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## **CONTINUING CONNECTED TRANSACTION MUTUAL SUPPLY FRAMEWORK AGREEMENT WITH SPG**

The Board announces that on 1 November 2012, the Group Members entered into the Mutual Supply Framework Agreement with SPG for mutual supply of products between the Group Members and the SPG Group.

SPG is a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company and therefore SPG is a connected person of the Company under Rule 14A.11 of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) as defined in Chapter 14 of the Listing Rules calculated against the maximum annual caps for the Transactions are more than 0.1% but less than 5%, such Transactions constitute non-exempt continuing connected transaction, which are subject to the reporting, annual review and announcements requirements under Chapter 14A of the Listing Rules.

### **I. INTRODUCTION**

The Board announces that on 1 November 2012, the Group Members entered into the Mutual Supply Framework Agreement with SPG for mutual supply of products between the Group Members and the SPG Group.

## II. CONTINUING CONNECTED TRANSACTION WITH SPG

### (a) Mutual Supply Framework Agreement

The Mutual Supply Framework Agreement is legally binding and its principal terms are described below:

- Date : 1 November 2012
- Parties : (i) SPG; and  
(ii) the Group Members, including CSPC Zhongnuo, Yinhu, CSPC Zhongqi, CSPC OYY, CSPC NBP and CSPC XNW.
- Term : Three years ending 31 October 2015.
- Mutual supply of Products : (i) SPG agrees to procure its subsidiaries to supply to the Group Members pharmaceutical raw material products, including but not limited to, ibuprofen; and  
(ii) each of the Group Members agrees to supply to the SPG Group pharmaceutical products (including raw material products and finished products), including but not limited to, antibiotic products, health care products, caffeine products, traditional Chinese medicine injection, lincomycin hydrochloride injection and butylphthalide soft capsules.
- Pricing basis and payment terms : Unit price of the Products and payment terms will be determined by mutual agreement reached between the Group Members and SPG Group and on the basis of the then prevailing market price and general commercial terms or the terms which are not less favorable than those offered to the Group Members by independent third parties.

**(b) Historical Figures**

The historical amounts in respect of the mutual supply of products between the Group Members and the SPG Group (excluding the Robust Sun Group) are as follows:

	<b>Twelve months ended 31 December 2009 <i>RMB'000</i></b>	<b>Twelve months ended 31 December 2010 <i>RMB'000</i></b>	<b>Twelve months ended 31 December 2011 <i>RMB'000</i></b>	<b>Nine months ended 30 September 2012 <i>RMB'000</i></b>
Purchase by the Group Members from the SPG Group	—	—	—	1,156
Sales from the Group Members to the SPG Group	—	27,577	54,627	112,988

**(c) Proposed Annual Caps**

It is anticipated that the annual caps under the Mutual Supply Framework Agreement for the three years ending 31 October 2015 shall be as follows:

	<b>Two months ending 31 December 2012 <i>RMB'000</i></b>	<b>Twelve months ending 31 December 2013 <i>RMB'000</i></b>	<b>Twelve months ending 31 December 2014 <i>RMB'000</i></b>	<b>Ten months ending 31 October 2015 <i>RMB'000</i></b>
Purchase by the Group Members from the SPG Group	450	3,000	3,500	3,400
Sales from the Group Members to the SPG Group	26,000	180,000	207,000	200,000

The above annual caps are determined with reference to, among others, the historical amounts for the similar transactions between the Group Members and the SPG Group and the expected growth in business between the Group Members and the SPG Group.

### III. REASONS FOR AND BENEFITS OF ENTERING INTO THE MUTUAL SUPPLY FRAMEWORK AGREEMENT

As disclosed in the announcement and the circular of the Company in relation to, among others, very substantial acquisition and connected transaction dated 17 June 2012 and 27 September 2012 respectively, it was announced that, on 17 June 2012, the Company entered into the Sale and Purchase Agreement with Joyful Horizon Limited as seller and MTL as guarantor, pursuant to which the Company agreed to acquire, and Joyful Horizon Limited agreed to sell, the entire issued share capital of Robust Sun, a wholly-owned subsidiary of Joyful Horizon Limited. It was further announced in the announcement of the Company in relation to the completion of the Acquisition dated 29 October 2012 that completion of the Acquisition took place on 29 October 2012 and following completion of the Acquisition, Robust Sun became a wholly-owned subsidiary of the Company.

