



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 THREE MONTHS ENDED MARCH 31, 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 three months ended March 31, 2008 in line with its current practice to publish the Group’s quarterly financial results.

CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2008

	For the three months ended March 31,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	1,553,543	1,028,621
Cost of sales	(1,143,842)	(799,542)
Gross profit	409,701	229,079
Other income	17,848	3,346
Selling and distribution expenses	(92,114)	(86,618)
Administrative expenses	(107,783)	(89,444)
Other expenses	(23,290)	(5,066)
Operating profit	204,362	51,297
Share of results of a jointly controlled entity	1,435	(2,599)
Finance costs	(27,305)	(26,048)
Profit before tax	178,492	22,650
Income tax	(25,765)	(2,121)
Profit for the period	152,727	20,529
Attributable to:		
Equity holders of the Company	151,939	20,523
Minority interests	788	6
	152,727	20,529
Dividend	—	—
Earnings per share — Basic	HK9.88 cents	HK1.33 cents

Notes:

1. The accounting policies used in the preparation of the financial data for the three months ended March 31, 2008 are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 2007.
2. The calculation of the basic earnings per share for the three months ended March 31, 2008 is based on the unaudited profit attributable to equity holders of the Company of HK\$151,939,000 (1.1.2007 to 3.31.2007: HK\$20,523,000) and the 1,538,124,661 shares (1.1.2007 to 3.31.2007: 1,538,124,661 shares) in issue during the period.

No diluted earnings per share is presented for the three months ended March 31, 2007 and 2008 as there were no potential ordinary shares in issue during both periods.
3. The directors resolved not to declare an interim dividend for the three months ended March 31, 2008 (1.1.2007 to 3.31.2007: Nil).
4. The financial data for the three months ended March 31, 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 three months ended March 31, 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	541,832	137,211	406,720	454,240	13,540	—	1,553,543
Inter-segment sales	70,751	34,417	560	—	817	(106,545)	—
TOTAL REVENUE	<u>612,583</u>	<u>171,628</u>	<u>407,280</u>	<u>454,240</u>	<u>14,357</u>	<u>(106,545)</u>	<u>1,553,543</u>
Inter-segment sales are charged at prevailing market rates.							
SEGMENT RESULTS	<u>24,961</u>	<u>1,940</u>	<u>142,507</u>	<u>33,552</u>	<u>349</u>		203,309
Unallocated income							7,096
Unallocated expenses							<u>(6,043)</u>
Operating profit							<u>204,362</u>

For the three months ended March 31, 2007

	Bulk Drugs			Finished Drugs	Others	Eliminations	Consolidated
	Penicillin series	Cephalosporin series	Vitamin C series				
	HK\$'000	HK\$'000	HK\$'000				
REVENUE							
External sales	357,290	157,759	182,176	330,969	427	—	1,028,621
Inter-segment sales	67,912	7,181	600	—	—	(75,693)	—
TOTAL REVENUE	425,202	164,940	182,776	330,969	427	(75,693)	1,028,621
Inter-segment sales are charged at prevailing market rates.							
SEGMENT RESULTS	55,532	11,726	494	(11,512)	(791)		55,449
Unallocated income							534
Unallocated expenses							(4,686)
Operating profit							<u>51,297</u>

BUSINESS REVIEW AND OUTLOOK

For the first three months of 2008, the average prices of penicillin industrial salt, amoxicillin and 6-APA were US\$11.59 per kg, US\$30.90 per kg and US\$26.88 per kg respectively, while the gross profit margin of the series was 11.9%. The average price of 7-ACA was US\$90.61 per kg and the gross profit margin of the series was 12.7%. The average price of vitamin C was US\$6.77 per kg and the gross profit margin of the series was 51.0%. Revenue of the finished drug division increased by 37.2% to HK\$454 million, with a gross profit margin of 26.2%.

Currently the normal production of some bulk drug manufacturers is still being affected by the environmental protection concern, resulting in certain shortage in supply. Prices of penicillin products rebounded in April after a few months of downward adjustment, but the price level ahead is expected to be relatively volatile. For the vitamin C division, market demand remains strong and the product prices should be able to stay at high level. Prices of cephalosporin products have been cut early this year in order to curb further production capacity increase in the market and the prices ahead are expected to remain at the current level. For the finished drug division, its operating environment is expected to continue to improve.

By order of the Board
Cai Dongchen
Chairman

Hong Kong, June 18, 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.