

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2877)

CONNECTED TRANSACTION
TECHNICAL SERVICES AGREEMENT

On 5 November 2019, Shineway Pharmaceutical, an indirect wholly-owned subsidiary of the Company, and Shineway Medical entered into the Technical Services Agreement in relation to the provision of the Services by Shineway Medical to Shineway Pharmaceutical.

As at the date of this announcement, Ms. Ren, the spouse of Mr. Li, indirectly owns 100% of the interest in Shineway Medical. Shineway Medical is an associate of Mr. Li and therefore is a connected person of the Company within the meaning of the Listing Rules, and the entering into of the Technical Services Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the annual caps for the Technical Services Agreement on an annual basis, exceeds 0.1% but is less than 5%, the entering into of the Technical Services Agreement is subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules.

TECHNICAL SERVICES AGREEMENT

The major terms of the Technical Services Agreement are set out below:

Date	:	5 November 2019
Parties	:	(i) Shineway Pharmaceutical (ii) Shineway Medical
Term	:	From 5 November 2019 to 4 November 2024 (both dates inclusive)

- Scope of services (collectively, the “**Services**”)
- :
- Provision of technical services by Shineway Medical to Shineway Pharmaceutical in relation to the Project, including but not limited to, project-managing, monitoring and qualitying-checking the progress and process of the Project, shortlisting laboratories and cold chain logistics companies, engaging research-participating units and relevant technical staff, providing training to (at the cost of Shineway Medical) and monitoring the technical staff and research staff, preparing and filing the relevant documentations, and regularly reporting to Shineway Pharmaceutical.
- Consideration and payment term
- :
- The consideration of the Technical Services Agreement is RMB14,000,000, payable by Shineway Pharmaceutical to Shineway Medical by instalments upon attaining different stages of progress of the Project.
- Shineway Medical will issue an invoice to Shineway Pharmaceutical before Shineway Pharmaceutical makes payment of each instalment. Shineway Pharmaceutical shall pay the corresponding instalment of the consideration within 10 working days upon receipt of the invoice.
- Other major obligations of Shineway Pharmaceutical
- :
- Shineway Pharmaceutical shall (including but not limited to):
- (i) pay for the research funding of the Project;
 - (ii) provide medicine for clinical trial to Shineway Medical;
 - (iii) provide relevant technical information to Shineway Medical;
 - (iv) provide assistance to Shineway Medical in dealing with adverse reactions during clinical trial, and pay for the medical and compensation fees caused by such adverse reactions if such adverse reactions are caused by Shineway Pharmaceutical or the medicine for clinical trial; and
 - (v) pay for the fees relating to data management and statistical analyses.

BASIS OF DETERMINING THE CONSIDERATION

The consideration of the Technical Services Agreement is determined with reference to the estimated amount of the following major expenses: fees payable to clinical trial laboratories, expenses incurred for the purpose of holding clinical trial-related meetings, salaries and travel costs of clinical trial staff, logistics expenses, design, verification and printing expenses of clinical trial-related information, expenses for data management and statistical analyses and technical service fees borne by Shineway Medical.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNICAL SERVICES AGREEMENT

Since Shineway Medical has entered into an agreement in relation to key projects in national science and technology assignments with the Development Center for Medical Science and Technology National Health and Family Planning Commission of the People's Republic of China* (中華人民共和國國家衛生計生委醫藥衛生科技發展研究中心), the Group considers that it is more cost-efficient, for the purpose of facilitating and completing the Project for the Group, to engage the services from Shineway Medical than conducting similar work by the Group itself.

GENERAL

The Group, including Shineway Pharmaceutical, is principally engaged in research and development, manufacture and trading of Chinese pharmaceutical products.

Shineway Medical is principally engaged in research and development of medicine, business of property and investment holding.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Ren, the spouse of Mr. Li, indirectly owns 100% of the interest in Shineway Medical. Shineway Medical is an associate of Mr. Li and therefore is a connected person of the Company within the meaning of the Listing Rules, and the entering into of the Technical Services Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the annual caps for the Technical Services Agreement on an annual basis, exceeds 0.1% but is less than 5%, the entering into of the Technical Services Agreement is subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the entering into of the Technical Services Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group. They also consider that the terms of the Technical Services Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Mr. Li, an executive Director, is deemed to be materially interested in the Technical Services Agreement. Accordingly, he has abstained from voting on the relevant Board resolutions.

Save as disclosed above, none of the Directors (including the independent non-executive Directors) has any material interest in the Technical Services Agreement and so none of them was required to abstain from voting in respect of such Board resolutions.

DEFINITIONS

“Board”	the board of Directors
“Company”	China Shineway Pharmaceutical Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto 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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li”	Mr. Li Zhenjiang (李振江), an executive Director
“Ms. Ren”	Ms. Ren Junying (任俊英), the spouse of Mr. Li
“Project”	Phase III clinical trial of “Sailuotong Capsule”
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Services”	has the meaning ascribed thereto under the section headed “Technical Services Agreement” in this announcement
“Shineway Medical”	神威醫藥科技股份有限公司 (Shineway Medical Science & Technology Co., Ltd.*), a joint stock company incorporated in the People’s Republic of China and is ultimately controlled by Ms. Ren

“Shineway Pharmaceutical”	神威藥業集團有限公司 (Shineway Pharmaceutical Group Co., Ltd.*), a wholly foreign-owned enterprise incorporated in the People’s Republic of China with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Technical Services Agreement”	the agreement dated 5 November 2019 entered into between Shineway Pharmaceutical and Shineway Medical in relation to the provision of the Services by Shineway Medical to Shineway Pharmaceutical
“%”	per cent.

By Order of the Board
China Shineway Pharmaceutical Group Limited
Li Zhenjiang
Chairman

Hong Kong, 5 November 2019

As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia, Mr. Li Huimin, and Mr. Chen Zhong; and the independent non-executive Directors are Ms. Cheng Li, Prof. Luo Guoan and Mr. Cheung Chun Yue Anthony.

**For identification purpose only*