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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 TRANSACTIONS

On 29 July 2008, Siping and Guangdong Titan entered into the Master Agreement in relation to the sales of pharmaceutical intermediate products for a term commencing from 29 July 2008 and ending on 28 July 2011.

As Guangdong Titan is a connected person of the Company, the Transactions constitute continuing connected transactions of the Company. Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE MASTER AGREEMENT

Date

29 July 2008

Parties

1. Siping
2. Guangdong Titan

Duration

29 July 2008 to 28 July 2011

Transaction Nature

Sales of pharmaceutical intermediate products by Siping to Guangdong Titan.

Terms

By reference to market price, on normal commercial terms and at prices not lower than that which Siping may charge independent third parties. The payment terms of the Transactions will be agreed by the parties from time to time.

Historical transactions

Prior to Siping became a non wholly-owned subsidiary of the Company in July 2008, Siping had transactions with Guangdong Titan in relation to the sales of pharmaceutical intermediate products. The amount of sales from Siping to Guangdong Titan for the two financial years ended 31 December 2007 and the six months ended 30 June 2008 amounted to approximately RMB51,516,000, RMB98,894,000 and RMB34,999,000 respectively.

Annual Caps

The following table sets out the annual caps of the Transactions:

	For the year ending 31 December			
2008	2009	2010	2011	
RMB60,000,000	RMB108,000,000	RMB108,000,000	RMB63,000,000	

Basis for the annual caps

The basis of the annual caps is determined by reference to the amounts of sales from Siping to Guangdong Titan in previous years.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Siping became a non-wholly owned subsidiary of the Company in July 2008 whereas Guangdong Titan is an existing customer of Siping. By entering into the Master Agreement, the Group will be able to maintain the business relationship with its existing customer, Guangdong Titan, for sales of its products.

The Board (including the independent non-executive Directors) believes that the Transactions are on normal commercial terms and their terms and the annual caps referred to above are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

Siping is a non wholly-owned subsidiary of the Company. Guangdong Titan is a wholly-owned subsidiary of a substantial shareholder of Siping. Accordingly, Guangdong Titan is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company include the manufacture and sales of pharmaceutical products.

Siping is principally engaged in the manufacture and sales of pharmaceutical intermediate products and fine chemicals in Siping City, Jilin Province.

Guangdong Titan is principally engaged in the manufacture and sales of bulk cephalosproiin products and fine chemicals in Guangdong Province.

DEFINITIONS

“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 Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Titan”	廣東立國製藥有限公司(Guangdong Titan Pharmaceutical Co. Ltd.), a foreign investment company established in the PRC and is a wholly-owned subsidiary of a substantial shareholder of Siping
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Agreement”	the product sales and purchase agreement dated 29 July 2008 entered into between Siping and Guangdong Titan in relation to the Transactions
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Siping”	四平市精細化學品有限公司(Siping City Fine Chemicals Product Co. Ltd.), a sino-foreign equity joint venture company established in the PRC and a non wholly-owned subsidiary of the Company

“Transactions”

the sales of pharmaceutical intermediate products by Siping to Guangdong Titan as contemplated under the Master Agreement

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

Hong Kong, 29 July 2008

English names of the companies/entities established in the PRC are unofficial English transliterations or translations and are for identification purposes only.

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.