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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 3 May 2012, Siping, a non-wholly owned subsidiary of the Company, entered into the Master Agreement with Guangdong Titan in relation to the sale and purchase of pharmaceutical intermediate products for a term commencing from 3 May 2012 and expiring on 30 April 2015. Guangdong Titan is a wholly-owned subsidiary of a substantial shareholder of Siping, accordingly a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios are, on an annual basis, more than 1% but less than 5%, the Transactions are only subject to reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE MASTER AGREEMENT

Date

3 May 2012

Parties

1. Siping, a non-wholly owned subsidiary of the Company, as seller
2. Guangdong Titan, a connected person of the Company, as purchaser

Duration

A term commencing from 3 May 2012 to 30 April 2015

Nature of Transactions

Sale and purchase of pharmaceutical intermediate products

Terms

The Master Agreement sets out the general terms and conditions for the sale and purchase of pharmaceutical intermediate products by Siping to Guangdong Titan. The prices and payment terms of the Transactions shall be negotiated by Siping and Guangdong Titan from time to time with reference to prevailing market prices, on normal commercial terms and on terms no less favourable to Siping than those available to Siping from independent third parties.

Historical transactions

The amount of sales from Siping to Guangdong Titan for the three financial years ended 31 December 2011 amounted to approximately RMB79,067,000, RMB103,364,000 and RMB89,004,000 respectively.

Annual Caps

The annual caps for the Transactions during the term of the Master Agreement are as follows:

For the period from 3 May 2012 to 31 December 2012	RMB90,000,000 (approximately HK\$109,756,000)
For the year ending 31 December 2013	RMB100,000,000 (approximately HK\$121,951,000)
For the year ending 31 December 2014	RMB100,000,000 (approximately HK\$121,951,000)
For the period from 1 January 2015 to 30 April 2015	RMB40,000,000 (approximately HK\$48,780,000)

Basis for the annual caps

The annual caps are determined by reference to the historical amounts of the Transactions and expected growth in business between Siping and Guangdong Titan.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Guangdong Titan is an existing customer of Siping. By entering into the Master Agreement, the Group will be able to maintain its business relationship with Guangdong Titan.

The Board (including the independent non-executive Directors) is of the opinion that the Master Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms agreed after arm's length negotiation 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

Siping is a non wholly-owned subsidiary of the Company. Guangdong Titan is a wholly-owned subsidiary of a substantial shareholder of Siping. Accordingly, Guangdong Titan is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios are, on an annual basis, more than 1% but less than 5%, the Transactions are only subject to reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As announced by the Company on 29 July 2008, Siping and Guangdong Titan entered into a master agreement for the sale and purchase of pharmaceutical intermediate products by Siping to Guangdong Titan, the term of which expired on 28 July 2011. Upon the expiry of the term of the aforesaid master agreement, the transactions between Siping and Guangdong Titan met the requirements set out in Rule 14A.31(9), and accordingly were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(4); Siping thus continued to sell pharmaceutical intermediate products to Guangdong Titan.

After the publication of the annual results of the Company for the financial year ended 31 December 2011 on 30 March 2012, Rule 14A.33(4) is no longer applicable to the transactions between Siping and Guangdong Titan and Siping has ceased to sell pharmaceutical intermediate products to Guangdong Titan since 31 March 2012 until the execution of the Master Agreement on 3 May 2012.

None of the Directors has a material interest in the Transactions which requires him to abstain from voting on the resolution of the Board approving the Master Agreement and the Transactions pursuant to Rule 13.44 of the Listing Rules and the Articles of Association of the Company.

GENERAL INFORMATION

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

Siping is principally engaged in the manufacture and sales of pharmaceutical intermediate products and fine chemicals in Siping City, Jilin Province of the PRC.

Guangdong Titan is principally engaged in the manufacture and sales of bulk cephalosporin products and fine chemicals in Guangdong Province of the PRC.

DEFINITIONS

“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Titan”	廣東立國製藥有限公司(Guangdong Titan Pharmaceutical Co. Ltd.*), a foreign investment company established in the PRC and is a wholly-owned subsidiary of a substantial shareholder of Siping
“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 of Hong Kong Limited
“Master Agreement”	the master agreement dated 3 May 2012 entered into between Siping and Guangdong Titan in relation to the sale and purchase of pharmaceutical intermediate products for a term commencing from 3 May 2012 and expiring on 30 April 2015
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC

“Siping” 四平市精細化學品有限公司 (Siping City Fine Chemicals Product Co. Ltd.*), a sino-foreign equity joint venture company established in the PRC and a non wholly-owned subsidiary of the Company

“Transactions” the sale and purchase of pharmaceutical intermediate products between Siping and Guangdong Titan as contemplated under the Master Agreement

Note: for illustration purposes only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of HK\$1=RMB0.82 and this does not constitute any representation that any amount has been, could have been or may be exchanged at any particular rate on any date.

* *For identification purposes only.*

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

Hong Kong, 3 May 2012

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, Mr. Lu Jianmin and Mr. Wang Zhenguo 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.