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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)**

**UNCONDITIONAL MANDATORY CASH OFFER BY  
GOLDBOND CAPITAL (ASIA) LIMITED  
ON BEHALF OF MASSIVE GIANT GROUP LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF HK\$0.10 EACH IN THE SHARE CAPITAL OF  
CHINA PHARMACEUTICAL GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)  
AND  
RESUMPTION OF TRADING**

**Financial adviser to the Offeror**



**Goldbond Capital (Asia) Limited**

This announcement is made pursuant to Rule 3.5 of the Takeovers Code and Rule 13.09 of the Listing Rules in relation to an unconditional mandatory cash offer to be made by the Offeror.

Reference is made to the announcement by the Company dated 8 May 2007 and the joint announcement dated 12 June 2007 in relation to respectively, the listing for the sale of the entire state-owned interest in SPG, the controlling shareholder of the Company, by the SASAC at the Exchange Centre and the selection of Legend Holdings as a qualified bidder for onward negotiations with SASAC the detailed terms of the Transaction. Capitalised terms used in this announcement shall have the same meanings as those defined in the Joint Announcement unless otherwise defined herein.

## **THE AGREEMENT**

On 16 June 2007, Legend Holdings entered into the Agreement with SASAC, pursuant to which Legend Holdings conditionally agreed to acquire, and SASAC conditionally agreed to dispose of, the entire interest of SPG at an aggregate consideration of RMB870 million (equivalent to approximately HK\$896 million) representing a premium of approximately RMB31 million (equivalent to approximately HK\$32 million) over the appraised net asset value of SPG of approximately RMB839 million (equivalent to approximately HK\$864 million) as at 30 September 2006 as set out in the Valuation Report. As at the date of this announcement, SPG, among its holding of other investments, directly and indirectly holds as to approximately 50.93% of the entire issued share capital of the Company and the appraised value of such shareholding of the Company as per the Valuation Report was approximately RMB1.25 billion (equivalent to approximately HK\$1.29 billion) as at 30 September 2006. As at the date of this announcement, the condition of the Agreement, which is to obtain approval from Shijiazhuang Municipal People's Government, was satisfied as the requisite approval has been obtained and the Transaction was completed on 26 June 2007 upon the requisite confirmation, filing and/or registration of the Agreement with the relevant PRC authorities.

## **THE GENERAL OFFER**

As at the date of this announcement, save for the 783,316,161 Shares held through SPG which were acquired by Legend Holdings under the Agreement, Legend Holdings and parties acting in concert with it, did not own, or have control or direction over any Shares. Upon Completion, there was an effective change in control of the Company resulting in Legend Holdings becoming indirectly interested in 783,316,161 Shares, representing approximately 50.93% of the entire issued share capital of the Company. Therefore, under Rule 26.1 of the Takeovers Code, upon Completion, Legend Holdings is obliged to make an unconditional general offer for all the issued Shares other than those already beneficially owned or agreed to be acquired by Legend Holdings and parties acting in concert with it.

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 unconditional general offer on behalf of Legend Holdings.

The General Offer will be made at HK\$1.6715 per Share after taking into account (i) the Consideration; (ii) the Appraised Assets Value and the Premium Apportionment; and (iii) the 783,316,161 Shares owned by SPG as at the date of this announcement. 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 or parties acting in concert with it.

## **General**

Pursuant to Rule 8.2 of the Takeovers Code, the offer document containing, amongst other things, the terms of the General Offer, together with forms of acceptance and transfer, should normally be posted to the Shareholders by or on behalf of the Offeror within 21 days of the date of the announcement of the terms of the General Offer. The Offeror and the Company intend to combine the offer document and the Company's response document in a composite offer and response document. Such composite offer and response document (accompanied by the acceptance and transfer forms) in connection with the General Offer setting out, inter alia, details of the General Offer and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the General Offer will be issued and despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code.

Pursuant to Rule 2.1 of the Takeovers Code, an Independent Board Committee has been established by the Company to make a recommendation to the Independent Shareholders in connection with the General Offer. The Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the General Offer.

Further announcement(s) regarding the dispatch of the composite offer and response document will be made in due course. Independent Shareholders are encouraged to read the composite offer and response document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Shareholders in respect of the General Offer, before deciding whether or not to accept the General Offer.

