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ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

On 10 September 2012, Zhongnuo, a non-wholly owned subsidiary of the Company, entered into the Master Agreement with Guangdong Titan in relation to the sale and purchase of the Antibiotics Products for a term commencing from 10 September 2012 and expiring on 9 September 2015. Guangdong Titan is a wholly-owned subsidiary of a substantial shareholder of Siping, a non-wholly owned subsidiary of the Company, 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

10 September 2012

Parties

1. Zhongnuo, 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 10 September 2012 to 9 September 2015

Nature of Transactions

Sale and purchase of the Antibiotics Products

Terms

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

Historical transactions

The amount of sales from Zhongnuo to Guangdong Titan for the Antibiotics Products for the two financial years ended 31 December 2010 and 2011 amounted to approximately RMB11,439,000 and RMB30,492,000 respectively.

Annual Caps

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

For the period from 10 September 2012 to 31 December 2012	RMB20,000,000 (approximately HK\$24,390,000)
For the year ending 31 December 2013	RMB37,000,000 (approximately HK\$45,122,000)
For the year ending 31 December 2014	RMB37,000,000 (approximately HK\$45,122,000)
For the period from 1 January 2015 to 9 September 2015	RMB30,000,000 (approximately HK\$36,585,000)

Basis for the annual caps

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Guangdong Titan is an existing customer of the Group. 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

Zhongnuo is a non-wholly owned subsidiary of the Company. Guangdong Titan is a wholly-owned subsidiary of a substantial shareholder of Siping, a non-wholly owned subsidiary of the Company. 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.

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.

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

DEFINITIONS

“Antibiotics Products”	various intermediate and bulk antibiotics products, including without limitation D-7ACA
“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 10 September 2012 entered into between Zhongnuo and Guangdong Titan in relation to the sale and purchase of the Antibiotics Products for a term commencing from 10 September 2012 and expiring on 9 September 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 the Antibiotics Products between Zhongnuo and Guangdong Titan as contemplated under the Master Agreement
“Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司 (CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd*), a sino-foreign equity joint venture company established in the PRC and a non-wholly owned subsidiary of the Company

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, 10 September 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.