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 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 10.6% to HK$7,774,424,000
- Profit attributable to shareholders decreased by 22.6% to HK$751,689,000
- Earnings per share decreased by 22.6% to HK48.97 cents
- Recommended final dividend of HK24 cents per share

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 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Revenue	*2*	**7,774,424**	7,031,601
Cost of sales		**(5,500,837)**	(4,764,308)
Gross profit		**2,273,587**	2,267,293
Other income		**71,121**	49,482
Selling and distribution expenses		**(520,826)**	(587,842)
Administrative expenses		**(626,163)**	(461,522)
Other expenses		**(177,889)**	(96,848)
Operating profit		**1,019,830**	1,170,563
Share of results of a jointly controlled entity		**8,732**	1,035
Net gain on disposal of subsidiaries		**—**	24,128
Finance costs		**(63,788)**	(69,916)
Profit before tax	*3*	**964,774**	1,125,810
Income tax expense	*4*	**(189,963)**	(142,776)
Profit for the year		**774,811**	983,034
Profit for the year attributable to:			
Owners of the Company		**751,689**	970,739
Non-controlling interests		**23,122**	12,295
		774,811	983,034
		HK cents	*HK cents*
Earnings per share — Basic	*6*	**48.97**	63.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**4,353,404**	4,044,989
Prepaid lease payments		**302,141**	257,499
Intangible assets		**207,603**	154,528
Goodwill		**156,166**	150,843
Interest in a jointly controlled entity		**29,054**	23,976
Available-for-sale investments		**7,433**	7,770
		5,055,801	4,639,605
Current assets			
Inventories		**1,204,864**	978,525
Trade and other receivables	*7*	**1,441,956**	1,065,967
Bills receivables	*7*	**810,838**	725,750
Prepaid lease payments		**8,808**	7,605
Tax recoverable		**—**	60
Trade receivables due from related companies		**14,016**	—
Trade receivables due from a connected company		**14,407**	28,283
Amount due from a jointly controlled entity		**26,764**	17,939
Pledged bank deposits		**41,930**	50,637
Bank balances and cash		**1,099,806**	1,443,163
		4,663,389	4,317,929
Current liabilities			
Trade and other payables	*8*	**1,766,323**	1,497,610
Bills payables	*8*	**440,647**	357,045
Trade payables due to a related company		**—**	829
Amounts due to related companies		**740**	7,057
Amounts due to connected companies		**884**	37,449
Tax liabilities		**60,291**	96,540
Unsecured bank loans		**323,282**	880,782
		2,592,167	2,877,312
Net current assets		**2,071,222**	1,440,617
Total assets less current liabilities		**7,127,023**	6,080,222

	2010	2009
	HK$'000	*HK$'000*
Non-current liabilities		
Unsecured bank loans	**1,206,235**	687,027
Loan from a jointly controlled entity	**—**	28,409
Deferred tax liabilities	**44,348**	35,323
	1,250,583	750,759
Net assets	**5,876,440**	5,329,463
Capital and reserves		
Share capital	**153,496**	153,496
Reserves	**5,587,013**	5,006,788
Equity attributable to owners of the Company	**5,740,509**	5,160,284
Non-controlling interests	**135,931**	169,179
Total equity	**5,876,440**	5,329,463

NOTES:

1. Significant accounting policies

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 ("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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on fair value of the consideration given in exchange for assets.

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 in relation to amendments to HKAS 1 Presentation of Financial Statements
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (as revised in 2008) Business Combinations

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods. The application of HKAS 27 had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has applied the amendments in advance of their effective dates (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

Except as described above, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except early adoption of amendments to HKAS 1 Presentation of Financial Statements[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and the application of the new Standard may not have a significant impact on available for sale investments reported in respect of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

2. Revenue and segment information

	2010	2009
	HK$'000	*HK$'000*
Sale of goods	**7,774,424**	7,013,351
Service income	—	18,250
	7,774,424	7,031,601

The Group's operating and reportable segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance, are summarised below. This is also the basis upon which the Group is organised.

