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山東新華製藥股份有限公司

**Shandong Xinhua Pharmaceutical Company Limited**

*(a joint stock company established in the People's Republic of China with limited liability)*

(Stock Code: 0719)

## **CONNECTED TRANSACTION**

The Board is pleased to announce that on 11 November 2014, the Company entered into the Acquisition Agreement with SXPGC in respect of the acquisition of the entire interest in the Properties and the Land Use Rights through the open tender process at Shandong Property Right Exchange Centre (山東產權交易中心) at a consideration of RMB13 million.

As at the date of this announcement, SXPGC holds 35.32% equity interest of the Company and is a substantial shareholder of the Company. Therefore, SXPGC is a connected person under the Listing Rules. The transaction under the Property Acquisition constitutes connected transaction under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) are less than 5%, the connected transaction under the Property Acquisition is only subject to the reporting and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **A. BACKGROUND**

On 11 November 2014, the Company entered into the Acquisition Agreement with SXPGC in respect of the acquisition of the entire interest in the Properties and the Land Use Rights through the open tender process at Shandong Property Right Exchange Centre (山東產權交易中心) at a consideration of RMB13 million.

### **B. ACQUISITION AGREEMENT**

#### **(a) Date**

11 November 2014

#### **(b) Parties**

Vendor: SXPGC

Purchaser: The Company

(C) ***Target asset***

The assets acquired in the Property Acquisition are the entire interest in the Properties and the Land Use Rights. The Properties are fixed assets. The Land Use Rights are intangible assets. To the best knowledge of the Directors, the original acquisition cost of the entire interest in the Properties and the Land Use Rights as paid by SXPGC was approximately RMB6.57 million. The assets were valued by the Valuer for SXPGC. As at 30 April 2014 (the valuation date), the appraised value of the entire interest in the Properties and the Land Use Rights as per the valuation report prepared by the Valuer was RMB12.6533 million. The appraised value of the entire interest in the Properties and the Land Use Rights was valued on the basis of cost approach and method of base price of land coefficient modification.

(i) *Fixed assets*

The Properties refer to the six residential buildings together with two pieces of medical equipment located at No. 4 Hong Gou Lu, Zhangdian District, Zibo City. The total floor area of the Properties is 6,240.89 square meters. The book value of the fixed assets is RMB6.131 million, the net book value of the fixed assets is RMB2.0114 million, and the appraised value of the fixed assets is RMB4.7851 million.

(ii) *Intangible assets*

The Land Use Rights refer to the rights to use the land occupied by the six residential buildings at No. 4 Hong Gou Lu, Zhangdian District, Zibo City. The total area of Land Use Rights is 4,425.32 square meters. The book value of the intangible assets is RMB443,000, and the appraised value of the intangible assets is RMB7.8682 million.

(c) ***Consideration***

The Company agreed to acquire the entire interest in the Properties and the Land Use Rights from SXPGC at the consideration of RMB13 million. The said consideration is the same as the listing price of the entire interest in the Properties and the Land Use Rights as quoted at Shandong Property Right Exchange Centre. The listing price for such interest was determined according to the appraised value of the entire interest in the Properties and the Land Use Rights as per the valuation report prepared by the Valuer. The Company has made payment for this acquisition out of its internal resources.

(d) ***Payment arrangement***

Prior to the end of the bidding period, the Company has paid a deposit of RMB500,000, which will serve as part of the purchase price, to Shandong Property Right Exchange Center for the Property Acquisition. Upon entering into of the Acquisition Agreement, the Company shall make a one-off payment in respect of the balance of the purchase price into the account designated by Shandong Property Right Exchange Center.