## **SUSPENSION AND RESUMPTION OF TRADING**

**At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 18 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 Friday, 29 June 2007.**

## **THE AGREEMENT**

### **Introduction**

On 16 June 2007, Legend Holdings entered into the Agreement with SASAC, pursuant to which Legend Holdings conditionally agreed to acquire, and SASAC conditionally agreed to dispose of, the entire interest of SPG at an aggregate consideration of RMB870 million (equivalent to approximately HK\$896 million) representing a premium of approximately RMB31 million (equivalent to approximately HK\$32 million) over the appraised net asset value of SPG of approximately RMB839 million (equivalent to approximately HK\$864 million) as at 30 September 2006 as set out in the Valuation Report. As at the date of this announcement, SPG, among its holding of other investments, directly and indirectly holds as to approximately 50.93% of the entire issued share capital of the Company and the appraised value of such shareholding as per the Valuation Report was approximately RMB1.25 billion (equivalent to approximately HK\$1.29 billion). As at the date of this announcement, the condition of the Agreement, which is to obtain approval from Shijiazhuang Municipal People's Government, was satisfied as the requisite approval has been obtained and the Transaction was completed on 26 June 2007 upon the requisite confirmation, filing and/or registration of the Agreement with the relevant PRC authorities.

**Date**

16 June 2007

**Parties**

Vendor: SASAC

Purchaser: Legend Holdings

**Assets to be acquired**

The entire equity interest of SPG.

**Purchase price and payment terms**

An aggregate consideration of RMB870 million (equivalent to approximately HK\$896 million) was paid in cash by Legend Holdings.

The Consideration was arrived at based on (i) the appraised net assets value of SPG as set out in the Valuation Report and (ii) after arm's length negotiations between Legend Holdings and SASAC.

Pursuant to the Agreement, a PRC auditor will, within seven days upon Completion, carry out the Audit. In the event that, based on the results of the Audit, the net asset value of SPG as at Completion Date exceeds RMB870 million (equivalent to approximately HK\$896 million), such Excess Amount will be payable to SASAC by SPG within 30 days from completion of the Audit. No further payment is required if the net asset value of SPG as at Completion Date is less than the RMB870 million (equivalent to approximately HK\$896 million).

**Condition precedent of the Agreement and Completion**

The Agreement was conditional upon approval from Shijiazhuang Municipal People's Government, which was received on 20 June 2007, and Completion was to take place upon the requisite confirmation, filing and/or registration of the Agreement with the relevant PRC authorities including relevant local administration for industry and commerce. As advised by Legend Holdings, such requisite confirmation, filing and/or registration were completed and consequently, the Transaction was completed on 26 June 2007.

**Representations and warranties**

Pursuant to the Agreement, a business plan of SPG is to be developed, which includes an intention of investing, within five years from the Completion Date, no less than RMB5 billion in the pharmaceutical industry of Shijiazhuang, PRC. This investment of RMB5 billion is not directly related to the Company.

Furthermore, Legend Holdings is prepared to give an undertaking to the Company to the effect that Legend Holdings shall refrain from entering into transactions of any kind with SASAC, its nominees or concert parties in relation to the proposed investment of RMB5 billion as referred to in the Agreement.

## THE GENERAL OFFER

### Principal terms of the General Offer

Goldbond Capital, on behalf of the Offeror, will make the General Offer to acquire the Offer Shares on the following basis:

For each Share ..... HK\$1.6715 in cash

As at the date of this announcement, the Company has 1,538,124,661 Shares in issue and there are no outstanding warrants, options, derivatives or securities convertible into Shares as at the date of this announcement. As at the date of this announcement, save for the 783,316,161 Shares held through SPG which were acquired by Legend Holdings under the Agreement, Legend Holdings and parties acting in concert with it, did not own, or have control or direction over any Shares, or did not enter into any derivatives in respect of the Shares or other securities of the Company. Save for the Agreement and the Concert Party Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares which might be material to the General Offer. There is no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the General Offer.

