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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

CONTINUING CONNECTED TRANSACTION

On 30 June 2011, Gaoke, a non wholly-owned subsidiary of the Company, entered into the Master Sales Agreement with Ouyi Pharmaceutical in relation to the sale and purchase of the Antibiotics Products for a term of three years commencing on 1 July 2011 and expiring on 30 June 2014. Ouyi Pharmaceutical is an indirect non wholly-owned subsidiary of Massive Giant, a controlling shareholder of the Company. Accordingly, Ouyi Pharmaceutical is an associate of Massive Giant and a connected person of the Company.

The entering into of the Master Sales Agreement and the transactions contemplated thereunder thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the Master Sales Agreement are more than 0.1% but less than 5% on an annual basis, the Master Sales Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE MASTER SALES AGREEMENT

- Date** : 30 June 2011
- Parties** : (i) Gaoke, a non wholly-owned subsidiary of the Company, as seller
(ii) Ouyi Pharmaceutical, a connected person of the Company, as purchaser
- Term** : Three years commencing on 1 July 2011 and expiring on 30 June 2014
- Nature of transaction** : Sale and purchase of the Antibiotics Products

The Master Sales Agreement is a master agreement which sets out the general terms and conditions for the sale and purchase of the Antibiotics Products. The Antibiotics Products shall be sold and purchased at prices and payment terms as negotiated by the parties of the Master Sales Agreement from time to time with reference to the prevailing market prices and under normal commercial terms, and on terms no less favourable to Gaoke than terms available to Gaoke from independent third parties.

ANNUAL CAPS

Prior to 2011, Gaoke had not commenced its business in the manufacture and sales of antibiotics products. The transaction amount for sales of antibiotics products from Gaoke to Ouyi Pharmaceutical for the period from 1 January 2011 to 30 June 2011 amounted to RMB2,200,000 (approximately HK\$2,640,000). Based on the estimated quantity of the Antibiotics Products required by Ouyi Pharmaceutical from Gaoke and the estimated unit price for the Antibiotics Products, and taking into account the estimated natural market growth of 10% per annum, the annual caps under the Master Sales Agreement shall be as follows:

	Year ending 31 December			
	2011	2012	2013	2014
	RMB9,000,000	RMB19,800,000	RMB21,780,000	RMB11,979,000
	(Approximately	(Approximately	(Approximately	(Approximately
	HK\$10,800,000)	HK\$23,760,000)	HK\$26,136,000)	HK\$14,374,800)
	<i>(Note 1)</i>			<i>(Note 2)</i>

Notes:

1. For the period from 1 July 2011 to 31 December 2011.
2. For the period from 1 January 2014 to 30 June 2014.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE MASTER SALES AGREEMENT

Ouyi Pharmaceutical is an existing customer of the Group. Since the beginning of 2011, Gaoke has commenced its business in the manufacture and sales of antibiotics products. By entering into the Master Sales Agreement, Gaoke will be able to maintain and expand the business relationship with Ouyi Pharmaceutical.

The Board (including the independent non-executive directors) is of the opinion that the Master Sales Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms agreed after arm's length negotiations between the parties; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Ouyi Pharmaceutical is a wholly-owned subsidiary of SPG. SPG in turn is a non wholly-owned subsidiary of Massive Giant, a controlling shareholder of the Company. Accordingly, Ouyi Pharmaceutical is an associate of Massive Giant and a connected person of the Company. The entering into of the Master Sales Agreement and the transactions contemplated thereunder thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the Master Sales Agreement are more than 0.1% but less than 5% on an annual basis, the Master Sales Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the transactions contemplated under the Master Sales Agreement which requires him to abstain from voting on the resolution of the Board approving the Master Sales Agreement and the transactions contemplated thereunder pursuant to Rule 13.44 of the Listing Rules and the Articles of the Association of the Company.

GENERAL

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company, including Gaoke, are manufacture and sales of pharmaceutical products.

Ouyi Pharmaceutical is principally engaged in the manufacture and sales of finished drug products.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:

“Antibiotics Products”	various bulk antibiotics products, including without limitation cefixime
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gaoke”	石藥集團石家莊高科醫藥科技開發有限公司 (Shijiazhuang Pharma Group Shijiazhuang Gaoke Medical Development Co., Ltd.*), a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Massive Giant”	Massive Giant Group Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Master Sales Agreement”	the sale and purchase agreement dated 30 June 2011 entered into between Gaoke and Ouyi Pharmaceutical in relation to the sale and purchase of the Antibiotics Products for the term of three years commencing on 1 July 2011 and expiring on 30 June 2014
“Ouyi Pharmaceutical”	石藥集團歐意藥業有限公司 (Shijiazhuang Pharma Group Ouyi Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of Massive Giant
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SPG”	石藥集團有限公司 (Shijiazhuang Pharmaceutical Group Company Limited), a company established in the PRC with limited liability and a non wholly-owned subsidiary of Massive Giant

“%”

Per cent

Note: For illustration purposes only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of RMB1 = HK\$1.2 and this does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

* *For identification purposes only*

By Order of the Board
China Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 30 June 2011

As at the date of this announcement, the Board 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.