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## **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 CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 12 July 2019 in relation to the Steam Supply Agreement entered into between Shengxue (an indirect wholly-owned subsidiary of the Company) and Hebei Hongyuan for the purchase of steam by Shengxue from Hebei Hongyuan for a period of three years from 13 June 2019 to 12 June 2022 (both days inclusive) subject to, among others, the Existing Annual Caps. On 30 September 2021, Shengxue entered into the Supplemental Agreement with Hebei Hongyuan to amend the Steam Supply Agreement by revising the Existing Annual Caps to the Revised Annual Caps. Except for such revision, other terms under the Steam Supply Agreement remain unchanged and in full force and effect.

Hebei Hongyuan 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 constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

One of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the highest cap amongst the Revised Annual Caps is more than 0.1% but all of them are less than 5%. Accordingly, the Supplemental Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

Reference is made to the announcement of the Company dated 12 July 2019 in relation to the Steam Supply Agreement entered into between Shengxue (an indirect wholly-owned subsidiary of the Company) and Hebei Hongyuan for the purchase of steam by Shengxue from Hebei Hongyuan for a period of three years from 13 June 2019 to 12 June 2022 (both days inclusive) subject to, among others, the Existing Annual Caps.

## SUPPLEMENTAL AGREEMENT

On 30 September 2021, Shengxue entered into the Supplemental Agreement with Hebei Hongyuan to amend the Steam Supply Agreement by revising the Existing Annual Caps to the Revised Annual Caps. Except for such revision, other terms under the Steam Supply Agreement remain unchanged and in full force and effect.

The principal terms of the Supplemental Agreement are summarized as follows:-

<b>Date</b>	:	30 September 2021
<b>Parties</b>	:	(a) Shengxue; and (b) Hebei Hongyuan
<b>Subject matter</b>	:	Purchase of steam by Shengxue from Hebei Hongyuan

Pursuant to the Supplemental Agreement, the Existing Annual Caps in respect of the year ending 31 December 2021 and for the period from 1 January 2022 to 12 June 2022 (the “**2022 Period**”) are amended as follows:

	<b>For the year ending 31 December 2021</b> <i>(excluding value added tax)</i>	<b>For the 2022 Period</b> <i>(excluding value added tax)</i>
Existing Annual Caps	RMB17,871,000	RMB9,010,000
Revised Annual Caps	RMB28,000,000	RMB30,000,000

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

Hebei Hongyuan has been supplying steam to Shengxue for its production since 2002. The production base of Shengxue is located in close proximity to that of Hebei Hongyuan which allows Hebei Hongyuan to deliver steam to Shengxue in a stable and transportation-efficient manner that fits the operational needs of Shengxue. Pursuant to the Steam Supply Agreement, the Existing Annual Caps for the year ending 31 December 2021 and the 2022 Period were originally set at RMB17,871,000 and RMB9,010,000 respectively, which had not taken into account the potential consumption of steam by Shengxue necessary for its production of acarbose active pharmaceutical ingredients (the “**New Product**”). Shengxue has commenced production of the New Product since 2020 which led to a gradual increase in its demand for steam supply for the purposes of production. The actual aggregate amount of purchase of steam by Shengxue from Hebei Hongyuan during the period from 1 January 2021 to 30 September 2021 already amounted to approximately RMB17,200,000. As the production capacity for the New Product will continue to expand and demand for steam supply will therefore increase, it is anticipated that the Existing Annual Caps will not be sufficient and therefore need to be revised. Shengxue therefore entered into the Supplemental Agreement with Hebei Hongyuan on 30 September 2021 to amend the Steam Supply Agreement by revising the Existing Annual Caps to the Revised Annual Caps.

The Revised Annual Caps are determined with reference to (i) the estimated quantity and unit price of steam required by Shengxue from Hebei Hongyuan (the pricing basis of which was disclosed in the announcement of the Company dated 12 July 2019); (ii) the historical transaction amounts; (iii) the estimated potential increase in production capacity (in particular, in relation to the production of the New Product); and (iv) inflation factor.

