008, as compared to 37.7% as at the end of 2007.

By order of the Board  
**Cai Dongchen**  
*Chairman*

Hong Kong, 12 December 2008

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Cai Dongchen, Mr. Yue Jin, Mr. Feng Zhenying, Mr. Ji Jianming, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Li Zhibiao and Mr. Zhang Zheng 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.*