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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 13 May 2009, certain subsidiaries of the Company have entered into (i) the Vitamin C Sales Agreement, (ii) the Antibiotics Sales Agreement and (iii) the Product Processing Services Agreement, respectively, with Ouyi Pharmaceutical concerning the sale and purchase of pharmaceutical products and provision of product processing services. Ouyi Pharmaceutical is a wholly-owned subsidiary of SPG, which is in turn a wholly-owned subsidiary of Legend, a controlling shareholder of the Company. Accordingly, Ouyi Pharmaceutical is an associate of Legend and a connected person of the Company.

The Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As (i) the annual caps of the Vitamin C Sales Agreement and the Antibiotics Sales Agreement in aggregate do not exceed 2.5% of each of the applicable percentage ratios; and (ii) the annual caps of the Product Processing Services Agreement do not exceed 2.5% of each of the applicable percentage ratios, the transactions contemplated under the Agreements are subject to announcement and reporting requirements, and are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **BACKGROUND**

On 13 May 2009, certain subsidiaries of the Company have entered into (i) the Vitamin C Sales Agreement, (ii) the Antibiotics Sales Agreement and (iii) the Product Processing Services Agreement, respectively, with Ouyi Pharmaceutical concerning the sale and purchase of pharmaceutical products and provision of product processing services.

Ouyi Pharmaceutical has become a wholly-owned subsidiary of SPG since 29 March 2009. SPG is in turn a wholly-owned subsidiary of Legend, a controlling shareholder of the Company.

Particulars of the Agreements are set out below.

## VITAMIN C SALES AGREEMENT

### Date

13 May 2009

### Parties

Weisheng, a wholly-owned subsidiary of the Company, as seller  
Ouyi Pharmaceutical, a connected person, as purchaser

### Major Terms

Pursuant to the Vitamin C Sales Agreement, Weisheng has agreed to sell and Ouyi Pharmaceutical has agreed to purchase vitamin C products and the related products series for a term of three years commencing on 13 May 2009 to 12 May 2012.

The Vitamin C Sales Agreement has set out the general terms and conditions for the relevant sales and purchases. The purchase price and payment terms shall be negotiated by the parties from time to time at arm's length based on the prevailing market price of the relevant products under normal commercial terms and shall not be less favourable than the relevant terms and conditions for independent third parties.

### Annual Caps

Since 2006, Ouyi Pharmaceutical had been purchasing vitamin C products and the related products series from Weisheng. The amount of sales of such products from Weisheng to Ouyi Pharmaceutical for the three financial years ended 31 December 2008 were RMB2,394,000, RMB842,000 and RMB7,851,000, respectively, and the amount of sales of such products for the period from 1 January 2009 to 28 March 2009 amounted to approximately RMB2,307,000.

Based on the historical sales amounts, the annual caps for the Vitamin C Sales Agreement for the four financial years ending 31 December 2012 are determined as follows:

	Financial year ending 31 December			
	2009	2010	2011	2012
	RMB7,000,000	RMB10,000,000	RMB11,000,000	RMB4,000,000
	(approximately	(approximately	(approximately	(approximately
	HK\$7,954,545)	HK\$11,363,636)	HK\$12,500,000)	HK\$4,545,455)
	(Note 1)			(Note 2)

Notes:

1. For the period from 13 May 2009 to 31 December 2009.
2. For the period from 1 January 2012 to 12 May 2012.

## ANTIBIOTICS SALES AGREEMENT

### Date

13 May 2009

### Parties

Zhongrun, a non wholly-owned subsidiary of the Company, as seller  
Ouyi Pharmaceutical, a connected person, as purchaser

### Major Terms

Pursuant to the Antibiotics Sales Agreement, Zhongrun has agreed to sell and Ouyi Pharmaceutical has agreed to purchase various intermediate and bulk antibiotics products (including cefazolin sodium and ceftriaxone sodium) for a term of three years commencing on 13 May 2009 to 12 May 2012.