Prior to the Acquisition, certain members of Robust Sun Group have been providing and procuring products to and from the SPG Group in their ordinary and usual course of business and based on arm's length commercial terms. It is expected that upon completion of the Acquisition, the Robust Sun Group will purchase from the SPG Group pharmaceutical raw materials products and the SPG Group will purchase from the Robust Sun Group pharmaceutical raw materials products and finished products, including but not limited to, antibiotic products, health care products, caffeine products, traditional Chinese medicine injection, lincomycin hydrochloride injection and butylphthalide soft capsules. Pursuant to Rule 14A.11 of the Listing Rules, SPG and its subsidiaries are connected persons of the Company and, as such, the provision and procurement of the products to and from such connected persons will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules ("**Potential Continuing Connected Transactions**").

As disclosed in the announcements of the Company in relation to continuing connected transaction dated 23 August 2010 and 10 January 2011, respectively, Zhongnuo, a subsidiary of the Company, entered into the 2010 Master Sales Agreement with Aipu regarding sale and purchase of certain pharmaceutical products and Zhongnuo and Yinhu, both being a subsidiary of the Company, entered into the 2011 Master Sale Agreement with Zhongcheng regarding the sale and purchase of certain finished pharmaceutical products. As the underlying transactions under the Master Sales Agreements and the Potential Continuing Connected Transactions were entered into with the parties connected or otherwise associated with one another, the transactions entered into with such connected parties will be categorized as the same class of transactions and will be aggregated into a series of continuing connected transactions for the purpose of calculating the relevant annual caps.

Given the long-term relationship between the Group and the SPG Group, the Company considers that it is in the Company's interests to enter into the Mutual Supply Framework Agreement for the following reasons:

- (i) the Group Members can acquire prompt and stable supply of products from the SPG Group, thus lowering the operating risks and costs and facilitating the Group Members' routine management on production; and
- (ii) the Group will be able to maintain and expand the business relationship with its existing customer, the SPG Group.

The Master Sales Agreements have automatically ceased and shall be replaced by the Mutual Supply Framework Agreement from the effective date of the Mutual Supply Framework Agreement.

The Directors, including the independent non-executive Directors, believe that the entering into of the Mutual Supply Framework Agreement is in the ordinary and usual business course of the Group Members and the terms of the Mutual Supply Framework Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **IV. INFORMATION ON THE PARTIES**

##### **(a) The Group Members**

Each of the Group Members is principally engaged in the manufacture and sales of pharmaceutical products.

##### **(b) SPG**

SPG is wholly-owned by MTL, a controlling shareholder of the Company. The principal activity of SPG is investment holding. The subsidiaries of SPG are principally engaged in the manufacture, sales and distribution of pharmaceutical products.

#### **V. IMPLICATIONS UNDER THE LISTING RULES**

SPG is a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company and therefore SPG is a connected person of the Company under Rule 14A.11 of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) as defined in Chapter 14 of the Listing Rules calculated against the maximum annual caps for the Transactions are more than 0.1% but less than 5%, such Transactions constitute non-exempt continuing connected transaction, which are subject to the reporting, annual review and announcements requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin and Mr. Wang Zhenguo is indirectly interested in MTL and therefore had a material interest in the Mutual Supply Framework Agreement, each of them was required to abstain from and did abstain from voting on the board resolutions of the Company in respect of the Transactions.

Save as disclosed in this Announcement, none of the Directors was required to abstain from voting on the board resolutions of the Company in respect of the Transactions.

