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## **CSPC PHARMACEUTICAL GROUP LIMITED**

### **石藥集團有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*

**(Stock code: 1093)**

## **ANNOUNCEMENT**

### **CONNECTED TRANSACTION ACQUISITION OF 93.18% EQUITY INTEREST IN CSPC SHENGXUE GLUCOSE CO., LTD.**

On 14 April 2016, CSPC NBP (as purchaser), a wholly owned subsidiary of the Company, entered into the Agreement with CHL (as vendor) in relation to the sale and purchase of 93.18% equity interest in Shengxue at a consideration of RMB36,440,000. Upon completion of the Acquisition, Shengxue will become a non-wholly owned subsidiary of the Company.

CHL is an associate of a substantial shareholder of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules accordingly.

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE ACQUISITION**

The principal terms of the Agreement are summarised below:

**Date** : 14 April 2016

**Parties** : CHL, which is a connected person of the Company, as vendor

CSPC NBP, which is a wholly owned subsidiary of the Company, as purchaser

**Subject Matter:** CHL has agreed to sell and CSPC NBP has agreed to purchase 93.18% equity interest in Shengxue.

**Consideration :** The consideration payable by CSPC NBP for the Acquisition is RMB36,440,000, being 93.18% of the unaudited net asset value of Shengxue as of 29 February 2016, which is payable by CSPC NBP to CHL within 30 days from the effective date of the Agreement.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties having taken into account, amongst other things, the net asset value of Shengxue as at 29 February 2016 and the financial and operating conditions of Shengxue. The consideration will be funded by the internal resources of the Group.

### Information on Shengxue

Shengxue is a company established under the laws of the PRC with limited liability and is principally engaged in the manufacture and sales of products processed from corn, such as dextrose, starch, starch sugar, sorbitol and xylitol. As at the date of this announcement, the total registered and paid-up capital of Shengxue is RMB261,910,000, which is held as to 93.18% by CHL and 6.82% by China Huarong Asset Management Co., Ltd.. Upon completion of the Acquisition, Shengxue will be held as to 93.18% by CSPC NBP and 6.82% by China Huarong Asset Management Co., Ltd., and Shengxue will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Company.

Based on the management accounts of Shengxue, the unaudited net asset value of Shengxue as at 29 February 2016 was RMB39,106,407, which did not include any revaluation surplus on the Factory Building and the Land (both as defined below) based on a valuation report issued by 河北榮達資產評估有限公司 (Hebei Rongda Asset Appraisal Co., Ltd.\*) as described below. The audited net profit (before and after taxation) of Shengxue for the two years ended 31 December 2015, based on its audited financial statements prepared in accordance with the PRC GAAP, are as follows:

	<b>For the year ended 31 December 2015 (RMB) (Audited)</b>	For the year ended 31 December 2014 (RMB) (Audited)
Net profit(loss) before taxation of Shengxue	<b>201,744</b>	(31,660,028) (Note)
Net profit(loss) after taxation of Shengxue	<b>201,744</b>	(31,660,028) (Note)

*Note:* For the year ended 31 December 2014, Shengxue recognised an impairment loss on property, plant and equipment of RMB33,975,886. The net profit before and after taxation with the exclusion of the impairment loss would be RMB2,315,858.

Shengxue has the land use right of parcels of land for industrial use with a total gross floor area of 85,229.96 sq.m. located at 中國河北省石家莊市欒城縣城區聖雪路 (Shengxue Road, Luancheng County, Shijiazhuang City, Hebei Province, the PRC\*) for a term ending on 11 July 2055 (the “**Land**”). There are 19 factory buildings with a gross floor area of 21,162.75 sq.m. (the “**Factory Buildings**”) erected on the Land.

Based on the unaudited financial statements of Shengxue prepared in accordance with the PRC GAAP, the book values of the Factory Buildings and the Land as at 29 February 2016 were RMB16,967,341 and RMB12,978,206 respectively. Based on a valuation report issued by 河北榮達資產評估有限公司 (Hebei Rongda Asset Appraisal Co., Ltd.\*), an independent property valuer, the market values of the Factory Buildings and the Land as at 29 February 2016 were RMB22,411,631 and RMB29,489,594 respectively.

The original investment cost by CHL in Shengxue was approximately RMB52,882,012.

As of the date of the Agreement, Shengxue owes an unsecured and non-interest bearing loan in the amount of RMB59,750,000 advanced by 河北宏源熱電有限責任公司 (Hebei Hongyuan Re Dian Limited Liability Company\*), a company controlled as to 40% by CHL and the loan is repayable on demand.

### **Reasons for and Benefits of the Acquisition**

With CSPC NBP acquiring Shengxue which holds the Land and the Factory Buildings, in which approximately half of it remains undeveloped, the Company will be able to tap into the unused land to realize the development potential of the Land, including construction of new factory premises on the Land. In addition, as disclosed in the announcement of the Company dated 25 June 2013, CSPC XNW (as tenant) and Shengxue (as landlord) entered into a lease agreement in respect of part of the Factory Buildings with a gross floor area of 9,252.76 sq.m. for the principal use of the production of bulk drug products, and whereby rent of RMB1,501,200 per annum is payable by CSPC XNW to Shengxue. Acquiring Shengxue will allow the Group to minimize rental expenses in relation to the Factory Buildings.

### **OPINION OF THE BOARD**

The Directors (including the independent non-executive Directors) are of the opinion that the Acquisition (i) was 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**

MGGL is a substantial shareholder of the Company holding approximately 17.90% of the total number of issued shares of the Company as at the date of this announcement, which is wholly-owned by MTL. CHL is a wholly-owned subsidiary of MTL. Therefore, CHL is an associate of a substantial

shareholder of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules accordingly.

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu and Mr. Lu Hua is indirectly interested in MTL, each of them was required to abstain from and did abstain from voting on the board resolution of the Company in respect of the Acquisition. Save as the aforesaid, none of the Directors have a material interest in the 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 CHL is investment holding.

## **DEFINITIONS**

“Acquisition”	the acquisition of 98.13% equity interest in Shengxue by CSPC NBP from CHL pursuant to the Agreement
“Agreement”	the equity transfer agreement dated 14 April 2016 entered into between CSPC NBP and CHL in relation to the Acquisition
“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*) (formerly known as 石藥集團有限責任公司 (Shijiazhuang Pharmaceutical Group Company Limited*)), a company established in the PRC and wholly-owned by 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

“CSPC NBP”	石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC and is a wholly owned subsidiary of the Company
“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 and is a non-wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MGGL”	Massive Giant Group Limited, a limited liability company incorporated in the British Virgin Islands and a substantial shareholder of the Company
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong
“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
“Shengxue”	石藥集團聖雪葡萄糖有限責任公司 (CSPC Shengxue Glucose Co., Ltd.*) (formerly known as 河北聖雪葡萄糖有限責任公司 (Hebei Shengxue Glucose Limited Liability Company*)), a company established in the PRC with limited liability and a non-wholly owned subsidiary of CHL

“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board  
**CSPC Pharmaceutical Group Limited**  
**Cai Dongchen**  
*Chairman*

Hong Kong, 14 April 2016

*As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo, Mr. WANG Jinxu and Mr. LU Hua as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam and Mr. YU Jinming as independent non-executive directors.*

\* *For identification purposes only*