The Antibiotics Sales Agreement has set out the general terms and conditions for the relevant sales and purchases. The purchase price and payment terms shall be negotiated by the parties from time to time at arm's length based on the prevailing market price of the relevant products under normal commercial terms and shall not be less favourable than the relevant terms and conditions for independent third parties.

### Annual Caps

Based on (i) the estimated quantity of the antibiotics products which is required by Ouyi Pharmaceutical from Zhongrun, (ii) the average unit price of the antibiotics products, and (iii) that the estimated quantity of such products required by Ouyi Pharmaceutical will increase by approximately 10% annually from 2009 to 2012 due to natural market growth, the annual caps for the Antibiotics Sales Agreement for the four financial years ending 31 December 2012 are determined as follows:

Financial year ending 31 December			
2009	2010	2011	2012
RMB33,000,000 (approximately HK\$37,500,000) <i>(Note 1)</i>	RMB55,000,000 (approximately HK\$62,500,000)	RMB60,000,000 (approximately HK\$68,181,818)	RMB22,000,000 (approximately HK\$25,000,000) <i>(Note 2)</i>

Notes:

1. For the period from 13 May 2009 to 31 December 2009.
2. For the period from 1 January 2012 to 12 May 2012.

## **PRODUCT PROCESSING SERVICES AGREEMENT**

### **Date**

13 May 2009

### **Parties**

Ouyi Pharmaceutical, a connected person, as service provider  
Zhongnuo, a wholly-owned subsidiary of the Company, as customer

### **Major Terms**

Pursuant to the Product Processing Services Agreement, Ouyi Pharmaceutical shall provide product processing services to Zhongnuo for various cephalosporin powder injection products (including cefazolin sodium and ceftriaxone sodium) which are manufactured by Zhongnuo in accordance with the quantity specified by Zhongnuo on a monthly basis, for a term of three years commencing on 13 May 2009 to 12 May 2012. The Product Processing Services Agreement has set out the general terms and conditions for the provision of such services by Ouyi Pharmaceutical.

The service fees payable by Zhongnuo for the product processing services and the payment term thereof shall be determined by the parties on arm's length negotiations under normal commercial terms and shall not be less favourable than the terms and conditions for similar services offered to independent third parties. In the absence of reference fees for similar services offered to the independent third parties, the terms and conditions shall be fair and reasonable. On the above basis, the amount of service fees payable by Zhongnuo under the Product Processing Services Agreement shall be calculated with reference to the following fees scale:

<b>Type of products</b>	<b>Fees (tax inclusive)</b>
Cefazolin sodium for injection	RMB0.1585 per 0.5 gram per vial
Ceftriaxone sodium for injection	RMB0.1796 per 1.0 gram per vial

The fees scale, which is the same as the scale adopted for the past transactions between Quyi Pharmaceutical and Zhongnuo for the processing of the cephalosporin powder injection products, is determined based on the raw materials, labour costs and other relevant product processing costs (including utilities expenses and allocated production overheads) involved in the processing of products.

The service fees shall be paid by Zhongnuo to Ouyi Pharmaceutical within 30 days from the date of receipt of the delivery of the processed products from Ouyi Pharmaceutical.

### **Annual Caps**

Since 2008, Ouyi Pharmaceutical had been providing product processing services to Zhongnuo for various cephalosporin powder injection products. The amount of product processing services fees paid to Ouyi Pharmaceutical by Zhongnuo for the financial year ended 31 December 2008 and the period from 1 January 2009 to 28 March 2009 were approximately RMB9,577,000 and RMB3,363,000, respectively.

