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CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(formerly known as China Pharmaceutical Group Limited 中國製藥集團有限公司)

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 1093)

ANNOUNCEMENT

CONNECTED TRANSACTIONS

ACQUISITION OF 100% EQUITY INTEREST IN CSPC BAIKE (YANTAI) BIOPHARMACEUTICAL CO., LTD. AND 45% EQUITY INTEREST IN CSPC HUASHENG PHARMACEUTICAL CO., LTD.

On 25 June 2013, the following agreements were entered into for the acquisition of equity interests in two companies by the Group:

- (1) the Baike Equity Transfer Agreement between SPG and CCPCL as vendors and NBP (a wholly-owned subsidiary of the Company) and the Company as purchasers in relation to the sale and purchase of 100% equity interest in Baike in aggregate, at the total consideration of RMB106,000,000; and
- (2) the Huasheng Equity Transfer Agreement between, among others, CCPCL as vendor and the Company as purchaser in relation to the sale and purchase of 45% equity interest in Huasheng, at the consideration of HK\$13,000,000.

SPG and CCPCL are wholly-owned subsidiaries of MTL, which is a controlling shareholder of the Company holding approximately 73.2% of the total issued share capital of the Company. Therefore SPG and CCPCL are connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules.

The Baike Acquisition and the Huasheng Acquisition thus constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Baike Acquisition and the Huasheng Acquisition, whether on a stand-alone or aggregated basis, are more than 0.1% but all of them are less than 5%, the Baike Acquisition and the Huasheng Acquisition 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 BAIKE ACQUISITION

The Baike Equity Transfer Agreement

The principal terms of the Baike Acquisition pursuant to the Baike Equity Transfer Agreement are summarised below.

- Date** : 25 June 2013
- Parties** : SPG and CCPCL, which are connected persons of the Company, as vendors
- NBP (a wholly-owned subsidiary of the Company) and the Company, as purchasers
- Subject Matter** : The total registered and paid-up capital of Baike is RMB100,000,000, which is held as to 70% by SPG and as to 30% by CCPCL.
- SPG has agreed to sell and NBP has agreed to purchase 70% equity interest in Baike (i.e. RMB70,000,000 registered and paid-up capital of Baike).
- CCPCL has agreed to sell and the Company has agreed to purchase 30% equity interest in Baike (i.e. RMB30,000,000 registered and paid-up capital of Baike).

- Consideration** : The consideration payable by NBP to SPG for the above sale and purchase of 70% equity interest in Baike shall be RMB74,200,000.
- The consideration payable by the Company to CCPCL for the above sale and purchase of 30% equity interest in Baike shall be RMB31,800,000.
- The above consideration shall be payable on the date of completion in cash in Renminbi or in Hong Kong dollar equivalent (calculated based on the exchange rate of Renminbi to Hong Kong dollar published by the People's Bank of China on the date of completion).
- The consideration for the Baike Acquisition was arrived at after arm's length negotiation between the parties having taken into account, among other things, the audited net asset value of Baike Group as at 31 December 2012 and the market potential of the drugs being produced by Baike Group as assessed by the Company. The consideration will be funded by the internal resources of the Group.
- The total original investment costs of SPG and CCPCL in respect of the entire equity interest in Baike Group were approximately RMB100,000,000.
- Condition and Completion** : The Baike Equity Transfer Agreement shall become effective upon the obtaining of approval from the relevant authority in MOFCOM. Completion of the sale and purchase shall take place within 10 days from the obtaining of such approval.
- Other material terms** : A non-interest bearing amount of RMB50,000,000 is owing by Baike to SPG. Pursuant to the Baike Equity Transfer Agreement, such amount will be repaid by Baike to SPG by 31 December 2013.

