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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 CAP FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the 2020 Announcement in relation to the XNW Steam Supply Agreement entered into between CSPC XNW and Hebei Hongyuan for the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of one year from 1 January 2021 to 31 December 2021 (both days inclusive) subject to, among others, the Existing Annual Cap. On 21 October 2021, CSPC XNW entered into the Supplemental Agreement with Hebei Hongyuan to amend the XNW Steam Supply Agreement by revising the Existing Annual Cap to the Revised Annual Cap. Except for such revision, other terms under the XNW 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 Revised Annual Cap 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 2020 Announcement in relation to the XNW Steam Supply Agreement entered into between CSPC XNW and Hebei Hongyuan for the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of one year from 1 January 2021 to 31 December 2021 (both days inclusive) subject to, among others, the Existing Annual Cap.

## SUPPLEMENTAL AGREEMENT

On 21 October 2021, CSPC XNW entered into the Supplemental Agreement with Hebei Hongyuan to amend the XNW Steam Supply Agreement by revising the Existing Annual Cap to the Revised Annual Cap. Except for such revision, other terms under the XNW 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>	:	21 October 2021
<b>Parties</b>	:	(a) CSPC XNW; and (b) Hebei Hongyuan
<b>Subject matter</b>	:	Revision of the Existing Annual Cap to the Revised Annual Cap of the XNW Steam Supply Agreement

The Existing Annual Cap and the Revised Annual Cap set out below:

	<b>For the year ending 31 December 2021</b> <i>(excluding value added tax)</i>
Existing Annual Cap	RMB16,000,000
Revised Annual Cap	RMB25,000,000

Same as that disclosed in the 2020 Announcement, the price of steam payable by CSPC XNW to Hebei Hongyuan has been and will continue to be arrived at after arm's length negotiations between the parties determined on the basis of normal commercial terms and terms no less favourable than those available to independent third parties from Hebei Hongyuan and with reference to the prevailing market price.

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

CSPC XNW is principally engaged in the manufacture and sale of, among others, bulk caffeine products in the Luancheng Area, Shijiazhuang City where Hebei Hongyuan operates. The production base of CSPC XNW is located in close proximity to that of Hebei Hongyuan which allows Hebei Hongyuan to deliver steam in a stable and transportation-efficient manner that fits the operational need of CSPC XNW. Pursuant to the XNW Steam Supply Agreement, the Existing Annual Cap for year ending 31 December 2021 was originally set at RMB16,000,000, which had not sufficiently taken into account the increase in demand for CSPC XNW's products in the second half of the year 2021. The actual aggregate amount of purchase of steam by CSPC XNW from Hebei Hongyuan during the period from 1 January 2021 to 30 September 2021 already amounted to approximately RMB15,000,000 (excluding value added tax). As the demand for CSPC XNW's products has increased, the demand for steam by CSPC XNW has therefore increased. It is anticipated that the Existing Annual Cap will not be sufficient and therefore need to be revised. CSPC XNW therefore entered into the Supplemental Agreement with Hebei Hongyuan to amend the Existing Annual Cap under the XNW Steam Supply Agreement to the Revised Annual Cap.

The Revised Annual Cap was determined with reference to (i) the proposed annual cap for the whole year of 2021 approved by the board of directors of CSPC XNW for the purchase of steam from Hebei Hongyuan (being RMB25,000,000); (ii) the estimated quantity and unit price of steam required by CSPC XNW from Hebei Hongyuan; (iii) the historical transaction amounts; (iv) the estimated potential growth in future demand for steam; and (v) inflation factor and volatility of the price of steam.

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 of the Supplemental Agreement (including the Revised Annual Cap) 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 Revised Annual Cap 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.

CSPC XNW is principally engaged in the manufacture and sales of, among others, bulk caffeine products. As at the date of this announcement, CSPC XNW being an indirect non-wholly owned subsidiary of the Company listed on the Shenzhen Stock Exchange, is owned as to 75% by the Company and 25% by the public in the PRC.

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:

“2020 Announcement”	the announcement of the Company dated 18 December 2020 relating to the XNW Steam Supply Agreement
“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
“CSPC XNW”	CSPC Innovation Pharmaceutical Co., Ltd.* (石藥集團新諾威製藥股份有限公司), an indirect non-wholly owned subsidiary of the Company and its shares are listed on the ChiNext of Shenzhen Stock Exchange (Stock Code: 300765)
“Director(s)”	the director(s) of the Company
“Existing Annual Cap”	the existing annual cap for the transactions contemplated under the XNW Steam Supply Agreement in respect of the year ending 31 December 2021 as set out 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 limited liability company established in the PRC 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 Cap”	the revised annual cap for the transactions contemplated under the XNW Steam Supply Agreement (as supplemented by the Supplemental Agreement) in respect of the year ending 31 December 2021 as set out in the paragraph headed “Supplemental Agreement – Subject matter” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 21 October 2021 entered into between CSPC XNW and Hebei Hongyuan to amend the XNW Steam Supply Agreement as disclosed in this announcement
“XNW Steam Supply Agreement”	the master steam supply agreement dated 18 December 2020 entered into between CSPC XNW and Hebei Hongyuan setting out the general terms for the purchase of steam by CSPC XNW from Hebei Hongyuan which covers a period of one year commencing from 1 January 2021 to 31 December 2021 (both days inclusive)
“%”	per cent.

*\* For identification purposes only*

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

Hong Kong, 21 October 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.*