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## JOINT ANNOUNCEMENT



**Legend Holdings Limited**

*(Incorporated in the PRC with limited liability)*

**Massive Giant Group Limited**

*(Incorporated in the British Virgin Islands with limited liability)*



**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)*

## RESUMPTION OF TRADING

**Financial adviser to the Offeror**



**GOLDBOND CAPITAL (ASIA) LIMITED**

## ANNOUNCEMENT

This announcement is made pursuant to Rule 3.7 of the Takeovers Code and Rule 13.09 of the Listing Rules in relation to the possible General Offer which may be made by the Offeror.

Reference is made to an announcement by the Company dated 8 May 2007 relating to the listing for sale of the entire state-owned interest in SPG, the controlling shareholder of the Company, by the SASAC at the Exchange Centre.

As mentioned in the announcement dated 8 May 2007, the disposal of SPG by SASAC, if materializes, will result in a change in statutory control of SPG and may trigger an obligation on the part of the successful bidder to make a general offer for the Shares in accordance with the Takeovers Code.

The board of directors of the Company has been informed by SPG on 8 June 2007 after the trading hours of the Stock Exchange that Legend Holdings has been selected as a qualified bidder for onward negotiations with SASAC the detailed terms of the Transaction with a view to eventually entering into the Agreement. Upon such Agreement (if concluded) becoming unconditional under PRC law, Legend Holdings will acquire the entire equity interest and hence, a statutory control, of SPG and by doing so, also acquire approximately 50.93% of the issued share capital of the Company. As such, upon the Transaction becoming unconditional, Legend Holdings and parties acting in concert with it will become obliged to extend a mandatory unconditional general offer under Note 8 of the Notes to Rule 26.1 of the Takeovers Code for the Offer Shares. Pursuant to the abovementioned obligation under Rule 26 of the Takeovers Code, it is proposed that MGL, an associate of Legend Holdings, would make the General Offer upon Completion on behalf of Legend Holdings. The consideration for the General Offer would comprise entirely of cash.

Negotiations between SASAC and Legend Holdings are still ongoing and as at the date of this announcement, no final terms have been agreed upon between the parties. There is no certainty that the Transaction or Completion would take place and the General Offer would be made. As such, the General Offer may or may not proceed.

**Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.**

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:34 a.m. on Monday, 11 June 2007 pending the issue and publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9.30 a.m. on Wednesday, 13 June 2007.

This announcement is made pursuant to Rule 3.7 of the Takeovers Code and Rule 13.09 of the Listing Rules in relation to the possible General Offer which may be made by the Offeror.

Reference is made to an announcement by the Company dated 8 May 2007 relating to the listing for sale of the entire state-owned interest in SPG, the controlling shareholder of the Company, by the SASAC at the Exchange Centre.

As mentioned in the announcement dated 8 May 2007, the disposal of SPG by SASAC, if materializes, will result in a change in statutory control of SPG and may trigger an obligation on the part of the successful bidder to make a general offer for the Shares in accordance with the Takeovers Code.

The board of directors of the Company has been informed by SPG on 8 June 2007 after the trading hours of the Stock Exchange that Legend Holdings has been selected as a qualified bidder for onward negotiations with SASAC the detailed terms of the Transaction with a view to eventually entering into the Agreement. Upon such Agreement (if concluded) becoming unconditional under PRC law, Legend Holdings will acquire the entire equity interest and hence, the statutory control, of SPG from SASAC and by doing so, also acquire approximately 50.93% of issued share capital of the Company. As such, upon the Transaction becoming unconditional, Legend Holdings and parties acting in concert with it will become obliged to extend a mandatory unconditional general offer under Note 8 of the Notes to Rule 26.1 of the Takeovers Code for the Offer Shares. Pursuant to the abovementioned obligation under Rule 26 of the Takeovers Code, it is proposed that MGL, an associate of Legend Holdings, would make the General Offer for the Offer Shares upon Completion on behalf of Legend Holdings. The consideration for the General Offer would comprise entirely of cash.

The board of directors of the Company confirmed that the Company has not had any prior transaction or relationship with Legend Holdings.