## VI. DEFINITIONS

*In this announcement, the following expressions have the following meanings, unless the context requires otherwise:*

“2010 Master Sales Agreement”	the sale and purchase agreement dated 23 August 2010 entered into between Zhongnuo and Aipu in relation to sale and purchase of certain pharmaceutical products
“2011 Master Sales Agreement”	the sale and purchase agreement dated 10 January 2011 entered into between Zhongnuo, Yinhu and Zhongcheng in relation to sale and purchase of certain finished pharmaceutical products
“Aipu”	河北愛普醫藥藥材有限公司 (Hebei Aipu Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC and a non-wholly owned subsidiary of Zhongcheng
“Acquisition”	the acquisition of the entire issued share capital of Robust Sun by the Company from the Seller pursuant to the terms of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	China Pharmaceutical Group Limited (中國製藥集團有限公司), 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 in the Listing Rules
“CSPC NBP”	石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.), a wholly foreign owned enterprise with limited liability established in the PRC

“CSPC OYY”	石藥集團歐意藥業有限公司(CSPC Ouyi Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC
“CSPC XNW”	石藥集團新諾威製藥股份有限公司(CSPC XNW Pharmaceutical Joint Stock Company Limited*), a limited liability company established in the PRC
“CSPC Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司(CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.*) a limited liability company established in the PRC and formerly known as CSPC Hebei Zhongrun Pharmaceutical Co., Ltd.
“CSPC Zhongqi “	石藥集團中奇製藥技術(石家莊)有限公司(CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.*), a limited liability company established in the PRC
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Group Members”	CSPC Zhongnuo, Yinhu, CSPC Zhongqi, CSPC OYY, CSPC NBP and CSPC XNW, each being a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreements”	together, the 2010 Master Sales Agreement and the 2011 Master Sales Agreement
“Mutual Supply Framework Agreement”	the mutual supply framework agreement dated 1 November 2012 entered into between the Group Members and SPG for mutual supply of products between the Group Members and the SPG Group
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong and a controlling shareholder of the Company
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Products”	in respect of the products to be supplied by the Group Members to the SPG Group under the Mutual Supply Framework Agreement, pharmaceutical products (including raw material products and finished products), including but not limited to, antibiotic products, health care products, caffeine products, traditional Chinese medicine injection, lincomycin hydrochloride injection and butylphthalide soft capsules and, in respect of the products to be supplied by the SPG Group to the Group Members under the Mutual Supply Framework Agreement, pharmaceutical raw material products, including but not limited to, ibuprofen
“Robust Sun”	Robust Sun Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Robust Sun Group”	Robust Sun and its subsidiaries
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 June 2012 entered into among Joyful Horizon Limited as the seller, MTL as the guarantor and the Company as the buyer in relation to the sale and purchase of the entire issued share capital of Robust Sun, a wholly-owned subsidiary of Joyful Horizon Limited
“SPG”	石藥集團有限公司 (Shijiazhuang Pharmaceutical Group Company Limited*), a company established in the PRC and wholly-owned by MTL
“SPG Group”	SPG and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Mutual Supply Framework Agreement
“Yinhu”	石藥銀湖製藥有限公司 (CSPC Yinhu Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC
“Zhongcheng”	石藥集團河北中誠醫藥有限公司 (Shijiazhuang Pharma Group Hebei Zhongcheng Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC and a non-wholly owned subsidiary of SPG



“Zhongnuo”

石藥集團中諾藥業(石家莊)有限公司(Shijiazhuang Pharma Group Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.\*), which was a wholly-owned subsidiary of the Company and was merged into another subsidiary of the Company, CSPC Hebei Zhongrun Pharmaceutical Co., Ltd., which was renamed as CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd. after completion of the merger

\* *The English names are for identification purposes only*

For and on behalf of the Board  
**China Pharmaceutical Group Limited**  
**Cai Dongchen**  
*Chairman*

Hong Kong, 1 November 2012

*As at the date of this announcement, the Board 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.*