Information on Baike Group

Baike and its wholly-owned subsidiary Baike Shandong are limited companies established under the PRC laws in October 2010 and January 1994 respectively. Baike Group is principally engaged in the manufacture and sales of two oncology drugs, namely, pegylated recombinant human granulocyte colony stimulating factor (PEG-rhG-CSF) injection and recombinant human granulocyte colony stimulating factor (rhG-CSF) injection.

Based on the audited financial statements prepared in accordance with the PRC GAAP, the audited net asset value of Baike and Baike Shandong as at 31 December 2012 was RMB100,096,570 and RMB45,763,874 respectively. The audited net profit/(loss) (before and after taxation) of Baike Shandong for the two years ended 31 December 2012, based on its audited financial statements prepared in accordance with the PRC GAAP, was as follows:

	For the year ended 31 December 2012 (RMB) (Audited)	For the year ended 31 December 2011 (RMB) (Audited)
Net profit/(loss) before taxation of Baike Shandong	(6,812,203)	(4,273,802)
Net profit/(loss) after taxation of Baike Shandong	(6,812,203)	(4,273,802)

As the production plant of Baike is under construction and Baike has not yet commenced any business or any other activities, its audited financial statements for the two years ended 31 December 2012 prepared in accordance with the PRC GAAP did not include an income statement.

Reasons for and Benefits of the Baike Acquisition

One of the development strategies of the Group is to further strengthen its innovative drug business, and oncology drug is one of the therapeutic areas on which the Group is focusing. Following the Baike Acquisition, two oncology drugs and the production base for such drugs will be injected into the Group, which will further strengthen the product portfolio in respect of innovative drugs and also the competitiveness of the Group.

THE HUASHENG ACQUISITION

The Huasheng Equity Transfer Agreement

The principal terms of the Huasheng Acquisition pursuant to the Huasheng Equity Transfer Agreement are summarised below.

- Date** : 25 June 2013
- Parties** : CCPCL, which is a connected person of the Company, as vendor
The Company, as purchaser
OYY
- Subject Matter** : The total registered and paid-up capital of Huasheng is RMB4,000,000, which is held as to 55% by OYY and as to 45% by CCPCL.
CCPCL has agreed to sell and the Company has agreed to purchase 45% equity interest in Huasheng (i.e. RMB1,800,000 registered and paid-up capital of Huasheng).
- Consideration** : The consideration payable by the Company to CCPCL for the above sale and purchase of 45% equity interest in Huasheng shall be HK\$13,000,000.
The above consideration shall be payable on the date of completion in cash in Hong Kong dollars.
The consideration for the Huasheng Acquisition was arrived at after arm's length negotiation between the parties having taken into account, among other things, the audited net asset value of Huasheng as at 31 December 2012. The consideration will be funded by the internal resources of the Group.
The total original investment cost of CCPCL in respect of the 45% equity interest in Huasheng was approximately HK\$9,880,000.
- Condition and Completion** : The Huasheng Equity Transfer Agreement shall become effective upon the obtaining of approval from the relevant authority in MOFCOM. Completion of the sale and purchase shall take place within 10 days from the obtaining of such approval.

Information on Huasheng

Huasheng is a limited company established under the PRC laws in December 1993 and is principally engaged in the manufacture and sales of bulk drugs, including alendronate sodium and maleate levamlodipine.

Based on the audited financial statements of Huasheng prepared in accordance with the PRC GAAP, the audited net asset value of Huasheng as at 31 December 2012 was RMB22,114,942 and the audited net profit/(loss) (before and after taxation) of Huasheng for the two years ended 31 December 2012 was as follows:

	For the year ended 31 December 2012 (RMB) (Audited)	For the year ended 31 December 2011 (RMB) (Audited)
Net profit/(loss) before taxation of Huasheng	3,196,419	150,114
Net profit/(loss) after taxation of Huasheng	3,196,419	150,114

Reasons for and Benefits of the Huasheng Acquisition

Currently, Huasheng is an indirect 55%-owned subsidiary of the Company and is a sole supplier of certain raw materials of the Group for the manufacturing of certain finished drug products. After completion of the Huasheng Acquisition, Huasheng will be a wholly-owned subsidiary of the Company. Therefore, the Huasheng Acquisition will enable the Group to have complete control over the operations of Huasheng, being a sole supplier of certain raw materials of the Group.

