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CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE

The Board announces that on 24 February 2010, Zhongrun, a subsidiary of the Company, and SPG entered into the Agreement in relation to the establishment of the JV Company for carrying out logistic services business. According to the Agreement, the JV Company is to be owned by Zhongrun as to 99% and by SPG as to 1%. Zhongrun shall pay in aggregate RMB49,500,000 to the JV Company for the subscription of 99% equity capital in the JV Company.

As SPG is an indirect wholly-owned subsidiary of MGGL (which is a controlling shareholder of the Company), SPG is a connected person of the Company as defined under the Listing Rules. Hence, the transaction under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the capital contribution by the Company to the JV Company under the Agreement, the applicable percentage ratios (other than the profit ratio) are less than 2.5%. Therefore, the transaction under the Agreement is exempt from the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules and is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

PRINCIPAL TERMS OF THE AGREEMENT

Date

24 February 2010

Parties

- (1) Zhongrun
- (2) SPG

Scope of Business of the JV Company

Logistic services including the storage, sourcing and distribution of pharmaceutical products. The scope of business shall be subject to the approval by the relevant PRC authorities.

Information on the JV Company

The JV Company is to be established in the PRC with limited liability. It will have a registered share capital of RMB50,000,000. Upon establishment, Zhongrun will hold 99% of the equity capital of the JV Company and SPG will hold 1% of the equity capital of the JV Company. The JV Company is yet to commence business.

Consideration

The total capital investment by Zhongrun in the JV Company under the Agreement will be RMB49,500,000, which shall be payable by Zhongrun within 7 days prior to the registration application to the Industry and Commence Department of the PRC. It is expected that the above capital investment by Zhongrun would be funded by internal resources of the Group.

Composition of the board of directors

The board of directors of the JV Company shall consist of three directors, two shall be appointed by Zhongrun and one shall be appointed by SPG.

Profit sharing

The profit and loss of the JV Company shall be shared between Zhongrun and SPG in accordance with their respective proportion of equity capital in the JV Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

Making use of the favourable policies to logistic enterprises as promulgated by the PRC government and local authorities, the establishment of the JV Company is expected to consolidate the logistics operations of the Group and reduce the distribution costs. It will also provide a new source of income to the Group.

Subject to the approval by the relevant PRC authorities and completion of the registration procedures, the JV Company can adopt “Shijiazhuang Pharma Group” as part of its name provided that SPG has capital investment in the JV Company and the JV Company has obtained the consent from SPG. The adoption of “Shijiazhuang Pharma Group” as part of its name can facilitate the JV Company to commence and develop its businesses in Hebei Province.

The Directors (including the independent non-executive Directors) believe that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Agreement is in the interests of the Company and shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

The principal activity of SPG is investment holding. MGGL is a controlling shareholder of the Company holding approximately 51.04% of the issued share capital of the Company. SPG, being an indirect wholly-owned subsidiary of MGGL, is an associate of MGGL and thus a connected person of the Company within the meaning of the Listing Rules. Hence, the transaction under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the capital contribution by the Company to the JV Company under the Agreement, the applicable percentage ratios (other than the profit ratio) are less than 2.5%. Therefore, the transaction under the Agreement is exempt from the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules and is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

GENERAL

The Company is an investment holding company with its subsidiaries principally engaged in the manufacture and sales of pharmaceutical products. Zhongrun is principally engaged in the manufacture and sales of antibiotic products.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

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| “Agreement” | the joint venture agreement dated 24 February 2010 entered into by Zhongrun and SPG, details of which are set out in the section headed “Principal Terms of the Agreement” of this announcement |
| “Board” | the board of Directors |
| “Company” | China Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

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| “JV Company” | 石藥集團中誠醫藥物流有限公司 (Shijiazhuang Pharma Group Zhongchen Pharmaceutical Logistics Company Limited*), an equity joint venture company to be established in the PRC with limited liability for the purpose of carrying out logistic services business |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MGGL” | Massive Giant Group Limited, a controlling shareholder of the Company and a company established under the laws of the British Virgin Islands |
| “PRC” | the People’s Republic of China |
| “SPG” | 石藥集團有限公司 (Shijiazhuang Pharmaceutical Group Company Limited*), a company established in the PRC and indirectly owned by MGGL |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “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. |
| “RMB” | Renminbi, the lawful currency of the PRC |

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

Hong Kong, 24 February 2010

As at the date of this announcement the Board comprises Mr. Cai Dongchen, Mr. Yue Jin, Mr. Feng Zhengying, 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.

* *for identification purpose only*