Based on (i) the historical transaction amounts, (ii) the estimated quantity of cephalosporin powder injection products required by Zhongnuo from Ouyi Pharmaceutical, (iii) the per unit processing fee of the of the cefazolin sodium and ceftriaxone sodium products, and that (iv) the estimated quantity of such products which would require processing services from Ouyi Pharmaceutical would increase by approximately 10% annually from 2009 to 2012 due to the future business growth, the annual caps for the Product Processing Services Agreement for the four financial years ending 31 December 2012 are:

	<b>Financial year ending 31 December</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	RMB10,000,000	RMB15,000,000	RMB16,500,000	RMB6,050,000
	(approximately	(approximately	(approximately	(approximately
	HK\$11,363,636)	HK\$17,045,455)	HK\$18,750,000)	HK\$6,875,000)
	(Note 1)			(Note 2)

*Notes:*

1. *For the period from 13 May 2009 to 31 December 2009.*
2. *For the period from 1 January 2012 to 12 May 2012.*

### **REASONS AND BENEFITS OF THE AGREEMENTS**

Ouyi Pharmaceutical is an existing customer of the Group. By entering into the Vitamin C Sales Agreement and the Antibiotics Sales Agreement, the Group will be able to maintain and expand the business relationship with Ouyi Pharmaceutical.

Further, considering the Group's existing relationship with Ouyi Pharmaceutical, the expertise and production capacity which Ouyi Pharmaceutical possesses in relation to the processing of pharmaceutical products, the entering into of the Product Processing Services Agreement will enable the Group to obtain reliable processing services from Ouyi Pharmaceutical for the Group's products.

The Board (including independent non-executive Directors) is of the opinion that each of the Agreements 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 Group and the Company's shareholders as a whole.

## **INFORMATION ON THE GROUP AND OUYI PHARMACEUTICAL**

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 Ouyi Pharmaceutical is the manufacture of finished drug products.

Ouyi Pharmaceutical has become a wholly-owned subsidiary of SPG since 29 March 2009. SPG is in turn 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 Ouyi Pharmaceutical is an associate of Legend and a connected person of the Company.

## **LISTING RULES IMPLICATIONS**

The Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As (i) the annual caps of the Vitamin C Sales Agreement and the Antibiotics Sales Agreement in aggregate do not exceed 2.5% of each of the applicable percentage ratios; and (ii) the annual caps of the Product Processing Services Agreement do not exceed 2.5% of each of the applicable percentage ratios, the transactions contemplated under the Agreements are subject to announcement and reporting requirements, and are 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:

- "Agreements" include the Vitamin C Sales Agreement, the Antibiotics Sales Agreement and the Product Processing Services Agreement
- "Antibiotics Sales Agreement" the agreement dated 13 May 2009 entered into between Zhongrun and Ouyi Pharmaceutical in relation to the sale and purchase of various intermediate and bulk antibiotics products manufactured by Zhongrun

“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Legend”	Legend Holdings Limited, a company established in the PRC with limited liability and a controlling shareholder of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Ouyi Pharmaceutical”	石藥集團歐意藥業有限公司 (Shijiazhuang Pharma Group Ouyi Pharmaceutical Co., Ltd*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPG
“percentage ratios”	The percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China
“Product Processing Services Agreement”	The agreement dated 13 May 2009 entered into between Ouyi Pharmaceutical and Zhongnuo in relation to the provision of product processing services by Ouyi Pharmaceutical in respect of various cephalosporin powder injection products
“RMB”	Renminbi, the lawful currency of the PRC
“SPG”	石藥集團有限公司 (Shijiazhuang Pharmaceutical Group Company Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of Legend

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vitamin C Sales Agreement”	the agreement dated 13 May 2009 entered into between Weisheng and Ouyi Pharmaceutical in relation to the sale and purchase of vitamin C products and the related products series manufactured by Weisheng
“Weisheng”	石藥集團維生藥業(石家莊)有限公司 (Shijiazhuang Pharma Group Weisheng Pharmaceutical (Shijiazhuang) Co., Ltd.*), a foreign investment enterprise incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“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 with limited liability and a wholly-owned subsidiary of the Company
“Zhongrun”	石藥集團河北中潤製藥有限公司 (Shijiazhuang Pharma Group Hebei Zhongrun Pharmaceutical Co., Ltd.*), a cooperative joint venture enterprise incorporated in the PRC with limited liability and a non wholly-owned subsidiary of the Company
“%”	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, 13 May 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.*