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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 5 March 2009, Zhongnuo and SPG entered into the New Lease Agreement to renew the term of lease of the Premises for another term of three years commencing on 5 March 2009. As at the date of this announcement, Zhongnuo is a wholly-owned subsidiary of the Company. SPG is a wholly-owned subsidiary of Legend, a controlling shareholder of the Company. The entering into of the New Lease Agreement thus constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the annual caps of the New Lease Agreement on an annual basis do not exceed 2.5% of each of the applicable percentage ratios under the Listing Rules, the New Lease Agreement is subject to announcement and reporting requirements, and is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**BACKGROUND**

Reference is made to the announcement of the Company dated 5 July 2005, in which it was disclosed, amongst others, that Zhongnuo and SPG had on 5 July 2005 entered into the Old Lease Agreement for an initial term of three years. The Old Lease Agreement has expired on 4 July 2008.

During 5 July 2008 to 4 March 2009 (the “**Transitional Period**”), Zhongnuo has continued to rent the Premises from SPG after the expiration of the Old Lease Agreement. It was agreed by the parties that the rental for such lease for the period shall be RMB408,595 (approximately HK\$464,313) per month, which was determined based on the monthly rental payable by Zhongnuo to SPG under the Old Lease Agreement pending the parties reaching an agreement on the new rental. Such lease constituted an exempt continuing connected transaction of the Company which is exempt from all of the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 5 March 2009, Zhongnuo and SPG entered into the New Lease Agreement to renew the term of lease of the Premises for another term of three years commencing on 5 March 2009. As at the date of this announcement, Zhongnuo is a wholly-owned subsidiary of the Company. SPG is a wholly-owned subsidiary of Legend Holdings Limited (“**Legend**”), a controlling shareholder of the Company.

## NEW LEASE AGREEMENT

- Date: 5 March 2009
- Parties: (i) SPG, a wholly-owned subsidiary of Legend, a controlling shareholder of the Company, as landlord
- (ii) Zhongnuo, a wholly-owned subsidiary of the Company, as tenant
- Term: Three years commencing on 5 March 2009
- Premises: (i) a factory building with a gross floor area of 22,462.32 sq.m. located at 中國河北省石家莊市工農路188號 (No.188 Gongnong Road, Shijiazhuang City, Hebei Province, the PRC\*) (“**Premises 1**”);
- (ii) a factory building with a gross floor area of 6,881.66 sq.m. located at 中國河北省石家莊市和平東路496號 (No.496 Heping Road East, Shijiazhuang City, Hebei Province, the PRC\*) (“**Premises 2**”); and
- (iii) a staff dormitory with a gross floor area of 1,982.01 sq.m. located at 中國河北省石家莊市南馬路經十條2號 (No.2 Jingshitiao Nanma Road, Shijiazhuang City, Hebei Province, the PRC\*) (“**Premises 3**”).
- Rental: RMB5,125,296 (approximately HK\$5,824,200) per annum payable monthly by twelve instalments of RMB427,108 (approximately HK\$485,350) each
- User: (i) Premises 1 and 2 are used for the production of finished drug products
- (ii) Premises 3 is used as staff dormitory

The Board confirms that the rental payable under the New Lease Agreement was determined with reference to the market rental on an annual basis of the Premises as at 31 July 2008, being RMB5,125,300, as set out in the asset valuation report on rental appraisal dated 24 February 2009 prepared by 河北光大資產評估有限公司 (Hebei Guangdai Asset Valuation Company Limited\*), an independent valuation firm.

## ANNUAL CAPS

### Historical Annual Caps

The historical annual caps and the actual amount of rental paid under the Old Lease Agreement for the four financial years ending 31 December 2008 were:

	<b>Financial Year ending 31 December</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical annual caps	2,451,571	4,903,141	4,903,141	2,860,166
Actual amount paid	2,398,848	4,903,141	4,903,141	2,504,293

### Annual Caps for the New Lease Agreement

Based on the annual rental payable by Zhongnuo to SPG under the New Lease Agreement, the annual caps of the New Lease Agreement for the four financial years ending 31 December 2012 will be as follows:

	<b>Financial Year ending 31 December</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	4,215,969	5,125,296	5,125,296	909,327
	(approximately HK\$4,790,874)	(approximately HK\$5,824,200)	(approximately HK\$5,824,200)	(approximately HK\$1,033,326)

During 1 January 2009 to 4 March 2009, the total amount of rental paid under the lease arrangement for the Transitional Period was RMB869,912.

## REASONS FOR THE NEW LEASE AGREEMENT

By entering into the New Lease Agreement, the Group will be able to continue the existing use of the Premises.

The Board (including independent non-executive Directors) is of the opinion that the New Lease Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms 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 the its shareholders as a whole.

## GENERAL

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

The principal activity of SPG is investment holding. SPG is a wholly-owned subsidiary of Legend. By virtue of an arrangement, details of which are disclosed in the circular jointly issued by the Company, Legend and Massive Giant Group Limited (“MGGL”) on 19 July 2007, Legend is entitled to exercise or control the exercise of the 51.04% Shares held by MGGL in the Company. Therefore, Legend is a controlling shareholder of the Company, whereas SPG is an associate of Legend and a connected person of the Company.

The entering into of the New Lease Agreement thus constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the annual caps of the New Lease Agreement on an annual basis do not exceed 2.5% of each of the applicable percentage ratios under the Listing Rules, the New Lease Agreement is subject to announcement and reporting requirements, and is exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	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 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)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Lease Agreement”	the new lease agreement entered into between Zhongnuo and SPG on 5 March 2009 in respect of the Premises for a term of three years commencing on 5 March 2009

“Old Lease Agreement”	the original lease agreement entered into between Zhongnuo and SPG on 5 July 2005 in respect of the Premises, and has expired on 4 July 2008
“Premises”	the 2 factory buildings and a staff dormitory located in at Shijiazhuang, Hebei Province, the PRC, particulars of which are set out in this announcement
“PRC”	the People’s Republic of China
“Shares”	shares of HK\$0.1 each in the share capital of the Company
“SPG”	石藥集團有限公司 (Shijiazhuang Pharmaceutical Group Company Limited*), a limited liability company established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司 (Shijiazhuang Pharma Group Zhongnuo Pharmaceutical (Shijiazhuang) Company Limited*), a foreign investment company established in the PRC and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre
“%”	per cent

*Note:* For information purpose only, the translation of RMB to HK\$ in this announcement is based on the rate of RMB0.88 to HK\$1.00.

*\* The English name is an internal English translation of its Chinese name.*

By order of the Board  
**China Pharmaceutical Group Limited**  
**Cai Dongchen**  
*Chairman*

Hong Kong, 5 March 2009

*As at the date of this announcement, the Board comprises Mr. Cai Dongchen, Mr. Yue Jin, Mr. Feng Zhenying, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Zhao John Huan and Mr. Wang Shunlong 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.*