### Comparisons of value

The Offer Price of HK\$1.6715 per Share is determined after taking into account (i) the Consideration; (ii) the Appraised Assets Value and the Premium Apportionment; and (iii) the 783,316,161 Shares owned by SPG as at the date of this announcement. The Offer Price therefore reflects the appraised assets value of SPG's approximately 50.93% shareholding interest in the Company of approximately RMB1.25 billion (equivalent to approximately HK\$1.29 billion) as per the Valuation Report and the proportionate apportionment of the difference between the Consideration and the appraised net assets value of SPG of approximately RMB839 million (equivalent to approximately HK\$864 million) as set out in the Valuation Report. The Offer Price of HK\$1.6715 per Share represents:

- (a) a discount of approximately 37.16% to the closing price of HK\$2.66 per Share as quoted on the Stock Exchange on 15 June 2007, being the last trading day prior to the suspension of trading of the Shares on 18 June 2007;
- (b) a discount of approximately 39.66% to the average closing price of HK\$ 2.77 per Share over the 5 trading days (excluding the period between 11 June 2007 and 12 June 2007 during which trading of the Shares had been suspended) up to and including 15 June 2007;
- (c) a discount of approximately 39.00% to the average closing price of HK\$ 2.74 per Share over the 10 trading days (excluding the period between 11 June 2007 and 12 June 2007 during which trading of the Shares had been suspended) up to and including 15 June 2007;
- (d) a discount of approximately 32.05% to the average closing price of approximately HK\$ 2.46 per Share over the 30 trading days (excluding 8 May 2007 and the period between 11 June 2007 and 12 June 2007 during which trading of the Shares had been suspended) up to and including 15 June 2007; and

- (e) a premium of approximately 1.32% over the audited consolidated net tangible asset value per Share of approximately HK\$1.6498 as at 31st December 2006 (based on the audited consolidated net tangible assets of the Company of approximately HK\$2,537,602,000 as stated in the last published annual report of the Company for the year ended 31 December 2006 and 1,538,124,661 Shares in issue as at 31 December 2006).

### **Highest and lowest share prices**

During the six-month period preceding the date of this announcement, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$3.11 and HK\$1.03 respectively.

### **Total consideration**

As at the date of this announcement, there are 1,538,124,661 Shares in issue. At the Offer Price of HK\$1.6715 per Share, the entire issued share capital of the Company would be valued at approximately HK\$2,571 million. Based on 754,808,500 Shares subject to the General Offer, the General Offer would be valued at approximately HK\$1,262 million.

The Offeror will finance the General Offer by way of the Loan Facility. Security provided by the Offeror includes:

- (i) Charge over US\$ time deposit in the amount equivalent to HK\$550 million in the name of the Offeror and such charged deposit should be applied to repay the Loan Facility;
- (ii) Legal charge over all Shares purchased through the General Offer from the proceeds of the Loan Facility only if the drawdown amount in aggregate is equivalent to or over HK\$550 million;
- (iii) Equitable charge over all shares of the Offeror.

Based on the Loan Facility, Goldbond Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the General Offer.

### **Effects of accepting the General Offer**

By accepting the General Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them as at the date of this announcement, including the right to receive all dividends and distributions declared, paid or made, if any, on or after the date of this joint announcement.

The Offer Shares will be acquired free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of this joint announcement.

## Stamp duty

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration arising on acceptance of the General Offer (or of the market value of the Shares as determined by the tax authority of Hong Kong) will be deducted from the consideration due to the accepting Shareholders. The Offeror will arrange for payment of the stamp duty by the accepting Shareholders in connection with the acceptance of the General Offer and the transfer of their respective Shares.

## Payment

Payment in cash in respect of acceptances of the General Offer will be made within ten days of the date on which the relevant documents of title are received by the Registrar to render each such acceptance complete and valid.

