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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 1.31% EQUITY INTEREST IN
CSPC INNOVATION PHARMACEUTICAL CO., LTD.*

On 11 October 2017, CSPC Ouyi (as purchaser), a wholly-owned subsidiary of the Company, entered into the Agreement with Zhongchengxin (as vendor) in relation to the sale and purchase of 1.31% equity interest in CSPC XNW at a consideration of RMB9,400,000. Upon completion of the Acquisition, CSPC XNW will become an indirect wholly-owned subsidiary of the Company.

Zhongchengxin 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 accordingly.

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** : 11 October 2017
- Parties** : (i) Zhongchengxin, a connected person of the Company, as vendor
(ii) CSPC Ouyi, a wholly-owned subsidiary of the Company, as purchaser
- Subject Matter** : Zhongchengxin has agreed to sell and CSPC Ouyi has agreed to purchase 1.31% equity interest in CSPC XNW.
- Consideration** : The consideration payable by CSPC Ouyi for the Acquisition is RMB9,400,000 and will be paid by CSPC Ouyi in cash to Zhongchengxin in full within 30 days from the date of the Agreement.
- The consideration for the Acquisition was arrived at after arm's length negotiations between the parties having taken into account the financial performance and 1.31% of the net asset value of CSPC XNW Group. The consideration will be funded by the internal resources of the Group.
- Completion** : Completion of the Acquisition took place immediately after signing of the Agreement. Within 30 days from the date of the Agreement, Zhongchengxin shall procure CSPC XNW to complete the change of business registration and the other procedures as required by the PRC laws and regulations.

Information on CSPC XNW

CSPC XNW is a limited liability company established under the laws of the PRC and is owned as to 98.69% by CSPC NBP (a wholly-owned subsidiary of the Company) and 1.31% by Zhongchengxin immediately before completion of the Acquisition. CSPC XNW has three wholly-owned subsidiaries established in the PRC, namely, 河北中諾果維康保健品有限公司 (Hebei Zhongnuo Guoweikang Health Products Co. Ltd.*) (“**Hebei GWK**”), 石藥集團泰州果維康保健品有限公司 (CSPC Taizhou Guoweikang Health Products Co. Ltd.*) (“**Taizhou GWK**”) and 石藥集團中諾藥業(泰州)有限公司 (CSPC Zhongnuo Pharmaceutical (Taizhou) Co. Ltd.*) (“**Zhongnuo Taizhou**”). CSPC XNW Group is principally engaged in the manufacture and sales of caffeine (food additives in bulk powder form) and vitamin C health supplement and beverage products. As at the date of this announcement the total registered and paid-up capital of CSPC XNW is RMB150,000,000. Upon completion of the Acquisition, CSPC XNW will become an indirect wholly-owned subsidiary of the Company and the financial results of CSPC XNW Group will continue to be consolidated into the accounts of the Company.

Based on their management accounts prepared in accordance with the PRC GAAP, the unaudited net asset values of CSPC XNW, Hebei GWK, Taizhou GWK and Zhongnuo Taizhou as at 30 June 2017 were approximately RMB647,988,000, RMB91,881,000, RMB38,686,000 and RMB146,019,000 respectively. The audited net profit/loss (before and after taxation) of each member of CSPC XNW Group for the two years ended 31 December 2016 based on their respective audited financial statements prepared in accordance with the PRC GAAP were as follows:

	2016 (RMB) (Audited)	2015 (RMB) (Audited)
<u>CSPC XNW</u>		
Net profit before taxation	170,997,391	96,945,424
Net profit after taxation	144,566,833	81,687,717
<u>Hebei GWK</u> <i>(Note 1)</i>		
Net profit before taxation	23,721,393	698
Net profit after taxation	23,721,393	628
<u>Taizhou GWK</u> <i>(Note 2)</i>		
Net profit before taxation	43,998,997	—
Net profit after taxation	32,837,543	—
<u>Zhongnuo Taizhou</u>		
Net loss before taxation	(706,138)	(84,338)
Net loss after taxation	(706,138)	(84,338)

Notes:

1. Hebei GWK was established on 12 October 2015.
2. Taizhou GWK was established on 22 December 2015.

Hebei GWK recorded a dividend income of RMB27,271,015 receivable from Taizhou GWK for the year ended 31 December 2016. Apart from the foregoing, there was no significant intra-group transactions within the CSPC XNW Group during the two years ended 31 December 2016.

The original investment cost by Zhongchengxin in CSPC XNW was RMB1,400,000.

Reasons for and benefits of the Acquisition

CSPC XNW is currently a non wholly-owned subsidiary of the Company. After completion of the Acquisition, CSPC XNW will become a wholly-owned subsidiary of the Company. Therefore, the Acquisition will enable the Company to have complete control over CSPC XNW.

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

Zhongchengxin is an indirect wholly-owned subsidiary of MTL which wholly owns MGGL. 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. Therefore, Zhongchengxin 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. 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 and CSPC Ouyi is principally engaged in the manufacture and sales of pharmaceutical products.

The principal activity of Zhongchengxin 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 1.31% equity interest in CSPC XNW by CSPC Ouyi from Zhongchengxin pursuant to the Agreement
“Agreement”	the equity transfer agreement dated 11 October 2017 entered into between CSPC Ouyi and Zhongchengxin in relation to the Acquisition

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 (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 foreign investment enterprise with limited liability established under the laws of the PRC and indirectly wholly-owned by the Company
“CSPC Ouyi”	石藥集團歐意藥業有限公司 (CSPC Ouyi Pharmaceutical Co., Ltd.*), a limited liability company established under the laws of the PRC and wholly-owned by CSPC NBP.
“CSPC XNW”	石藥集團新諾威製藥股份有限公司 (CSPC Innovation Pharmaceutical Co., Ltd.*), a company established under the laws of the PRC and owned as to 98.69% by CSPC NBP and 1.31% by Zhongchengxin immediately before completion of the Acquisition.
“CSPC XNW Group”	CSPC XNW and its subsidiaries
“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
“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, 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
“Zhongchengxin”	河北中誠信擔保保證有限公司 (Hebei Zhongchengxin Guarantee Co., Ltd.*), a limited liability company established under the laws of the PRC and indirectly wholly-owned by MTL
“%”	per cent

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

Hong Kong, 11 October 2017

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo, Mr. WANG Jinxu, Mr. LU Hua 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*