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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 IN RELATION TO MASTER SALES AGREEMENT

Reference is made to the announcement of the Company dated 22 November 2021 relating to, among other things, the entering into of the 2021 Master Sales Agreement between the Company and CHL for the Group's supply of the Pharmaceutical Products to the CHL Group for the period from 1 November 2021 to 31 October 2024.

It is expected that the demand for the Group's supply of the Pharmaceutical Products under the 2021 Master Sales Agreement may exceed the previous estimation, and the Existing Sales Annual Cap will not be sufficient to meet the anticipated transaction amounts for the ten months ending 31 October 2024. Accordingly, the Company and CHL entered into the 2024 Master Sales Agreement on 19 April 2024 to renew the transactions relating to the supply of the Pharmaceutical Products from the Group to the CHL Group for a period of three years from 1 May 2024 to 30 April 2027 (both days inclusive), which will supersede the 2021 Master Sales Agreement with effect from 1 May 2024.

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 2024 Master Sales Agreement constitutes 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 proposed annual cap for the Transactions under the 2024 Master Sales Agreement are greater than 0.1% but all of them are less than 5%, the 2024 Master Sales Agreement constitutes continuing connected transactions of the Company, which are subject to the reporting, annual review and announcements requirements but are exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 November 2021 relating to, among other things, the entering into of the 2021 Master Sales Agreement between the Company and CHL for the Group's supply of the Pharmaceutical Products to the CHL Group for the period from 1 November 2021 to 31 October 2024.

It is expected that the demand for the Group's supply of the Pharmaceutical Products under the 2021 Master Sales Agreement may exceed the previous estimation, and the Existing Sales Annual Caps will not be sufficient to meet the anticipated transaction amounts for the ten months ending 31 October 2024. Accordingly, the Company and CHL entered into the 2024 Master Sales Agreement on 19 April 2024 to renew the transactions relating to the supply of the Pharmaceutical Products from the Group to the CHL Group for a period of three years from 1 May 2024 to 30 April 2027 (both days inclusive), which will supersede the 2021 Master Sales Agreement with effect from 1 May 2024.

II. 2024 MASTER SALES AGREEMENT

The principal terms of the 2024 Master Sales Agreement are summarised below:

Date	:	19 April 2024
Parties	:	(a) the Company; and (b) CHL
Period	:	From 1 May 2024 to 30 April 2027 (both days inclusive)
Subject matter	:	The Company agrees to supply, and procure its subsidiaries to supply Pharmaceutical Products to the CHL Group. The relevant Group Company and the relevant CHL Group Company will enter into separate sales agreement for each Transaction in accordance with the principal terms set out in the 2024 Master Sales Agreement.

Pricing Basis and Payment Terms : The unit price of the Pharmaceutical Products and the terms (including the payment terms) of the Transactions shall be determined by arm's length negotiation between the relevant Group Company and the relevant CHL Group Company with reference to the then prevailing market prices of comparable products and on general commercial terms which are no less favourable to the Group than those offered by the Group to independent third parties. The selling price charged by any Group Company for the Pharmaceutical Products to any CHL Group Company shall not be lower than such prevailing market prices.

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

The Group will regularly review, monitor and benchmark the market price of the Pharmaceutical Products. The Group will compare the selling price of the Pharmaceutical Products with the set benchmark before the approval of separate sales agreement between members of the Group and members of the CHL Group to ensure that the relevant Group Company 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.

III. HISTORICAL FIGURES

The historical transaction amounts of the sale of Pharmaceutical Products by the Group to the CHL Group were as follows:

For the year ended 31 December 2022	For the year ended 31 December 2023	For the three months ended 31 March 2024
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(Approx.)</i>	<i>(Approx.)</i>	<i>(Approx.)</i>
<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>
734,053	845,540	559,570

IV. PROPOSED ANNUAL CAPS

It is anticipated that the proposed annual caps for the Transactions contemplated under the 2024 Master Sales Agreement for the eight months ending 31 December 2024, each of the two years ending 31 December 2025 and 2026 and the four months ending 30 April 2027 shall be as follows:

For the eight months ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026	For the four months ending 30 April 2027
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>
634,000	1,409,000	1,550,000	517,000

The above proposed annual caps are determined with reference to, among others, (i) the historical amounts for the transactions between the Group and the CHL Group under the 2021 Master Sales Agreement and (ii) the expected level of purchases by the CHL Group taking into account the Group's projected sales volume of its Pharmaceutical Products, the estimated demands from the CHL Group and the anticipated growth of the Group's production capacity.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 MASTER SALES AGREEMENT

The Company considers that it is in the Company's interests to enter into the 2024 Master Sales Agreement as the Group can sell its Pharmaceutical Products via the CHL Group and increase the sales revenue of the Group.

Finished drug business is the major business segment of the Group. With the continuous expansion of product portfolio, it is expected that the Group's finished drug business will be able to maintain a sustainable growth momentum. As the CHL Group is principally engaged in the pharmaceutical distribution business, it is believed that the entering into of the 2024 Master Sales Agreement will enable the Group to leverage the market coverage and logistic distribution capability of CHL Group for expanding its end-user customer network and achieving sales growth, and maintain a long-term business relationship with the CHL Group.

The Directors, including the independent non-executive Directors, believe that terms of the 2024 Master Sales Agreement (including the proposed annual caps) are fair and reasonable, and the 2024 Master Sales Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

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 2024 Master Sales Agreement constitutes 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 proposed annual cap for the Transactions under 2024 Master Sales Agreement are greater than 0.1% but all of them are less than 5%, the 2024 Master Sales Agreement constitutes continuing connected transactions of the Company, which are subject to the reporting, annual review and announcements 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 2024 Master Sales Agreement, each of them had abstained from voting on the board resolutions of the Company in respect of the 2024 Master Sales 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 2024 Master Sales Agreement.

VII. 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 90 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:–

“2021 Master Sales Agreement”	the product master sales agreement dated 22 November 2021 entered into between the Company and CHL setting out the general terms and conditions for the sales of Pharmaceutical Products by the Group to the CHL Group
“2024 Master Sales Agreement”	the product master sales agreement dated 19 April 2024 entered into between the Company and CHL setting out the general terms and conditions for the sales of Pharmaceutical Products by the Group to the CHL Group
“associate”	has the meaning ascribed to it in 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, and any one of them is referred to as the “CHL Group Company”
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Sales Annual Cap”	the existing annual cap for the transactions under the 2021 Master Sales Agreement for ten months ending on 31 October 2024
“Group”	the Company and its subsidiaries, and any one of them is refer to as the “Group Company”
“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

“Pharmaceutical Products”	pharmaceutical products (including finished drug products)
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the sale of Pharmaceutical Products by the Group to the CHL Group as contemplated under the 2024 Master Sales Agreement
“%”	per cent

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

Hong Kong, 19 April 2024

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, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan as independent non-executive directors.