(a) Intermediates and bulk drugs

– vitamin C series

– antibiotics series (i.e. penicillin series and cephalosporin series)

(b) Finished drugs

(c) Other pharmaceutical related business

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 2010:

	Intermediates and Bulk Drugs						
	Vitamin C series	**Antibiotics series**	**Finished Drugs**	**Others**	**Segment Total**	**Eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
SEGMENT REVENUE							
External sales	**2,074,070**	**3,257,899**	**2,276,340**	**166,115**	**7,774,424**	**—**	**7,774,424**
Inter-segment sales	**1,483**	**892,933**	**—**	**290,713**	**1,185,129**	**(1,185,129)**	**—**
TOTAL REVENUE	**2,075,553**	**4,150,832**	**2,276,340**	**456,828**	**8,959,553**	**(1,185,129)**	**7,774,424**

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	**715,935**	**259,058**	**176,033**	**3,555**			**1,154,581**
Unallocated income							**8,120**
Unallocated central expenses							**(142,871)**
Operating profit							**1,019,830**
Share of results of a jointly controlled entity							**8,732**
Finance costs							**(63,788)**
Profit before tax							**964,774**

For the year ended 31 December 2009:

	Intermediates and Bulk Drugs						
	Vitamin C series *HK$'000*	Antibiotics series *HK$'000*	Finished Drugs *HK$'000*	Others *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE							
External sales	2,222,093	2,419,479	2,188,596	201,433	7,031,601	—	7,031,601
Inter-segment sales	7,704	574,451	—	81,660	663,815	(663,815)	—
TOTAL REVENUE	2,229,797	2,993,930	2,188,596	283,093	7,695,416	(663,815)	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 central 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

Segment profit represents the profit earned by each segment without allocation of interest income, central administrative expenses, central advertising costs, share of results of a jointly controlled entity, net gain on disposal of subsidiaries and finance costs. 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 for the year:

	2010	2009
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC")	**4,791,686**	4,422,439
Asia other than the PRC	**1,727,541**	1,291,746
Americas	**629,066**	681,762
Europe	**538,946**	552,623
Others	**87,185**	83,031
	7,774,424	7,031,601

3. Profit before tax

	2010	2009
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including those of directors	**644,925**	528,256
Contribution to retirement benefit schemes, including those of directors	**79,116**	61,704
Total staff costs	**724,041**	589,960
Amortisation of intangible assets (included in cost of sales)	**30,471**	22,686
Amortisation of prepaid lease payments	**7,735**	6,271
Depreciation of property, plant and equipment	**535,946**	473,234
Total depreciation and amortisation	**574,152**	502,191
Auditor's remuneration	**2,115**	2,000
Government grant income	**(20,710)**	(2,534)
Impairment loss on trade receivables (included in administrative expenses)	**4,895**	5,000
Interest income	**(8,120)**	(9,751)
Loss on disposal/write-off of property, plant and equipment (included in other expenses)	**70,065**	11,229
Net foreign exchange losses	**2,712**	5,011
Research and development expenditure recognised as an expense (included in other expenses)	**99,248**	70,787

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

	2010	2009
	HK$'000	*HK$'000*
The tax charge comprises:		
PRC Enterprise Income Tax		
— current year	**174,118**	181,058
— under(over)provision in prior years	**1,295**	(5,961)
— tax credits	**—**	(47,682)
	175,413	127,415
Deferred taxation	**14,550**	15,361
	189,963	142,776

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 year, followed by a 50% reduction in tax rate for the next three years. In addition, during the year ended 31 December 2009, 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 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.

b. Tax credit of HK$896,000 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.

There have been no tax credits during the year ended 31 December 2010.

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 were entitled to the exemption based on the tax rate of 25% or the concessionary tax rate of 15% in the relevant special zone in the PRC up to 2010.

Pursuant to the approvals by the relevant tax authorities, certain subsidiaries of the Company are qualified as advanced technology enterprises for a period of 3 years up to 2010 or 2011. The applicable tax rate for these enterprises is 15% during those years.