Negotiations between SASAC and Legend Holdings are still ongoing and as at the date of this announcement, no final terms have been agreed upon between the parties. There is no long stop date for such negotiations and therefore it is not certain when SASAC and Legend Holdings will enter into an agreement with respect to the Transaction. Further announcement will be made if SASAC and Legend Holdings enter into the Agreement. In accordance with the Takeovers Code, an updated announcement would be made on a monthly basis setting out the progress of the talks of the Transaction if no further announcement is made in respect of the General Offer within one month of the date of this announcement. Such obligation to issue monthly announcement continues until an announcement of a firm intention to make the General Offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the Transaction is issued.

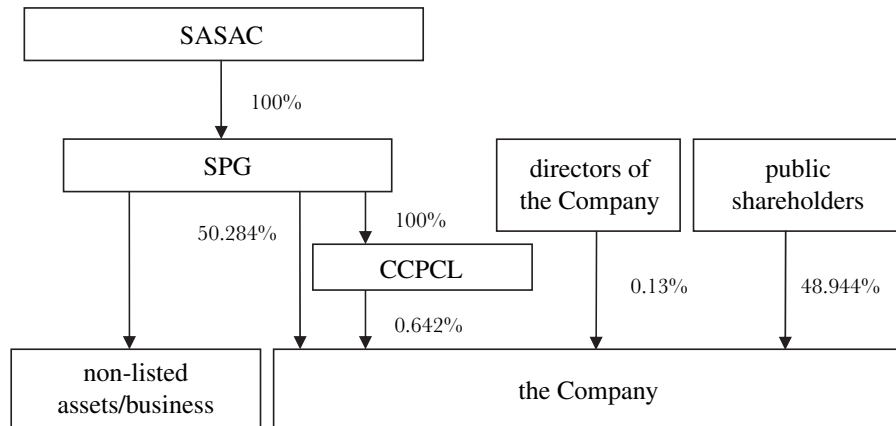
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## **SHAREHOLDING STRUCTURE OF THE COMPANY**

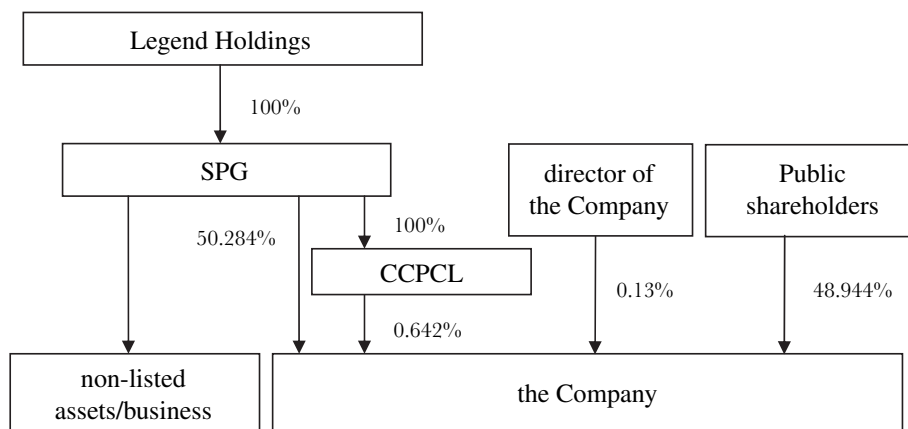
The shareholding structure of the Company (a) as at the date of this announcement and (b) immediately upon completion of the Transaction will be as follows:

# SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION

## (a) Before completion of the Transaction



## (b) Immediately after completion of the Transaction



## INFORMATION ON THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of pharmaceutical products.

## SECURITIES IN THE COMPANY

As at the date hereof, the Company has a total of 1,538,124,661 Shares in issue. Save for the aforesaid, the Company has no other Relevant Securities as at the date hereof.

## INFORMATION ON LEGEND HOLDINGS

Legend Holdings is an investment holding company established in 1984 in the PRC and with its subsidiaries primarily engaged in information technology, equity investment and real estate investment.

