

UNAUDITED RESULTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

The Board of Directors of China Pharmaceutical Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended September 30, 2006 in line with its current practice to publish the Group's quarterly financial results.

CONSOLIDATED INCOME STATEMENT

For the nine months ended September 30, 2006

	For the nine months ended September 30,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	2,608,016	2,288,276
Cost of sales	(2,161,879)	(1,770,685)
Gross profit	446,137	517,591
Other income	26,892	15,641
Distribution costs	(166,310)	(124,340)
Administrative expenses	(223,451)	(215,668)
Other expenses	(5,898)	(16,177)
Profit from operations	77,370	177,047
Finance costs	(71,642)	(46,040)
Share of loss of a jointly controlled entity	(1,067)	(543)
Profit before tax	4,661	130,464
Income tax	5,870	(6,598)
Profit for the period	10,531	123,866
Attributable to:		
Equity holders of the Company	10,907	123,847
Minority interests	(376)	19
	10,531	123,866
Basic earnings per share	HK0.71 cents	HK8.05 cents
Dividend	–	–

Notes:

- The accounting policies adopted in preparation of the financial data for the nine months ended September 30, 2006 are consistent with those disclosed in the 2006 interim report of the Company.
- The calculation of the basic earnings per share for the nine months ended September 30, 2006 is based on the profit attributable to equity holders of the Company of HK\$10,907,000 (nine months ended September 30, 2005: HK\$123,847,000) and 1,538,124,661 shares (nine months ended September 30, 2005: 1,538,124,661 shares) in issue during the period.  
No diluted earnings per share was presented for the nine months ended September 30, 2006 and 2005 as there was no potential ordinary share in issue during the periods.
- The directors resolved not to declare an interim dividend for the nine months ended September 30, 2006 (nine months ended September 30, 2005: Nil).
- The financial data for the nine months ended September 30, 2006 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, which are 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 September 30, 2006

	Bulk Drugs				Others	Eliminations	Consolidated
	Penicillin series	Cephalosporin series	Vitamin C series	Finished Drugs			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	737,494	485,356	431,004	941,347	12,815	–	2,608,016
Inter-segment sales	146,639	71,410	379	–	–	(218,428)	–
TOTAL REVENUE	884,133	556,766	431,383	941,347	12,815	(218,428)	2,608,016
SEGMENT RESULTS	45,972	31,353	(3,101)	30,912	(16,161)		88,975
Unallocated corporate expenses							(11,605)
Profit from operations							77,370

For the nine months ended September 30, 2005

	Bulk Drugs				Others	Eliminations	Consolidated
	Penicillin series	Cephalosporin series	Vitamin C series	Finished Drugs			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	312,889	605,473	545,291	819,584	5,039	–	2,288,276
Inter-segment sales	157,043	106,116	–	–	–	(263,159)	–
TOTAL REVENUE	469,932	711,589	545,291	819,584	5,039	(263,159)	2,288,276
SEGMENT RESULTS	(14,793)	79,445	79,421	62,435	(14,922)		191,586
Unallocated corporate expenses							(14,539)
Profit from operations							177,047

BUSINESS REVIEW

For the first nine months of the year, the average price of penicillin industrial salt and amoxicillin was US\$9.54 per kg (third quarter: US\$9.89) and US\$21.08 per kg (third quarter: US\$21.33) respectively. The gross profit margin of the series was 12.8%. For 7-ACA, the average price dropped to US\$76.92 per kg (third quarter: US\$67.27) and the gross profit margin of the series was 15.7%. The average price of vitamin C was US\$2.79 per kg (third quarter: US\$2.67) and the gross profit margin of the series was 14.1%. Revenue of the finished drug business grew by 15% whereas its gross profit margin decreased to 22.3%.

The performance of the penicillin series has improved significantly during the first nine months of the year as a result of the rebound of certain product prices and the reduction in production cost. However, market conditions for the cephalosporin series, vitamin C series and finished drugs are still tough.

By order of the Board  
CAI DONG CHEN  
Chairman

Hong Kong, December 12, 2006

As at the date of this announcement, the Board of Directors of the Company comprises nine executive directors, namely Mr. Cai Dong Chen, Mr. Wei Fu Min, Mr. Yue Jin, Mr. Ji Jian Ming, Mr. Feng Zhen Ying, Mr. Chak Kin Man, Mr. Pan Wei Dong, Mr. Li Zhi Biao and Mr. Zhang Zheng; one non-executive director, namely Mr. Lee Ka Sze, Carmelo and four independent non-executive directors, namely Mr. Huo Zhen Xing, Mr. Qi Mou Jia, Mr. Guo Shi Chang and Mr. Chan Siu Keung, Leonard.