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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 23 August 2010, Zhongnuo, a wholly-owned subsidiary of the Company, and Aipu entered into the Master Sales Agreement in which Zhongnuo has agreed to sell and Aipu has agreed to purchase the Products for a term of three years commencing on 23 August 2010 and expiring on 22 August 2013. As at the date of this announcement, Aipu is a non-wholly owned subsidiary of Zhongchen, which in turn is an indirect wholly-owned subsidiary of Massive Giant, a controlling shareholder of the Company. Accordingly, Aipu is an associate of Massive Giant and a connected person of the Company.

The entering into of the Master Sales Agreement and the Continuing Connected Transactions thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the Continuing Connected Transactions will, on an annual basis, be more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.40 and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Zhongnuo, a wholly-owned subsidiary of the Company, has been providing the Products to Aipu prior to Aipu becoming a connected person of the Company. Since 16 July 2010, Aipu has become a non-wholly owned subsidiary of Zhongchen, which in turn is an indirect wholly-owned subsidiary of Massive Giant, a controlling shareholder of the Company, and Aipu has since become a connected person of the Company. On 23 August 2010, Zhongnuo entered into the Master Sales Agreement with Aipu in relation to the sale and purchase of the Products.

MASTER SALES AGREEMENT

Date	:	23 August 2010
Parties	:	(i) Zhongnuo, a wholly-owned subsidiary of the Company, as seller (ii) Aipu, a connected person of the Company, as purchaser
Term	:	Three years commencing on 23 August 2010 and expiring on 22 August 2013
Nature of Transaction	:	Sale and purchase of the Products

The Master Sales Agreement is a master agreement which sets out the general terms and conditions for the sale and purchase of the Products. The Products shall be sold and purchased at prices and payment terms as negotiated by the parties of the Master Sales Agreement at arm's length with reference to the prevailing market prices of the relevant Products under normal commercial terms, or on terms no less favourable to Zhongnuo than terms available from independent third parties.

ANNUAL CAPS

Historical amounts

Prior to Aipu becoming a non-wholly owned subsidiary of Zhongchen on 16 July 2010, Zhongnuo has already been providing the Products to Aipu and the amount of sales from Zhongnuo to Aipu for the two years ended 31 December 2009 and the period from 1 January 2010 to 15 July 2010 were as follows:

	Year ended 31 December		1 January 2010 to
	2008	2009	15 July 2010
Approximate amount (RMB)	10,038,000 (Approximately HK\$11,504,000)	17,563,000 (Approximately HK\$20,127,000)	7,715,000 (Approximately HK\$8,841,000)

For the period from 16 July 2010 up to and including the date of this announcement, there were no sales of the Products from Zhongnuo to Aipu.

Proposed annual caps and basis of annual caps

It is estimated that the proposed annual caps during the term of the Master Sales Agreement are as follows:

	23 August 2010 to 31 December 2010	Year ending 31 December 2011	2012	1 January 2013 to 22 August 2013
Annual cap (RMB)	15,000,000 (Approximately HK\$17,190,000)	28,000,000 (Approximately HK\$32,088,000)	34,000,000 (Approximately HK\$38,964,000)	26,000,000 (Approximately HK\$29,796,000)

The proposed annual caps are determined by reference to the historical amounts of the transactions and the expected business growth.

REASONS FOR THE MASTER SALES AGREEMENT

Prior to Aipu becoming a connected person of the Company on 16 July 2010, Zhongnuo has already been providing the Products to Aipu. By entering into the Master Sales Agreement, Zhongnuo will be able to maintain its business relationship with Aipu, an existing customer.

The Board (including independent non-executive Directors) is of the opinion that the Master Sales 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 its shareholders as a whole.

LISTING RULES REQUIREMENTS

Zhongnuo is a wholly-owned subsidiary of the Company. Aipu is a non-wholly owned subsidiary of Zhongchen, which in turn is an indirect wholly-owned subsidiary of Massive Giant. As at the date of this announcement, Massive Giant owns approximately 51.04% interest in the Company and is a controlling shareholder of the Company. Accordingly, Aipu is an associate of Massive Giant and a connected person of the Company. The entering into of the Master Sales Agreement and the Continuing Connected Transactions thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the Continuing Connected Transactions will, on an annual basis, be more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rules 14A.37 to 14A.40 and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Directors have a material interest in the transactions contemplated under the Master Sales Agreement and therefore did not need to abstain from voting on the board resolutions in relation to the approval of the Master Sales Agreement and the Continuing Connected Transactions.

GENERAL

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

The principal activity of Aipu is the wholesale of pharmaceutical products.

DEFINITIONS

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

“Aipu”	河北愛普醫藥藥材有限公司 (Hebei Aipu Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and owned as to 70% by Zhongchen and a connected person of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Pharmaceutical Group Limited, a company incorporated in Hong Kong under the Companies Ordinance, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions between Zhongnuo and Aipu under or pursuant to the Master Sales Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Massive Giant”	Massive Giant Group Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Master Sales Agreement”	the sale and purchase agreement dated 23 August 2010 entered into between Zhongnuo and Aipu in relation to the sale and purchase of the Products
“PRC”	the People’s Republic of China
“Products”	pharmaceutical products including without limitation, penicillin antibiotics, cephalosporin antibiotics and health supplements, in each case to be provided by Zhongnuo to Aipu from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongchen”	石藥集團石家莊中誠醫藥有限公司 (Shijiazhuang Pharma Group Zhongchen Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Massive Giant
“Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司 (Shijiazhuang Pharma Group Zhongnuo Pharmaceutical (Shijiajuang) Co., Ltd.*), a foreign investment enterprise established in the PRC with limited liability and a 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 RMB1.00 to HK\$1.146.

* *For identification purposes only.*

By Order of the Board
Cai Dongchen
Chairman

Hong Kong, 23 August 2010

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.