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ANNOUNCEMENT

CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF 49% INTEREST IN A SUBSIDIARY

On 9 March 2009, Inner Mongolia Zhongrun (a wholly-owned subsidiary of the Company) and Beijing Wandafei has entered into the Share Transfer Agreement, pursuant to which Inner Mongolia Zhongrun has agreed to purchase and Beijing Wandafei has agreed to sell the entire 49% interest in Zhongxing Huanbao (an indirect non-wholly owned subsidiary of the Company) which was held by Beijing Wandafei, subject to the terms and conditions of the Share Transfer Agreement. After the Acquisition, Zhongxing Huanbao becomes an indirect wholly-owned subsidiary of the Company.

Beijing Wandafei is a connected person of the Company, and the entering into of the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios under the Listing Rules does not exceed 2.5%, the Share Transfer Agreement is subject to the announcement and reporting requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Prior to the Acquisition, Zhongxing Huanbao was an indirect non wholly-owned subsidiary of the Company which was owned by Inner Mongolia Zhongrun (a wholly-owned subsidiary of the Company) and Beijing Wandafei as to 51% and 49%, respectively.

On 9 March 2009, Inner Mongolia Zhongrun and Beijing Wandafei has entered into the Share Transfer Agreement, pursuant to which Inner Mongolia Zhongrun has agreed to purchase and Beijing Wandafei has agreed to sell the entire 49% interest in Zhongxing Huanbao which was held by Beijing Wandafei, subject to the terms and conditions of the Share Transfer Agreement. After the Acquisition, Zhongxing Huanbao becomes an indirect wholly-owned subsidiary of the Company.

SHARE TRANSFER AGREEMENT

Date: 9 March 2009

Parties

Vendor: Beijing Wandafei
Purchaser: Inner Mongolia Zhongrun

Assets to be acquired: 49% interest held by the Vendor in Zhongxing Huanbao

Consideration: RMB9,000,000 (equivalent to approximately HK\$10,227,273), which shall be fully settled by the Purchaser in cash within 7 days after the date of the Share Transfer Agreement

The consideration for the Acquisition was determined following commercial and arm's length negotiations between the parties, taking into account the profit level and net asset value of Zhongxing Huanbao as shown in its audited accounts as at 31 December 2008. The amounts of net profit (both before and after tax) and net asset value of Zhongxing Huanbao for the financial year ended 31 December 2008 are set out below.

The original purchase price paid by Beijing Wandafei when it acquired the 49% interest in Zhongxing Huanbao in 2007 was RMB4,802,980.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Zhongxing Huanbao has all along been providing waste materials treatment services to Inner Mongolia Zhongrun for the waste materials generated by Inner Mongolia Zhongrun during its production process. Given that the Vendor did not intend to continue its investment in Zhongxing Huanbao, Inner Mongolia Zhongrun considered that it would be in its interests to acquire the Vendor's equity interest in Zhongxing Huanbao, which would enable it to exercise full control over the business and operation Zhongxing Huanbao.

The Board (including independent non-executive Directors) is of the opinion that the Share Transfer 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.

INFORMATION ON ZHONGXING HUANBAO

Zhongxing Huanbao is a limited liability company incorporated in the PRC. The principal activity of Zhongxing Huanbao is the provision of waste materials treatment services.

Based on the audited accounts of Zhongxing Huanbao for the financial year ended 31 December 2008 prepared in accordance with PRC GAAP, the audited net asset value of Zhongxing Huanbao was RMB25,945,660 (equivalent to approximately HK\$29,483,705).

The following table shows the audited financial information of Zhongxing Huanbao prepared in accordance with PRC GAAP for the two financial years ended 31 December 2007 and 31 December 2008:

	Financial year ended 31 December 2007	Financial year ended 31 December 2008
Net profit/(loss) before taxation	RMB4,626,793	RMB5,094,812
Net profit/(loss) after taxation	RMB3,932,774	RMB4,330,590

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 Beijing Wandafei is technology development.

As at the date of the Share Transfer Agreement, Beijing Wandafei is holding 49% interest in Zhongxing Huanbao, which is an indirect non-wholly owned subsidiary of the Company. Hence, Beijing Wandafei is a connected person of the Company, and the entering into of the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios under the Listing Rules does not exceed 2.5%, the Share Transfer Agreement is subject to the announcement and reporting requirements, but is exempt from the 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:

“Acquisition”	acquisition of the 49% interest in Zhongxing Huanbao by Inner Mongolia Zhongrun from Beijing Wandafei pursuant to the Share Transfer Agreement
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“Beijing Wandafei” or “Vendor”	北京萬達飛科貿有限公司 (Beijing Wendafei Technology Trading Company Limited*), a limited liability company incorporated in the PRC
“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
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Zhongrun” or “Purchaser”	石藥集團中潤制藥(內蒙古)有限公司 (Shijiazhuang Pharma Group Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd.), a company incorporated in the PRC as a foreign investment enterprise with limited liability, and a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Share Transfer Agreement”	the conditional share transfer agreement dated 9 March 2009 entered into between Inner Mongolia Zhongrun and Beijing Wandafei in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongxing Huanbao”	石藥集團(內蒙古)中興環保化工有限公司 (Shijiazhuang Pharma Group (Inner Mongolia) Zhongxing Huanbao Co., Ltd.), a limited liability company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

Note: For information purpose only, the translation of RMB to HK\$ in this announcement is based at 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, 9 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.