OPINION OF THE BOARD

The Directors (including the independent non-executive directors) are of the opinion that the Baike Acquisition and the Huasheng Acquisition (i) were entered into in the ordinary and usual course of business of the Group; (ii) are on normal commercial terms agreed after arm's length negotiations between the parties; and (iii) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

SPG and CCPCL are wholly-owned subsidiaries of MTL, which is a controlling shareholder of the Company holding approximately 73.2% of the total issued share capital of the Company. Therefore SPG and CCPCL are connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules.

The Baike Acquisition and the Huasheng Acquisition thus constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Baike Acquisition and the Huasheng Acquisition, whether on a stand-alone or aggregated basis, are more than 0.1% but all of them are less than 5%, the Baike Acquisition and the Huasheng Acquisition are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Pan Weidong, Mr. Zhao John Huan, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo and Mr. Wang Jinxu is indirectly interested in MTL, each of them abstained from voting on the board resolutions of the Company in respect of the Baike Acquisition and the Huasheng Acquisition. Save as the aforesaid, none of the Directors have a material interest in the Baike Acquisition and/or the Huasheng Acquisition.

GENERAL

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

The principal activity of SPG is investment holding. The subsidiaries of SPG are principally engaged in the manufacture, sales and distribution of pharmaceutical products.

The principal activity of CCPCL is investment holding. The investments of CCPCL are principally engaged in the manufacture and sales of pharmaceutical products.

DEFINITIONS

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

“Baike”	石藥集團百克(煙台)生物製藥有限公司 (CSPC Baike (Yantai) Biopharmaceutical Co., Ltd.*), a company established in the PRC with limited liability
“Baike Acquisition”	the acquisition of the entire equity interest in Baike in aggregate by the Group pursuant to the Baike Equity Transfer Agreement

“Baikc Equity Transfer Agreement”	the agreement dated 25 June 2013 between SPG, CCPCL, NBP and the Company in relation to the Baikc Acquisition, details of which are more particularly set out in this announcement above
“Baikc Group”	Baikc and its wholly-owned subsidiary Baikc Shandong
“Baikc Shandong”	石藥集團百克(山東)生物製藥有限公司 (CSPC Baikc (Shandong) Biopharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Baikc
“Board”	the board of Directors
“CCPCL”	中國詩薇製藥有限公司 (China Charmaine Pharmaceutical Company Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of MTL
“Company”	CSPC 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huasheng”	石家莊製藥集團華盛製藥有限公司 (CSPC Huasheng Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability
“Huasheng Acquisition”	the acquisition of 45% equity interest in Huasheng by the Company pursuant to the Huasheng Equity Transfer Agreement
“Huasheng Equity Transfer Agreement”	the agreement dated 25 June 2013 between CCPCL, the Company and OYY in relation to the Huasheng Acquisition, details of which are more particularly set out in this announcement above
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOFCOM”	Ministry of Commerce of the People’s Republic of China
“MTL”	Massive Top Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company

“NBP”	石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“OYY”	石藥集團歐意藥業有限公司 (CSPC Ouyi Pharmaceutical Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	the Generally Accepted Accounting Principles of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SPG”	石藥集團有限責任公司 (Shijazhuang Pharmaceutical Group Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of MTL
“%”	Per cent

By Order of the Board
CSPC Pharmaceutical Group Limited
Chak Kin Man
Executive Director

Hong Kong, 25 June 2013

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, Mr. WANG Zhenguo and Mr. WANG Jinxu as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. HUO Zhenxing, Mr. QI Moujia, Mr. GUO Shichang, Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo and Mr. ZHANG Fawang as independent non-executive directors.

* For identification purposes only