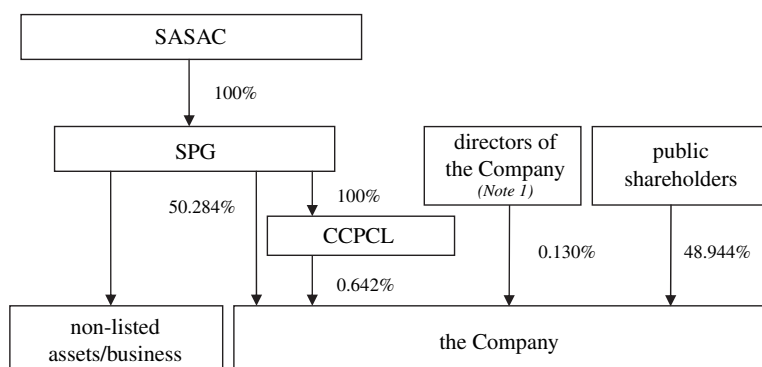
As at the date of this announcement, save for the 783,316,161 Shares held through SPG which were acquired by Legend Holdings under the Agreement, neither the Offeror nor any parties acting in concert with it owned any Shares or any other securities, including equity related convertible securities, warrants, options or subscription rights in respect of any equity share capital of the Company. Neither the Offeror nor any parties acting in concert with it has dealt in any Shares or any other securities, including equity related convertible securities, warrants, options or subscription rights in respect of any equity share capital of the Company during the period commencing from the six months prior to the announcement dated 8 May 2007 issued by the Company in relation to the listing for the sale of the entire state-owned interest in SPG up to the date of this announcement.

## IV. SHAREHOLDING STRUCTURE OF THE COMPANY

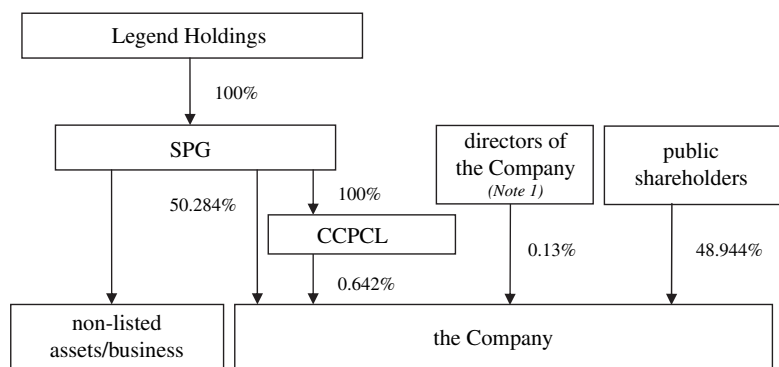
The shareholding structure of the Company (a) immediately before Completion; (b) as at the date of this announcement, i.e. immediately upon Completion and (c) immediately upon the completion of the General Offer will be as follows:

### SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE TRANSACTION AND THE GENERAL OFFER

#### (a) Immediately before Completion

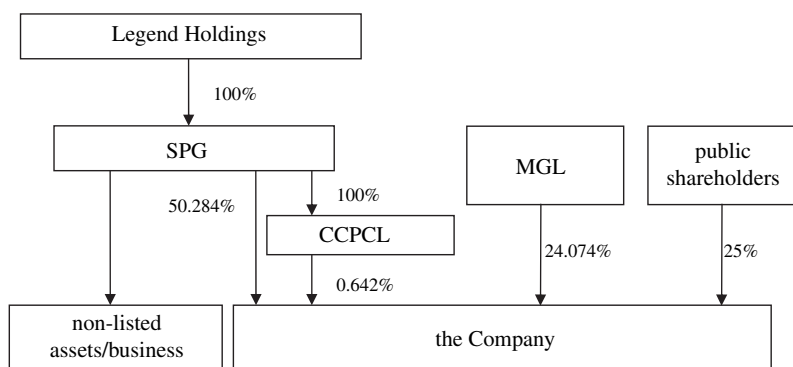


**(b) Immediately upon Completion**



*Note 1: 2,000,000 Shares and 4,000 Shares, representing 0.13% and 0.00026% of the issued Shares of the Company, held by Mr. Cai Dongchen, chairman of the Company and Mr. Chak Kin Man, an executive Director of the Company respectively*

**(c) Upon completion of the General Offer (assuming full acceptance of Offer Shares but provides that 25% of the issued Shares of the Company are held by the public)**



**V. INFORMATION ON THE COMPANY**

The Company acts as an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of pharmaceutical products in the PRC. Current principal products of the Group include i) vitamin C, penicillin and cephalosporin products in bulk form; and ii) antibiotic finished drugs.

**VI. 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 in the Company as at the date hereof.

**VII. 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.



## **VIII. 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. As advised by the legal adviser to the Offeror in respect of the Cayman Islands laws, control in this context is pursuant to the Cayman Islands Exempted Limited Partnership (“ELP”) law which provides that the general partner(s) of a Cayman Islands ELP has the exclusive right to manage the affairs of that ELP to the exclusion of the limited partners.

