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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 29.9% EQUITY INTEREST IN
CSPC YUANDA (DALIAN) PHARMACEUTICAL CO., LTD.***

On 6 August 2018, CSPC NBP (as purchaser), an indirect wholly owned subsidiary of the Company, entered into the Agreement with CHL (as vendor) in relation to the sale and purchase of 29.9% equity interest in CSPC Yuanda at a consideration of RMB28,000,000. Upon completion of the Acquisition, CSPC NBP will hold 29.9% equity interest in CSPC Yuanda.

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

As more than one 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 requirement under Chapter 14A of the Listing Rules.

THE ACQUISITION

The principal terms of the Agreement are summarised below:

- Date** : 6 August 2018
- Parties** : (i) CHL, a connected person of the Company, as vendor
(ii) CSPC NBP, an indirect wholly owned subsidiary of the Company, as purchaser
- Subject Matter** : CHL has agreed to sell and CSPC NBP has agreed to purchase 29.9% equity interest in CSPC Yuanda.
- Consideration** : The consideration payable by CSPC NBP for the Acquisition is RMB28,000,000 which will be paid by CSPC NBP in cash to CHL within 30 days from the date of the Agreement. The consideration will be funded by internal resources of the Group.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties having taking into account a valuation of 100% equity interest of CSPC Yuanda as at 31 May 2018 by an independent valuer in the PRC at approximately RMB94,000,000, the financial position and performance of CSPC Yuanda.

Information on CSPC Yuanda

CSPC Yuanda is a limited liability company established under the laws of the PRC and is owned as to 29.9% by CHL and 70.1% by an Independent Third Party immediately before completion of the Acquisition. CSPC Yuanda is principally engaged in manufacturing of pharmaceutical products. As at the date of this announcement, the total registered and paid-up capital of CSPC Yuanda is RMB8,000,000. Upon completion of the Acquisition, CSPC NBP will hold 29.9% equity interest in CSPC Yuanda.

Based on the audited accounts of CSPC Yuanda prepared in accordance with the PRC GAAP the net liability value of CSPC Yuanda as at 31 December 2017 was approximately RMB68,965,000. The net profits (before and after taxation) of CSPC Yuanda for the two years ended 31 December 2017 were as follows:

	2017 (RMB) (Audited)	2016 (RMB) (Audited)
Net profits before taxation	14,827,000	11,000,000
Net profits after taxation	12,860,000	10,514,000

The original investment cost by CHL in CSPC Yuanda was approximately RMB14,000,000.

Reasons for and benefits of the Acquisition

CSPC Yuanda is the manufacturer and sole supplier of an oncology drug marketed by the Group. Following the Acquisition, the business relationship will be strengthened with the Group having an equity interest in CSPC Yuanda.

THE BOARD'S VIEW

The Directors (including the independent non-executive Directors) are of the view 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

Mr. Cai Dongchen, a substantial shareholder of the Company, is indirectly interested in more than 30% of CHL through a series of corporations. 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. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As more than one 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 requirement under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Wang Jinxu, Mr. Lu Hua, Mr. Li Chunlei and Mr. Zhang Cuilong is indirectly interested in CHL, 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 and CSPC NBP is principally engaged in the manufacture and sales of pharmaceutical products.

The principal activity of CHL is investment holding.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of 29.9% equity interest in CSPC Yuanda by CSPC NBP from CHL pursuant to the Agreement
“Agreement”	the equity transfer agreement dated 6 August 2018 entered into between CSPC NBP and CHL in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*), a limited liability company established in the PRC
“Company”	CSPC Pharmaceutical Group Limited 石藥集團有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1093)
“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 indirectly wholly owned by the Company
“CSPC Yuanda”	石藥集團遠大(大連)製藥有限公司 (CSPC Yuanda (Dalian) Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC
“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
“Independent Third Party”	third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, 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
“subsidiary”	has the meaning as ascribed in the Listing Rules
“substantial shareholder”	has the meaning as ascribed in the Listing Rules
“%”	per cent

By Order of the Board
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 6 August 2018

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. WANG Jinxu, Mr. LU Hua, Mr. LI Chunlei, Mr. ZHANG Cuilong and Mr. CHAK Kin Man 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 purpose only*