5. Dividend

	2010	2009
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year: 2009 final dividend of HK24 cents (2009: 2008 final dividend of HK20 cents) per share	**368,391**	306,992

The directors recommend the payment of a final dividend of HK24 cents per share in respect of the year ended 31 December 2010 (2009: HK24 cents per share), representing a distribution of HK$367,732,000 (2009: HK$368,391,000). Subject to approval by the shareholders in the forthcoming annual general meeting, the proposed final dividend will be paid on 15 June 2011.

6. Earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2010 is based on the profit for the year attributable to the owners of the Company of HK$751,689,000 (2009: HK$970,739,000) and 1,534,960,661 shares in issue (2009: 1,534,960,661) during the year.

No diluted earnings per share is presented for the years ended 31 December 2009 and 2010 as there were no potential ordinary shares in issue during both years.

7. Trade and other receivables/Bills receivables

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**1,090,141**	848,251
Less: allowance for doubtful debts	**(13,621)**	(8,726)
	1,076,520	839,525
Bills receivables	**810,838**	725,750
	1,887,358	1,565,275
Other receivables	**365,436**	226,442
	2,252,794	1,791,717

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:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**1,022,490**	799,918
91 to 180 days	**52,499**	37,102
181 to 365 days	**1,531**	2,505
	1,076,520	839,525

Bills receivables represent bills on hand. All bills receivables of the Group are aged within 90 days and not yet due at the end of the reporting period.

8. Trade and other payables/Bills payables

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**773,507**	663,594
Bills payables	**440,647**	357,045
	1,214,154	1,020,639
Other payables	**992,816**	834,016
	2,206,970	1,854,655

Included in other payables are payables for the acquisition of property, plant and equipment of HK$474,651,000 (2009: HK$430,892,000), receipts in advance from customers of HK$105,865,000 (2009: HK$87,759,000), accruals and payables of various nature of HK$412,300,000 (2009: HK$315,365,000).

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

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**731,593**	506,728
91 to 180 days	**31,850**	63,293
181 to 365 days	**8,331**	52,140
More than 365 days	**1,733**	41,433
	773,507	663,594

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.

All bills payables of the Group are aged within 90 days and not yet due at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Intermediates and Bulk Drugs Business

Vitamin C Series

The sustained high price level of vitamin C in the past few years has induced a number of domestic enterprises to enter the vitamin C industry, aggravating the problem of excess capacity and leading to a significant decline in the price level during the year. Amid intensified market competition, the Group expanded production capacity to enhance economies of scale, with the aim of reducing production cost and expanding market share. Despite a general decrease of approximately 30% in the average price of the major products during the year, the substantial increase in sales volume enabled this business segment to attain revenue of HK$2,074 million, representing a decrease of 6.7% as compared to previous year.

The Group has also made significant achievement in expanding into the high-end pharmaceutical market. In addition to the GMP certificates obtained from Germany and Japan in previous years, the Group has also obtained the US FDA accreditation during the year. These achievements not only enable the Group to enter the international high-end market but also establish its leading position in product quality.

New production capacity in the PRC is expected to be put into operation in 2011 and this will cause increasing pricing pressure. The Group will continue to strengthen the collaboration with its existing customers and foster a long-term business partnership so as to consolidate its existing market share. In addition, the Group will keep on improving product quality and further enhance product differentiation to meet the requirements of different customers. The Group will also step up its market development efforts in Eastern Europe, South America and Southeast Asia.

Antibiotic Series

Driven by the rapid growth of cephalosporin products, the performance of antibiotic business significantly improved during the year. Revenue increased by 34.7% to HK$3,258 million as compared to previous year. During the year, the Group has significantly enhanced its competitiveness and scale of operation through extension of its product chain. In addition to its core products of 7-ACA and cefazolin sodium, the Group's cephalosporin series of products has extended to GCLE, ceftriaxone sodium, cefuroxime sodium, cefuroxime acid, cefotaxime sodium, cefotaxime acid and cefixime. During the year, the Group has also expanded its production capacity of 7-ACA through production facilities enhancement and has successfully reduced the production cost and enhanced the product quality of 7-ACA through a series of technology improvement initiatives, further consolidating the Group's leading position in the market.