The management of H Fund is carried out by HCML, in which Legend Holdings also owns an indirect stake. HCML is an investment advisory management company. 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. Liu Chuanzhi, Mr. Zhu Linan, Mr. Henry Cornell, Ms. Stephanie Hui and Mr. John Huan Zhao. 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.

## **IX. LEGEND HOLDINGS AND THE OFFEROR**

Legend Holdings and the Offeror have entered into the Concert Party Agreement 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 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 Concert Party Agreement.

Arrangements have also been put into place amongst the ultimate stakeholders of the Offeror/H Fund (and related entities) to effectively vest in Legend Holdings ultimate control in relation to all decisions exercisable by the Offeror/H Fund (and related entities) to the extent that they relate to:

- (a) the making of the General Offer for the Shares of the Company by the Offeror;
- (b) the Offeror’s resultant equity stake in the Company and any disposal or investment decisions in relation thereof;

- (c) the management of the Offeror's equity stake in the Company including the exercise of voting rights attached to such equity stake; and
- (d) all other matters relating to the general management and affairs of the Company.

## **X. INTENTION OF THE OFFEROR REGARDING THE COMPANY**

The Offeror intends that the Company will continue its existing businesses in the manufacturing and sale of pharmaceutical products and will maintain its listing status on the Stock Exchange following the close of the General Offer. The Offeror has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of its business, or to inject its assets into the Group as a result of the General Offer. Following Completion and the close of the General Offer, the Offeror will conduct a detailed review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. The Offeror intends that there will not be any material changes in the management or employees of the Group as a result of the General Offer to ensure a smooth transition.

## **XI. PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY**

It is the intention of the Offeror that there will be a change in the composition of the board of directors (including the independent non-executive directors) of the Company. The Offeror is in the process of identifying suitable personnel for the positions of executive directors and independent non-executive directors of the Company at appropriate times. Further announcement(s) will be made once the appointment of the new directors of the Company (including but not limited to the three independent non-executive directors) of the Company, setting out details of the appointment of such directors in accordance with Rule 13.51(2) of the Listing Rules, is confirmed.

All appointments and resignations of directors would be made in full compliance with the requirements of the Takeovers Code and further announcement(s) will be made by the Company in accordance with the requirements of the Listing Rules.

## **XII. MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror has no intention to privatize the Company and intends to maintain the listing of the Shares on the Stock Exchange after the close of the General Offer.

The directors of the Company are aware of the requirement of Rule 8.08(1)(a) of the Listing Rules which provides that at least 25% of an issuer's total issued share capital must at all times be held by the public. The directors of the Offeror and the directors of the Company will undertake to the Stock Exchange, if upon closing of the General Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, to take appropriate steps within a reasonable period following the close of the General Offer, to ensure that, as soon as practicable following the close of the General Offer, not less than 25% of the issued Shares will be held by the public.

**The Stock Exchange has stated that if, upon closing of the General Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:**

- (a) a false market exists or may exist in the Shares; or**
- (b) there are insufficient Shares in public hands to maintain an orderly market;**

**it will consider exercising its discretion to suspend trading in the Shares.**

### **XIII. GENERAL**

Pursuant to Rule 8.2 of the Takeovers Code, the offer document containing, amongst other things, the terms of the General Offer, together with forms of acceptance and transfer, should normally be posted to the Shareholders by or on behalf of the Offeror within 21 days of the date of the announcement of the terms of General Offer. The Offeror and the Company intend to combine the offer document and the Company's response document in a composite offer and response document. Such composite offer and response document (accompanied by the acceptance and transfer form) in connection with the General Offer setting out, inter alia, details of the General Offer and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the General Offer will be issued and despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code.

Pursuant to Rule 2.1 of the Takeovers Code, an Independent Board Committee has been established by the Company to make a recommendation to the Independent Shareholders in connection with the General Offer. The Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the General Offer.

Persons who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

Further announcement(s) regarding the dispatch of the composite offer and response document will be made in due course. Independent Shareholders are encouraged to read the composite offer and response document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Shareholders in respect of the General Offer, before deciding whether or not to accept the General Offer.