## INFORMATION ON THE OFFEROR

MGL is a special purpose vehicle company incorporated in the BVI with limited liability, which is wholly-owned by H Fund. H Fund is an investment fund which is structured as a Cayman Islands exempted limited partnership controlled by its general partner, the H Fund GP, which is itself a Cayman Islands exempted limited partnership and is controlled by its general partner, HCF3GPL, a company with limited liability and incorporated in the Cayman Islands. Legend Holdings in turn owns an indirect stake in HCF3GPL. As at date of this announcement, MGL does not engage in any business undertakings.

The management of H Fund is carried out by HCML, in which Legend Holdings also owns an indirect stake. HCML is an investment company focusing on state owned enterprises buyouts in the PRC. Based on the limited partnership interests of H Fund, Legend Holdings is the single largest investor in H Fund, with a holding of approximately 34.4% of the value of the fund. In addition to Legend Holdings, H Fund has 25 other investors with interests ranging from 0.15% to 17.09% of the value of H Fund. Pursuant to H Fund's limited partnership agreement, its general partner, H Fund GP, is responsible for the making of all fund investment decisions, subject to the unanimous approval of H Fund's five-member investment committee comprising Mr. John Huan Zhao, Mr. Liu Chuanzhi, Mr. Zhu Linan, Mr. Henry Cornell and Ms. Stephanie Hui. The board of directors of the Company confirmed that the Company has not had any prior transaction or relationship with any of the abovementioned members of H Fund's investment committee and that these five committee members are independent third parties not connected with the Company.

The Offeror has appointed Goldbond Capital as its financial adviser in relation to the General Offer.

## **LEGEND HOLDINGS AND THE OFFEROR**

Legend Holdings and the Offeror have entered into a concert party agreement on 31 May 2007 pursuant to which Legend Holdings and the Offeror have agreed that they would consult each other on all major matters concerning the affairs of the Company with the aim of reaching a consensus, including any investment or disposal decisions regarding the Shares, as long as Legend Holdings and the Offeror hold any equity interests in the Company.

Legend Holdings and the Offeror have undertaken to each other under the said concert party agreement that they will not do any act or exercise any of their voting power (which may be available to them from time to time) over any of the Shares in contravention of their respective obligations under the said concert party agreement or in violation of any consensus reached in accordance with the said concert party agreement.

## **GENERAL**

Negotiations are still in progress and as at date of this announcement, no final terms have been agreed upon. The Company and the Offeror will make further announcements as and when appropriate or required under the Takeovers Code to update Shareholders and the public on the status of the Transaction. In particular, the Company and the Offeror will issue a joint announcement under Rule 3.5 of the Takeovers Code which will include the detailed terms of the Agreement and the General Offer as soon as the Agreement is entered into between Legend Holdings and SASAC.

Subject to Completion, the Offeror will consider, inter alia, its intention in respect of the existing businesses of the Company, the listing status of the Company and changes to the board of directors of the Company.

**As the parties are still in discussions, the Transaction may or may not proceed and the General Offer may or may not be made. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.**

## **DEALINGS DISCLOSURE**

The associates of each of the Company and the Offeror are reminded to disclose their dealings in the Relevant Securities under Rule 22 of the Takeovers Code.

## RESUMPTION OF TRADING

Trading in the Shares was suspended from 9.34 a.m. on Monday, 11 June 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 13 June 2007.

## DEFINITIONS

“Agreement”	the conditional sale and purchase agreement to be entered into between Legend Holdings and SASAC relating to the proposed sale and purchase of the entire interest of SPG
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BVI”	the British Virgin Islands
“CCPCL”	China Charmaine Pharmaceutical Company Limited, a wholly-owned subsidiary of SPG incorporated in Hong Kong
“Company”	China Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Transaction
“Exchange Centre”	河北省產權交易中心 (for identification purposes, in English, Hebei Merger Centre)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“General Offer”	the possible mandatory unconditional cash offer to be made by Goldbond Capital on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
“Goldbond Capital”	Goldbond Capital (Asia) Limited, a licensed corporation to carry on types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO and the financial adviser to the Offeror in respect of the General Offer
“Group”	the Company and its subsidiaries
“H Fund”	Hony Capital Fund III, L.P is a Cayman Islands exempted limited partnership, and is controlled by its general partner, H Fund GP
“H Fund GP”	Hony Capital Fund III GP, L.P is a Cayman Islands exempted limited partnership and is controlled by its general partner, HCF3GPL
“HCF3GPL”	Hony Capital Fund III GP Limited is a company with limited liability incorporated in the Cayman Islands
“HCML”	Hony Capital Management Limited is a company with limited liability incorporated in the BVI

