

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CSPC

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 THE ENTIRE EQUITY INTEREST IN
HEBEI SHIWEI PHARMACEUTICAL TRADING CO., LTD.***

On 3 March 2017, the Company (as purchaser) entered into the Agreement with CCPCL (as vendor) in relation to the sale and purchase of the entire equity interest in Hebei Shiwei at a consideration of RMB200,030,689. Upon completion of the Acquisition, Hebei Shiwei will become a wholly-owned subsidiary of the Company.

CCPCL 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 one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is 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** : 3 March 2017
- Parties** : (i) CCPCL, which is a connected person of the Company, as vendor
(ii) the Company, as purchaser
- Subject Matter** : CCPCL has agreed to sell and the Company has agreed to purchase the entire equity interest in Hebei Shiwei.
- Consideration** : The consideration payable by the Company for the Acquisition is RMB200,030,689 and will be paid by the Company in cash to CCPCL in full within 10 days from the date of completion.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties having taken into account, amongst other things, the unaudited net asset value of Hebei Shiwei as of 28 February 2017 comprising, inter alia, bank balance and cash in the amount of at least RMB200,000,000. The consideration will be funded by the internal resources of the Group.

- Completion** : After signing of the Agreement, CCPCL and the Company shall cooperate with each other and endeavor to obtain any approval from the relevant PRC authorities (if required) and to complete the change of business registration and the other procedures as required by the PRC laws and regulations for completion of the Acquisition by 31 March 2017 or such later date as the parties may otherwise agree in writing.

Information on Hebei Shiwei

Hebei Shiwei is a company established under the laws of the PRC with limited liability and is principally engaged in the sales of pharmaceutical products. A pharmaceutical operation permit (藥品經營許可證) was granted by the China Food and Drug Administration to Hebei Shiwei for wholesale of pharmaceutical products. As at the date of this announcement, the total registered and paid-up capital of Hebei Shiwei is RMB200,000,000. Upon completion of the Acquisition, Hebei Shiwei will become a 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 Hebei Shiwei, the unaudited net asset value of Hebei Shiwei as at 28 February 2017 comprising, inter alia, bank balance and cash in the amount of at least RMB200,000,000, was RMB200,030,689. The audited net (loss) profit (before and after taxation) of Hebei Shiwei for the two years ended 31 December 2016, based on its audited financial statements prepared in accordance with the PRC GAAP, are as follows:

	For the year ended 31 December 2016 (RMB) (Audited)	For the year ended 31 December 2015 (RMB) (Audited)
Net (loss)profit before taxation of Hebei Shiwei	(84,972)	1,299,124
Net (loss)profit after taxation of Hebei Shiwei	(86,329)	1,265,587

The original investment cost by CCPCL in Hebei Shiwei was RMB200,000,000.

Reasons for and Benefits of the Acquisition

The pharmaceutical operation permit (藥品經營許可證) has been granted to Hebei Shiwei from the China Food and Drug Administration for the engagement of wholesale of pharmaceutical products. The Acquisition will enable the Group to commence its wholesale business for a new line of pharmaceutical products immediately after completion of the Acquisition, saving the time to apply for the pharmaceutical operation permit.

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) is on normal commercial terms agreed after arm's length negotiations between the parties; and (iii) is 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 17.48% of the total number of issued shares of the Company as at the date of this announcement, which is wholly-owned by MTL. CCPCL is a wholly-owned subsidiary of CHL, which is in turn wholly owned by MTL. Therefore, CCPCL 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 one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is 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 CCPCL is investment holding.

DEFINITIONS

“Acquisition”	the acquisition of the entire equity interest in Hebei Shiwei by the Company from CCPCL pursuant to the Agreement
“Agreement”	the equity transfer agreement dated 3 March 2017 entered into between CCPCL and the Company in relation to the Acquisition
“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 CHL
“CHL”	石藥控股集團有限公司 (CSPC Holdings 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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hebei Shiwei”	河北詩薇醫藥商貿有限公司 (Hebei Shiwei Pharmaceutical Trading Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of CCPCL
“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
“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, 3 March 2017

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, Mr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.

* *For identification purposes only*