### **C. REASONS FOR, AND BENEFITS OF, THE PROPERTY ACQUISITION**

The Board considers that the Property Acquisition is beneficial to the Company as it will help to enhance the overall competitiveness of the Company, and the Directors (including the independent non-executive Directors) are of the view that the Acquisition Agreement was entered into on normal commercial terms, and the terms of the Property Acquisition are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Other than the related Directors, including Mr. Zhang Daiming, Mr. Du Deping, Mr. Ren Fulong, Mr. Xu Lie and Mr. Zhao Bin, who have abstained from voting on the board resolution in relation to the connected transaction under the Property Acquisition, none of the Directors have a material interest in the connected transaction under the Property Acquisition and therefore are required to abstain from voting on the board resolution in relation to the connected transaction under the Property Acquisition.

### **D. IMPLICATION OF THE LISTING RULES**

As at the date of this announcement, SXPGC holds 35.32% equity interest of the Company and is a substantial shareholder of the Company. Therefore, SXPGC is a connected person under the Listing Rules. The transaction under the Property Acquisition constitutes connected transaction under the Listing Rules.

Since all the applicable percentage ratios (as defined in the Listing Rules) are less than 5%, the connected transaction under the Property Acquisition is only subject to the reporting and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **E. Information about the Company and SXPGC**

The Company is mainly engaged in the development, manufacture and sales of bulk pharmaceuticals, preparations and chemicals products.

SXPGC is a state-owned enterprise established in the PRC specialising in investment in the pharmaceutical industry, and associated chemical production, packaging and supply of chemical engineering equipment.

### **F. Definitions**

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

<b>“Acquisition Agreement”</b>	means the agreement entered into between SXPGC and the Company in respect of the Property Acquisition;
<b>“Board”</b>	means the board of Directors of the Company;
<b>“Company”</b>	means 山東新華製藥股份有限公司 (Shandong Xinhua Pharmaceutical Company Limited), a joint stock company incorporated in the PRC with limited liability;
<b>“Directors”</b>	means the directors of the Company including the independent non-executive directors of the Company;
<b>“Group”</b>	means the Company and its subsidiaries;
<b>“Independent Shareholders”</b>	means the Shareholders other than SXPGC and its respective associates (as defined in the Listing Rules);
<b>“Land Use Rights”</b>	means the rights to use the land occupied by the six residential buildings at No. 4 Hong Gou Lu, Zhangdian District, Zibo City situate at Zhang Dian, No. 31 Xinhua Jie, Shandong, PRC, with a total site area of 4,425.32 square meters;
<b>“Listing Rules”</b>	means the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“PRC”</b>	means the People’s Republic of China;
<b>“Properties”</b>	means the six residential buildings together with two pieces of medical equipment located at No. 4 Hong Gou Lu, Zhangdian District, Zibo City, Shandong, the PRC, with a total floor area of 6,240.89 square meters;
<b>“Property Acquisition”</b>	means the acquisition of the entire interest in the Properties and the Land Use Rights owned by SXPGC by the Company;
<b>“RMB”</b>	means Renminbi, the lawful currency of the PRC for the time being;
<b>“Shareholders”</b>	means the shareholders of the Company;
<b>“Stock Exchange”</b>	means The Stock Exchange of Hong Kong Limited;
<b>“SXPGC”</b>	means 山東新華醫藥集團有限責任公司(Shandong Xinhua Pharmaceutical Group Company Limited), a wholly state-owned company which holds and owns

35.32% of the total issued share capital of the Company and is currently the largest shareholder of the Company; and

**“Valuer”**

means Beijing Tianjian Xingye Asset Appraisal Co. Ltd. (北京天健興業資產評估有限公司), a valuer commissioned by SXPGC to prepare a valuation report in relation to the Properties and the Land Use Rights.

By Order of the Board  
**Shandong Xinhua Pharmaceutical Company Limited**  
**Zhang Daiming**  
*Chairman*

11 November 2014, Zibo, PRC

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Zhang Daiming (Chairman)

Mr. Du Deping

Independent Non-executive Directors:

Mr. Zhu Baoquan

Mr. Liu Hongwei

Mr. Chan Chung Kik, Lewis

Non-executive Directors:

Mr. Ren Fulong

Mr. Xu Lie

Mr. Zhao Bin