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Legend Holdings”	聯想控股有限公司 (for identification purposes, in English, Legend Holdings Limited), an investment holding company established in the PRC and with its subsidiaries primarily engaged in information technology, equity investment and real estate investment. Legend Holdings is also the controlling shareholder of Lenovo Group Limited (stock code: 992) and Digital China Holdings Limited (stock code: 861), companies listed on the Stock Exchange, with an approximately 49.2% and 47.6% equity interest in the issued share capital of Lenovo Group Limited and Digital China Holdings Limited respectively.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offeror” or “MGL”	Massive Giant Group Limited is a special purpose vehicle company established under BVI law which is wholly-owned by H Fund
“Offer Shares”	all issued Shares which are not already owned or have not been agreed to be acquired by Legend Holdings, MGL and parties acting in concert with them
“party(ies) acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“PRC”	The People’s Republic of China
“Relevant Securities”	relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code
“SASAC”	石家莊市人民政府國有資產監督管理委員會 (for identification purposes, in English, State-owned Assets Supervision and Administration Committee of Shijiazhuang Municipal Government)
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPG”	石藥集團有限公司 (for identification purposes, in English, Shijiazhuang Pharmaceutical Group Company Limited), a state-owned enterprise established in the PRC, is an investment holding company and with its subsidiaries primarily engaged in the manufacturing and trading of pharmaceutical and chemical products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Transaction” the proposed sale and purchase of the entire interest in SPG by Legend Holdings

“HK\$” Hong Kong Dollars, the lawful currency of Hong Kong

On behalf of the Board  
**Legend Holdings Limited**  
**Mr. Zeng Maochao**  
Chairman

On behalf of the Board  
**Massive Giant Group Limited**  
**Mr. John Huan Zhao**  
Director

On behalf of the Board  
**China Pharmaceutical Group Limited**  
**Mr. Cai Dongchen**  
Chairman

Hong Kong, 12 June 2007

*In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:*

*“Responsibilities of stockbrokers, banks and other intermediaries Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those client are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever the total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquires. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information (other than that relating to Legend Holdings, the Offeror, SASAC and the General Offer) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions (other than those expressed by Legend Holdings, the offeror, SASAC and the General Offer) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than those relating to Legend Holdings, the Offeror, SASAC and the General Offer) not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of Legend Holdings jointly and severally accept full responsibility for the accuracy of the information (other than that relating to SPG and the Company) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions (other than those expressed by SPG and the Company) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than those relating to SPG and the Company) not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of the Offeror accepts full responsibility for the accuracy of the information (other than those relating to SPG and the Company) contained in this announcement and confirms, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by SPG and the Company) have been arrived at after due and careful consideration and that there are no other facts (other than those relating to SPG and the Company) not contained in this announcement, the omission of which would make any statement in the announcement misleading.*

*As at the date of this announcement, the board of directors of the Company comprises eight executive directors, namely 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; one non-executive director, namely Mr. Lee Ka Sze, Carmelo and four independent non-executive directors, namely Mr. Huo Zhenxing, Mr. Qi Moujia, Mr. Guo Shichang and Mr. Chan Siu Keung, Leonard.*

*As at the date of this announcement, the board of directors of Legend Holdings comprises five executive directors, namely Mr. Zeng Maochao, Mr. Liu Chuanzhi, Mr. Li Qin, Mr. Zhu Linan and Mr. Chen Guodong; one non-executive director, namely Mr. Yang Bailing.*

*As at the date of this announcement, the board of directors of the Offeror comprises three executive directors, namely Mr. John Huan Zhao, Mr. Qiu Zhongwei and Mr. Wang Shunlong.*