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**CSPC**

**CSPC PHARMACEUTICAL GROUP LIMITED**

**石藥集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1093)**

**REVISION OF ANNUAL CAPS FOR EXISTING  
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 1 November 2018 in relation to, among other matters, the Master Sales Agreement entered into between the Company and CHL, pursuant to which the Company agreed to supply, and to procure its subsidiaries to supply, Pharmaceutical Products to the CHL Group for a period of three years commencing from 1 November 2018 subject to the Existing Annual Caps. On 9 December 2019, the Company entered into the Supplemental Agreement with CHL to amend the Master Sales Agreement by revising the Existing Annual Caps to the Revised Annual Caps. Save for the revision of the Existing Annual Caps to the Revised Annual Caps, all other terms and conditions under the Master Sales Agreement remain in full force and effect.

**LISTING RULES IMPLICATIONS**

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 entering into of the Supplemental Agreement and the Transactions contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) calculated pursuant to Chapter 14 of the Listing Rules in respect of the highest cap amongst the Revised Annual Caps for the Transactions exceed 0.1% but all of them are less than 5%, the Transactions under the Supplemental Agreement constitute continuing connected transactions of the Company, which are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

Reference is made to the announcement of the Company dated 1 November 2018 in relation to, among other matters, the Master Sales Agreement entered into between the Company and CHL, pursuant to which the Company agreed to supply, and to procure its subsidiaries to supply, Pharmaceutical Products to the CHL Group for a period of three years commencing from 1 November 2018 subject to the Existing Annual Caps.

## SUPPLEMENTAL AGREEMENT

On 9 December 2019, the Company entered into the Supplemental Agreement with CHL to amend the Master Sales Agreement by revising the Existing Annual Caps to the Revised Annual Caps. Save for the revision of the Existing Annual Caps to the Revised Annual Caps, all other terms and conditions under the Master Sales Agreement remain in full force and effect.

The principal terms of the Supplemental Agreement are summarized below:

### **Date:**

9 December 2019

### **Parties:**

- (i) the Company; and
- (ii) CHL

### **Subject matter:**

Pursuant to the Supplemental Agreement, the Existing Annual Caps in respect of each of the two years ending 31 December 2020 and the ten months ending 31 October 2021 are amended as follows:

	<b>For the year ending 31 December 2019 '000</b>	<b>For the year ending 31 December 2020 '000</b>	<b>For the ten months ending 31 October 2021 '000</b>
<b>Existing Annual Caps</b>	RMB493,000	RMB567,000	RMB543,000
<b>Revised Annual Caps</b>	RMB530,000	RMB715,500	RMB715,500

## **REASONS FOR AND BENEFITS OF REVISING THE EXISTING ANNUAL CAPS AND THE BASIS FOR DETERMINING THE REVISED ANNUAL CAPS**

Pursuant to the Master Sales Agreement, the Existing Annual Caps for each of the two months ended 31 December 2018, the two years ending 31 December 2020 and the ten months ending 31 October 2021 were originally set at RMB120,000,000, RMB493,000,000, RMB567,000,000 and RMB543,000,000 respectively. The actual amounts of the Transactions for the two months ended 31 December 2018 and for the eleven months ended 30 November 2019 were as follows:

	<b>For the two months ended 31 December 2018 '000 (unaudited)</b>	<b>For the eleven months ended 30 November 2019 '000 (unaudited)</b>
<b>Actual amounts of the Transactions</b>	RMB42,945	RMB453,927

The actual amount of the Transactions for the two months ended 31 December 2018 has not exceeded the annual cap for the same period. However, with the continuous development and expansion of the Group's finished drug business in 2019, there has been an increase in demand for the Pharmaceutical Products in the end-user market and a larger sales volume is expected to be made to the CHL Group (as distributor of the Pharmaceutical Products). Hence, the amounts of the Transactions for the two years ending 31 December 2020 and the ten months ending 31 October 2021 are expected to be higher than the levels as anticipated at the time of entering into the Master Sales Agreement. The Company therefore entered into the Supplemental Agreement with CHL on 9 December 2019 to amend the Master Sales Agreement by revising the Existing Annual Caps to the Revised Annual Caps.

The Revised Annual Caps have been determined with reference to, among others, (i) the historical amounts of the Transactions between the Group and the CHL Group; and (ii) the expected level of purchases by the CHL Group taking into account the Group's projected sales volume of its Pharmaceutical Products, the estimated demands from the CHL Group and the anticipated growth of the Group's production capacity.

The Directors (including the independent non-executive Directors) are of the view that the Supplemental Agreement was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms and the Revised Annual Caps thereof are 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 entering into of the Supplemental Agreement and the Transactions contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) calculated pursuant to Chapter 14 of the Listing Rules in respect of the highest cap amongst the Revised Annual Caps for the Transactions exceed 0.1% but all of them are less than 5%, the Transactions under the Supplemental Agreement constitute continuing connected transactions of the Company, which are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Zhang Cuilong, Mr. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Dr. Lu Hua and Dr. Li Chunlei, all being Directors, is indirectly interested in CHL and may be regarded as having a material interest in the Supplemental Agreement, each of them had abstained from voting on the board resolutions of the Company in respect of the Supplemental Agreement. 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 Supplemental Agreement.

## **GENERAL**

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

The principal business activity of CHL is investment holding. The CHL Group is principally engaged in the manufacture, sales and distribution of pharmaceutical products. CHL is ultimately controlled by Mr. Cai Dongchen.

## **DEFINITIONS**

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

“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*), a company established in the PRC

“CHL Group”	CHL and its subsidiaries
“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
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Annual Caps”	the existing annual caps for the Transactions under the Master Sales Agreement in respect of each of the two years ending 31 December 2020 and the ten months ending 31 October 2021, the particulars of which are set out in the paragraph headed “IV. Proposed Annual Caps” in the announcement of the Company dated 1 November 2018 and in the paragraph headed “Supplemental Agreement – Subject matter” in this announcement
“Group”	the Company and its subsidiaries
“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 Agreement”	the product master sales agreement dated 1 November 2018 entered into between the Company and CHL in relation to the sale of Pharmaceutical Products by the Group to the CHL Group
“Pharmaceutical Products”	pharmaceutical products (including raw material and finished drugs)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Revised Annual Caps”	the revised annual caps for the Transactions under the Master Sales Agreement (as supplemented by the Supplemental Agreement) in respect of each of the two years ending 31 December 2020 and the ten months ending 31 October 2021, the particulars of which are set out in the paragraph headed “Supplemental Agreement – Subject matter” in this announcement

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 9 December 2019 entered into between the Company and CHL to amend the Existing Annual Caps under the Master Sales Agreement
“Transactions”	the sale of Pharmaceutical Products by the Group to the CHL Group as contemplated under the Master Sales Agreement or the Supplemental Agreement (as the case may be)

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

Hong Kong, 9 December 2019

*As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LU Hua, Dr. LI Chunlei, Dr. WANG Qingxi and Mr. CHAK Kin Man as executive Directors; Mr. LEE Ka Sze, Carmelo as a non-executive Director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Prof. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Chuan as independent non-executive Directors.*

\* *For identification purpose only*