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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)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF MASTER PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 30 April 2021 relating to, among other things, the entering into of the Master Purchase Agreement between the Company and CHL for the Group's purchase of the Products from the CHL Group for the period from 1 May 2021 to 31 December 2021 (both days inclusive). As the Master Purchase Agreement will expire on 31 December 2021, the Company has on 22 December 2021 entered into the Renewed Master Purchase Agreement with CHL to renew the transactions relating to the purchase of the Products by the Group from the CHL Group for a period of three years from 1 January 2022 to 31 December 2024 (both days inclusive).

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 Transactions contemplated under the Renewed Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) calculated pursuant to Chapter 14 of the Listing Rules in respect of the highest annual cap for the Transactions is greater than 0.1% but all of them are less than 5%, the Transactions constitute continuing connected transactions of the Company, which are subject to the reporting, annual review and announcement requirements but are exempted 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 30 April 2021 relating to, among other things, the entering into of the Master Purchase Agreement between the Company and CHL for the Group's purchase of the Products from the CHL Group for the period from 1 May 2021 to 31 December 2021 (both days inclusive). As the Master Purchase Agreement will expire on 31 December 2021, the Company has on 22 December 2021 entered into the Renewed Master Purchase Agreement with CHL to renew the transactions relating to the purchase of the Products by the Group from the CHL Group for a period of three years from 1 January 2022 to 31 December 2024 (both days inclusive).

THE RENEWED MASTER PURCHASE AGREEMENT

The principal terms of the Renewed Master Purchase Agreement are summarized as follows:—

Date	:	22 December 2021
Parties	:	(a) CHL; and (b) the Company
Period	:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Subject matter	:	Purchase of medicines, raw materials, equipment, low-cost consumables and other products required by the Group from the CHL Group
Pricing Basis and Payment Terms	:	The relevant member(s) of the Group and the relevant member(s) of the CHL Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Renewed Master Purchase Agreement in accordance with the principal terms set out therein.

The terms, including the pricing and payment terms, will be arrived at after arm's length negotiations between the parties on a transaction-by-transaction basis, and on normal commercial terms and terms no less favourable to the Group than those available to independent third parties from the CHL Group, and with reference to the prevailing market price. The selling price charged by the CHL Group to the Group for the Products shall not be higher than such prevailing market prices.

Where no comparable market prices are available, the unit price of the Products shall be no less favourable to the Group than those offered by the CHL Group to independent third parties for comparable type of products.

The Group will regularly review, monitor and benchmark the market price of the Products. The Group will compare the purchase price of the Products with the set benchmark before the approval of separate purchase agreement between members of the Group and members of the CHL Group to ensure that the relevant member of the Group will only conduct the Transactions in the interest of the Group. The Board considers that the said methods and procedures can ensure that the Transactions be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders.

HISTORICAL FIGURE

The historical amount of the Group for the purchase of the Products from the CHL Group for the period from 1 May 2021 to 30 November 2021 (excluding value added tax) pursuant to the Master Purchase Agreement was approximately RMB47,660,000 in aggregate.

THE ANNUAL CAPS

It is anticipated that the annual cap for the Transactions for each of the three years ending 31 December 2024 will be as follows:

For the year ending 31 December 2022 <i>(excluding value added tax)</i>	For the year ending 31 December 2023 <i>(excluding value added tax)</i>	For the year ending 31 December 2024 <i>(excluding value added tax)</i>
RMB120,000,000	RMB132,000,000	RMB145,200,000

The above annual caps are determined with reference to, among others, (i) the historical amount for the transactions between the Group and the CHL Group pursuant to the Master Purchase Agreement and (ii) the estimated quantity and pricing (based on prevailing market price) of the Products that may be purchased by the Group pursuant to the Renewed Master Purchase Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED MASTER PURCHASE AGREEMENT

Certain members of the CHL Group are engaged in distribution and wholesale of medicines and sourcing of supply for raw materials. The Board considers that the entering into of the Renewed Master Purchase Agreement would enable the Group to have a reliable source of medicine supply for its hospital business and raw material supply for its production.

The Directors (including the independent non-executive Directors) are of the opinion that the Renewed Master Purchase Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) on terms (including the annual caps mentioned above) that 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 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 Renewed Master Purchase Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) calculated pursuant to Chapter 14 of the Listing Rules in respect of the highest annual cap for the Transactions is greater than 0.1% but all of them are less than 5%, the Transactions constitute continuing connected transactions of the Company, which are subject to the reporting, annual review and announcement requirements but are exempted 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. 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 Renewed Master Purchase Agreement, each of them had abstained from voting on the board resolutions of the Company in respect of the Renewed Master Purchase 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 Renewed Master Purchase Agreement.

GENERAL INFORMATION

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 distribution of pharmaceutical products.

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 Group.

DEFINITIONS

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

“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
“CHL Group”	CHL and its subsidiaries and associates
“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 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
“Group”	the Company and its subsidiaries
“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
“Master Purchase Agreement”	the master agreement dated 30 April 2021 entered into between the Company and CHL setting out the general terms and conditions for the purchase of the Products by the Group from the CHL Group which covered a period from 1 May 2021 to 31 December 2021 (both days inclusive)
“PRC”	the People’s Republic of China
“Products”	medicines, raw materials, equipment, low-cost consumables and other products required for the business of the Group

“Renewed Master Purchase Agreement”	the master agreement dated 22 December 2021 entered into between the Company and CHL setting out the general terms and conditions for the purchase of the Products by the Group from the CHL Group which covers a period from 1 January 2022 to 31 December 2024 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the purchase of the Products by the Group from the CHL Group as contemplated under the Renewed Master Purchase Agreement
“%”	per cent.

** For identification purposes only*

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

Hong Kong, 22 December 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, Professor WANG Hongguang, Mr. AU Chun Kwok Alan and Mr. LAW Cheuk Kin Stephen as independent non-executive directors.