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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 PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 22 December 2021 relating to, among other things, the entering into of the 2021 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 January 2022 to 31 December 2024 (both days inclusive).

It is expected that the demand for the Group's purchase of the Products from the CHL Group under the 2021 Master Purchase Agreement may exceed the previous estimation, and the Existing Purchase Annual Cap will not be sufficient to meet the anticipated transaction amounts for the year ending 31 December 2024. Accordingly, the Company and CHL entered into the 2024 Master Purchase Agreement on 28 June 2024 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 July 2024 to 30 June 2027 (both days inclusive), which will supersede the 2021 Master Purchase Agreement with effect from 1 July 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 Transactions contemplated under the 2024 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 proposed annual cap for the Transactions contemplated under the 2024 Master Purchase Agreement are greater than 0.1% but all of them are less than 5%, the Transactions contemplated under the 2024 Master Purchase Agreement 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.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 December 2021 relating to, among other things, the entering into of the 2021 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 January 2022 to 31 December 2024 (both days inclusive).

It is expected that the demand for the Group's purchase of the Products from the CHL Group under the 2021 Master Purchase Agreement may exceed the previous estimation, and the Existing Purchase Annual Cap will not be sufficient to meet the anticipated transaction amounts for the year ending 31 December 2024. Accordingly, the Company and CHL entered into the 2024 Master Purchase Agreement on 28 June 2024 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 July 2024 to 30 June 2027 (both days inclusive), which will supersede the 2021 Master Purchase Agreement with effect from 1 July 2024.

II. 2024 MASTER PURCHASE AGREEMENT

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

Date	:	28 June 2024
Parties	:	(a) CHL; and (b) the Company
Period	:	From 1 July 2024 to 30 June 2027 (both days inclusive)
Subject matter	:	Purchase of raw materials, medicines, 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 2024 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.

III. HISTORICAL FIGURES

The historical amount of the Group for the purchase of the Products from the CHL Group were as follows:

For the year ended 31 December 2022	For the year ended 31 December 2023	For the five months ended 31 May 2024
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Approx.)	(Approx.)	(Approx.)
<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>	<i>(excluding value added tax)</i>
11,221	21,990	6,420

IV. PROPOSED ANNUAL CAPS

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

For the six months ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026	For the six months ending 30 June 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>
520,000	1,144,000	1,259,000	693,000

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 Purchase Agreement and (ii) the estimated quantity and pricing (based on

prevailing market price) of the Products that may be purchased by the Group from the CHL Group pursuant to the 2024 Master Purchase Agreement, including, among other things, the annual purchase amount of the Group from a supplier company (which is anticipated to become part of the CHL Group) for the year ended 31 December 2023 in the amount of approximately (RMB830,720,000 (excluding value added tax)).

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

Certain members of the CHL Group are engaged in the sourcing of supply for raw material, and distribution and wholesale of medicines. The Company has been informed by CHL Group that it will expand its business operation and acquire a controlling interest in a supplier company which has been supplying bulk drugs such as ampicillin trihydrate, amoxicillin trihydrate and penicillin G potassium to the Group. As such supplier company is expected to become part the CHL Group, it is expected that the Existing Purchase Annual Cap will not be sufficient to meet the anticipated transaction amounts for the year ending 31 December 2024 from CHL Group (including such supplier company). As such, the Board considers that an early renewal of the 2021 Master Purchase Agreement would be in the interest of the Group. As a trustworthy business partner, the Board considers that the entering into of the 2024 Master Purchase Agreement would enable the Group to have a reliable source of raw material supply for its production and medicine supply for its hospital business.

The Directors, including the independent non-executive Directors, believe that terms of the 2024 Master Purchase Agreement (including the proposed annual caps) are fair and reasonable, and the 2024 Master Purchase Agreement is on normal commercial terms and was 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 Transactions contemplated under the 2024 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 proposed annual cap for the Transactions contemplated under the 2024 Master Purchase Agreement are greater than 0.1% but all of them are less than 5%, the Transactions contemplated under the 2024 Master Purchase Agreement 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 (i) each of Mr. Cai Dongchen, Mr. Zhang Cuilong, Mr. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Dr. Li Chunlei, Dr. Jiang Hao and Dr. Yao Bing, all being Directors, is indirectly interested in CHL; and (ii) Mr. Cai Xin, a Director who is the son of Mr. Cai Dongchen, and they may be regarded as having a material interest in the 2024 Master Purchase Agreement, each of them had abstained from voting on the board resolutions of the Company in respect of the 2024 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 2024 Master Purchase 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 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
“2024 Master Purchase Agreement”	the master agreement dated 28 June 2024 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
“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 Purchase Annual Cap”	the existing annual cap for the transactions under the 2021 Master Purchase Agreement for the year ending 31 December 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
“PRC” or “China”	the People’s Republic of China
“Products”	medicines, raw materials, equipment, low-cost consumables and other products required for the business of the Group
“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 purchase of the Products by the Group from the CHL Group as contemplated under the 2024 Master Purchase Agreement
“%”	per cent

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

Hong Kong, 28 June 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. JIANG Hao, Dr. YAO Bing and Mr. CAI Xin 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.