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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 10 January 2011, Zhongnuo and Yinhu, subsidiaries of the Company, entered into the Master Sales Agreement with Zhongchen in relation to the sale and purchase of the Finished Pharmaceutical Products for a term of three years commencing on 1 January 2011 and expiring on 31 December 2013. Zhongchen is an indirect wholly-owned subsidiary of Massive Giant, a controlling shareholder of the Company. Accordingly, Zhongchen is an associate of Massive Giant and a connected person of the Company.

The entering into of the Master Sales Agreement and the transactions contemplated thereunder thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the Master Sales Agreement are more than 0.1% but less than 5% on an annual basis, the Master Sales Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE MASTER SALES AGREEMENT

Date : 10 January 2011

Parties : (i) Zhongnuo, a direct wholly-owned subsidiary of the Company, as seller

(ii) Yinhu, an indirect non wholly-owned subsidiary of the Company, as seller

(iii) Zhongchen, a connected person of the Company, as purchaser

Term : Three years commencing on 1 January 2011 and expiring on 31 December 2013

Nature of transaction : Sale and purchase of the Finished Pharmaceutical Products

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

ANNUAL CAPS

There is no historical transaction for sale and purchase of any Finished Pharmaceutical Products between Zhongnuo or Yinhu and Zhongchen. Based on the estimated quantity of the Finished Pharmaceutical Products required by Zhongchen and the estimated unit price for the Finished Pharmaceutical Products, the annual caps under the Master Sales Agreement shall be as follows:

Year ending 31 December		
2011	2012	2013
RMB60,000,000	RMB78,000,000	RMB101,400,000
(Approximately	(Approximately	(Approximately
HK\$69,770,000)	HK\$90,700,000)	HK\$117,910,000)

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SALES AGREEMENT

Prior to entering into the Master Sales Agreement, Zhongnuo and Yinhu have not provided any of the Finished Pharmaceutical Products to Zhongchen. By entering into the Master Sales Agreement, Zhongnuo and Yinhu will be able to expand their customer base and achieve business growth.

The Board (including the 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 Company and its subsidiaries; (ii) on normal commercial terms agreed 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 IMPLICATIONS

Zhongchen is an indirect wholly-owned subsidiary of Massive Giant, a controlling shareholder of the Company. Accordingly, Zhongchen is an associate of Massive Giant and a connected person of the Company. The entering into of the Master Sales Agreement and the transactions contemplated thereunder thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the Master Sales Agreement are more than 0.1% but less than 5% on an annual basis, the Master Sales Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the transactions contemplated under the Master Sales Agreement and so none of them was required to abstain from voting on the resolution of the Board approving the Master Sales Agreement and the transactions contemplated thereunder.

GENERAL

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

Zhongchen is principally engaged in the wholesales of pharmaceutical products.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:

“associate”	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 Main Board of 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)”	the director(s) of the Company

“Finished Pharmaceutical Products”	in respect of the products to be sold by Zhongnuo, finished pharmaceutical products including without limitation penicillin antibiotics, cephalosporin antibiotics and health supplements; and in respect of the products to be sold by Yinhu, finished pharmaceutical products including without limitation traditional Chinese medicines and intravenous infusion solutions
“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 10 January 2011 entered into between Zhongnuo, Yinhu and Zhongchen in relation to the sale and purchase of the Finished Pharmaceutical Products for the term of three years commencing on 1 January 2011 and expiring on 31 December 2013
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yinhu”	石藥銀湖製藥有限公司 (Shijazhuang Pharma Yinhu Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Zhongchen”	石藥集團河北中誠醫藥有限公司 (Shijazhuang Pharma Group Hebei 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(Shijazhuang Pharma Group Zhongnuo Pharmaceutical (Shijazhuang) Co., Ltd.*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company

% Per cent

Note: For illustration purposes only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of HKD1 = RMB0.86 and this does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

* *For identification purposes only*

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

Hong Kong, 10 January 2011

As at the date of this announcement, the Board of the Company comprises Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Zhao John Huan, Mr. Wang Shunlong, Mr. Wang Huaiyu and Mr. Lu Jianmin 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.