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 after arm’s length negotiations between the parties, and that the terms and the Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATION**

Mr. Cai Dongchen, a substantial shareholder of the Company, indirectly controls the exercise of more than 30% of the voting power at general meetings of Hebei Hongyuan through a series of corporations. Therefore, Hebei Hongyuan 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 constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

One of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the highest cap amongst the Revised Annual Caps is more than 0.1% but all of them are less than 5%. Accordingly, the Supplemental Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Hebei Hongyuan is owned as to 40% by CHL. Given that each of Mr. Cai Dongchen, Mr. Zhang Cuilong, Mr. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Dr. Li Chunlei and Dr. Jiang Hao, 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 resolution of the Company in respect of the Supplemental Agreement. Other than the aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Supplemental Agreement.

## GENERAL INFORMATION

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

Shengxue is principally engaged in the manufacture and sale of anhydrous glucose and acarbose active pharmaceutical ingredients.

Hebei Hongyuan is principally engaged in the provision of steam and electricity supply in Pharmaceutical Industrial Zone, Luancheng Area, Shijiazhuang City, Hebei Province, the PRC. It is owned as to 40% by CHL, 48.43% by Shijiazhuang Luancheng Investment & Development Co. Ltd.\* (石家莊市欒城區國控投資開發有限公司) (“**Luancheng Investment & Development**”) and 11.57% by Luancheng Heat & Electricity Factory\* (欒城縣熱電廠) (“**Luancheng Factory**”). Mr. Cai Dongchen (a substantial shareholder of the Company) indirectly controls the exercise of more than 30% of the voting power at general meetings of CHL. The remaining ultimate beneficial owners of CHL comprise more than 100 management personnel of the Group and CHL. Luancheng Investment & Development is principally engaged in investment holding and ultimately owned by Shijiazhuang Luancheng Finance Bureau\* (石家莊市欒城區財政局). As far as can be ascertained by the Company, Luancheng Factory is a project unit controlled by the People's Government of Shijiazhuang Luancheng\* (石家莊市欒城區人民政府).

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the meanings set out below:-

“2022 Period”	has the meaning as defined under the paragraph headed “Supplemental Agreement — Subject matter” in this announcement
“associate”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“CHL”	CSPC Holdings Company Limited* (石藥控股集團有限公司), a company established in the PRC
“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 of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Annual Caps”	the existing annual caps for the transactions contemplated under the Steam Supply Agreement in respect of the year ending 31 December 2021 and the 2022 Period, the particulars of which are set out in the paragraph headed “Proposed Annual Caps” in the announcement of the Company dated 12 July 2019 and in the paragraph headed “Supplemental Agreement – Subject matter” in this announcement
“Group”	the Company and its subsidiaries
“Hebei Hongyuan”	Hebei Hongyuan Heat & Electricity Co., Ltd.* (河北宏源熱電有限責任公司), a company established in the PRC with limited liability and owned as to 40% by CHL
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 contemplated under the Steam Supply Agreement (as supplemented by the Supplemental Agreement) in respect of the year ending 31 December 2021 and the 2022 Period, 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
“Shengxue”	CSPC Shengxue Glucose Co., Ltd.* (石藥集團聖雪葡萄糖有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Steam Supply Agreement”	the master steam supply agreement dated 12 July 2019 entered into between Shengxue and Hebei Hongyuan setting out the general terms for the purchase of steam by Shengxue from Hebei Hongyuan which covers a period of three years commencing from 13 June 2019 to 12 June 2022 (both days inclusive)
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 30 September 2021 entered into between Shengxue and Hebei Hongyuan to amend the Steam Supply Agreement for the revision of the Existing Annual Caps to the Revised Annual Caps
“%”	per cent.

\* *For identification purposes only*

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

Hong Kong, 30 September 2021

*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. LI Chunlei, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan and Mr. LAW Cheuk Kin Stephen as independent non-executive directors.*