### **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

At the request of the Company, trading in the Shares was suspended from 9.30 a.m. on Monday, 18 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 Friday, 29 June 2007.

## DEFINITIONS

“Agreement”	the conditional sale and purchase agreement dated 16 June 2007 entered into between Legend Holdings and SASAC relating to the sale and purchase of the entire interest of SPG
“Appraised Assets Value”	the appraised assets value of SPG’s approximately 50.93% shareholding interest in the Company of approximately RMB1.25 billion (equivalent to approximately HK\$1.29 billion) as per the Valuation Report
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit”	an audit of SPG to be carried out by a PRC auditor up to the Completion date
“Bank”	The Bank of East Asia, Limited, a company incorporated in Hong Kong and the ordinary shares of which are listed on the main board of the Stock Exchange
“Business Day”	a day (other than a Saturday, a Sunday or mandatory holidays) on which banks are open for business
“BVI”	the British Virgin Islands
“Cayman Islands”	the Cayman Islands
“CCPCL”	China Charmaine Pharmaceutical Company Limited, a wholly-owned subsidiary of SPG incorporated in Hong Kong
“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
“Concert Party Agreement”	the concert party agreement dated 31 May 2007 entered into by Legend Holdings and the Offeror
“Company”	China Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the main board of the Stock Exchange

“Completion”	completion of the Transaction
“Completion Date”	the date of completion of the Transaction, being 26 June 2007, details of which are set out in the paragraph headed “Completion” under the section headed “The Agreement” of this announcement
“Consideration”	RMB870 million, being the consideration for the Transaction
“Excess Amount”	the excess (if any) of the net asset value of SPG, based on the Audit, as at Completion Date over RMB870 million (equivalent to approximately HK\$896 million)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“General Offer”	the unconditional mandatory cash offer to be made by Goldbond Capital on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
“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
“Independent Board Committee”	the independent board committee of the Company, comprising Mr. Huo Zhenxing, Mr. Qi Moujia, Mr. Guo Shichang and Mr. Chan Siu Keung, Leonard established to advise the Independent Shareholders in respect of the General Offer
“Independent Financial Adviser”	CIMB-GK Securities (HK) Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO

“Independent Shareholders”	being the Shareholders of the Company other than the Offeror, Legend Holdings and their respective associates and parties acting in concert with any of them
“Joint Announcement”	the announcement jointly made by Legend Holdings, the Offeror and the Company dated 12 June 2007
“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 and Digital China Holdings Limited, 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
“Loan Facility”	the HK\$1.3 billion committed term loan facility offered by the Bank for drawing until 30 August 2007
“Offer Price”	HK\$1.6715 per Share
“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
“Offeror” or “MGL”	Massive Giant Group Limited is a special purpose vehicle company established under BVI law which is wholly-owned by H Fund
“parties acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Premium”	the premium of approximately RMB31 million (equivalent to approximately HK\$32 million), being the difference between the Consideration and the appraised net assets value of SPG of approximately RMB839 million (equivalent to approximately HK\$864 million) as set out in the Valuation Report
“Premium Apportionment”	apportionment of the Premium by approximately 57.06%, representing approximately RMB17.7 million (equivalent to approximately HK\$18.2 million) to the Appraised Assets Value. Such apportionment is made in proportion based on the Appraised Assets Value as a percentage to SPG’s appraised total assets value of approximately RMB2.19 billion (equivalent to approximately HK\$2.26 billion) as set out in the Valuation Report

“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 People’s 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 purpose, 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 sale and purchase of the entire interest in SPG pursuant to the Agreement
“Valuation Report”	石家莊製藥集團有限公司擬整體企業改制項目資產評估報告書 (截止2006年9月30日) (for identification purposes, in English, Shijiazhuang Pharmaceutical Group Company Limited assets valuation report as at 30 September 2006)
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of this announcement, unless otherwise indicated, exchange rates of RMB1.00 = HK\$1.03 have been used for currency conversion purposes. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such rates or any other exchange rates or at all.

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, 28 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 and SASAC) 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 and SASAC) 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 and SASAC) 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 the 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 the 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 the 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 jointly and severally accept full responsibility for the accuracy of the information (other than those relating to the SPG and the Company) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by the 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 the 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.*