With respect to penicillin, certain domestic capacities have been forced out of the market amid severe competition, making possible a slight rebound in product price during the year. While successfully maintaining its market share, the Group also strived to improve its technology and product quality. Apart from obtaining the GMP certificate from Germany and registration certificate from Russia for its bulk amoxicillin, the Group has also made significant achievement in the development of production technology. The synthetic technology for making amoxicillin can be changed successfully by using enzyme process instead of chemical process, and the Group has also successfully developed its own high-activity enzyme.

It is expected that the operating environment in 2011 will remain stable, except that the price of 7-ACA will be under pressure due to the increased domestic capacity. The Group will continue to upgrade its production technology, leverage on its current advantages in scale and cost, and flexibly adjust the production of upstream and downstream products, with the aim of achieving full capacity production and sales.

Finished Drugs Business

The finished drugs business continued to grow in 2010. Revenue increased by 4.0% to HK$2,276 million as compared to previous year. The revenue of antibiotics, health supplements, cardio-cerebrovascular drugs and Chinese medicine injections products amounted to HK$1,812 million, HK$66 million, HK$48 million and HK$88 million, accounting for 79.6%, 2.9%, 2.1% and 3.9% of the revenue of this business respectively. The overall gross profit margin remained stable, whereas the operating profit rose to HK$176.0 million.

During the year, the Group has devoted its efforts to market development and has set up specialized sales force for tapping end-user market in county hospitals, township health centers and community healthcare service centers. These efforts have met with certain success in enlarging the market coverage. With the commencement of the drugs tenders, market competition further intensified and product prices in general decreased, affecting the growth in revenue of this business. However, sales of new products were satisfactory, in particular the sales revenue of meropenem injections rose by 76% as compared to previous year.

In 2011, a new round of drugs tenders will begin in various provinces and more weight will be placed on the price factor, causing negative impact on profitability. The Group will leverage on its competitive advantages in scale of production, product quality, market reputation, sales network and cost to make its tender and marketing efforts more effective in expanding market share. In addition, the Group will devote its efforts to the market development and technology enhancement of its Chinese medicine injections and therapeutic infusion solution products, making them to become the major growth drivers. On the front of product development, the Group will continue to focus on products with strong market potential and it is expected that several first-to-market products currently under development will be granted production approval in 2012. With effective implementation of these growth strategies, we believe that the finished drugs business will be able to attain higher profitability and achieve the goal of sustainable rapid growth.

Financial Review

Liquidity and financial position

In 2010, the Group's operating activities generated a net cash inflow of HK$1,007,044,000. Capital expenditure in relation to the addition of production facilities amounted to HK$791,218,000. The current ratio of the Group improved from 1.5 a year earlier to 1.8 as at 31 December 2010. Debtor turnover period (ratio of the total balance of trade and bills receivables to sales, inclusive of value added tax for sales in the PRC) increased from 73 days in 2009 to 80 days in the current year. Inventory turnover period (ratio of inventory balance to cost of sales) also slightly increased from 75 days in 2009 to 80 days.

The Group's financial position remained strong. As at 31 December 2010, bank balances and cash amounted to HK$1,141,736,000 and total borrowings amounted to HK$1,529,517,000. Out of the total borrowings, HK$323,282,000 will be repayable within one year and the remaining HK$1,206,235,000 repayable between two to four years. Net gearing ratio (calculated on the basis of the Group's total borrowings net of bank balances and cash over shareholders' equity) increased from previous year's 2.0% to 6.8%.

42% of the Group's borrowings are denominated in Hong Kong dollars and the remaining 58% 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 2010, bank deposits of HK$41,930,000 (2009: HK$50,637,000) 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 2010 Annual Report.

Employees

At the end of the reporting period, the Group had about 10,687 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 2010 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 of the Company has reviewed the Group's annual results for the year ended 31 December 2010 in conjunction with the external auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2011 to Friday, 27 May 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed 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 Friday, 20 May 2011.

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, 30 March 2011

As at the date of this announcement, the board of directors of the Company comprises Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Zhao John Huan, Mr. Wang Shunlong, Mr. Wang Huaiyu and Mr. Lu Jianmin 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.