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## **CSPC PHARMACEUTICAL GROUP LIMITED**

### **石藥集團有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*

**(Stock Code: 1093)**

### **CONTINUING CONNECTED TRANSACTION MASTER SALES AND PURCHASE AGREEMENT**

On 18 December 2013, Zhongcheng Logistic, an indirect non wholly-owned subsidiary of the Company, entered into the Master Sales and Purchase Agreement with Hebei Zhongcheng in relation to the sale and purchase of finished pharmaceutical products for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

As at the date of this announcement, Hebei Zhongcheng is an indirect non wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company. Accordingly, Hebei Zhongcheng is an associate of MTL and a connected person of the Company. The entering into of the Master Sales and Purchase Agreement and the transactions contemplated thereunder thus constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps of the Master Sales and Purchase Agreement on an annual basis, when aggregated with the Previous Transaction, are more than 0.1% but less than 5%, the Master Sales and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **BACKGROUND**

On 18 December 2013, Zhongcheng Logistic, an indirect non wholly-owned subsidiary of the Company, entered into the Master Sales and Purchase Agreement with Hebei Zhongcheng in relation to the sale and purchase of the finished pharmaceutical products for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

## MASTER SALES AND PURCHASE AGREEMENT

### A. The principal terms of the Master Sales and Purchase Agreement are summarized as follows:

<b>Date</b>	:	18 December 2013
<b>Parties</b>	:	(i) Zhongcheng Logistic; and (ii) Hebei Zhongcheng
<b>Term</b>	:	1 January 2014 to 31 December 2016
<b>Nature</b>	:	Purchase of finished pharmaceutical products by Zhongcheng Logistic from Hebei Zhongcheng
<b>Pricing basis and payment terms</b>	:	The price of the finished pharmaceutical products and payments terms will be determined by mutual agreement reached between the parties to the Master Sales and Purchase Agreement from time to time with reference to the purchase cost of Hebei Zhongcheng with a mark-up of 0.1% and on normal commercial terms.

### B. Proposed annual caps

The business in respect of the purchase of finished pharmaceutical products by Zhongcheng Logistic from Hebei Zhongcheng has only commenced since early November 2013 and the estimated amount in respect of the said purchase by Zhongcheng Logistic for the financial year ending 31 December 2013 is expected to be approximately RMB700,000.

It is anticipated that the annual caps under the Master Sales and Purchase Agreement for the three financial years ending 31 December 2016 will be as follows:

<b>Financial year ending 31 December</b>		
<b>2014</b>	<b>2015</b>	<b>2016</b>
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
20,000,000	26,000,000	35,000,000

The above annual caps are determined with reference to the expected business volume between Zhongcheng Logistic and Hebei Zhongcheng in the next three years.

### **C. Reasons for and benefits of entering into the Master Sales and Purchase Agreement**

By entering into the Master Sales and Purchase Agreement, Zhongcheng Logistic will be able to expand its product portfolio with the purchase of finished pharmaceutical products sourced by Hebei Zhongcheng. The Group expects that leveraging on its sales and marketing capability the products purchased will contribute to the growth of its finished drug business. The Board (including the independent non-executive Directors) is of the opinion that the Master Sales and Purchase Agreement was entered into on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Hebei Zhongcheng is an indirect non wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company. Accordingly, Hebei Zhongcheng is an associate of MTL and a connected person of the Company. The entering into of the Master Sales and Purchase Agreement and the transactions contemplated thereunder thus constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps of the Master Sales and Purchase Agreement on an annual basis, when aggregated with the Previous Transaction, are more than 0.1% but less than 5%, the Master Sales and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Pan Weidong, Mr. Zhao John Huan, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo and Mr. Wang Jinxu is indirectly interested in MTL, each of them was required to abstain from and did abstain from voting on the board resolution of the Company in respect of the Master Sales and Purchase Agreement.

### **GENERAL INFORMATION**

Zhongcheng Logistic is an indirect non wholly-owned subsidiary of the Company and is principally engaged in the sales of pharmaceutical products.

Hebei Zhongcheng is an indirect non wholly-owned subsidiary of MTL and is principally engaged in the sales of pharmaceutical products.

## DEFINITION

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	CSPC Pharmaceutical Group Limited, 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”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hebei Zhongcheng”	CSPC Hebei Zhongcheng Pharmaceutical Company Limited* (石藥集團河北中誠醫藥有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of MTL;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Master Sales and Purchase Agreement”	an agreement dated 18 December 2013 entered into between Zhongcheng Logistic and Hebei Zhongcheng which sets out the general terms and conditions for the sale and purchase of the finished pharmaceutical products;
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong and a controlling shareholder of the Company;
“PRC”	The People’s Republic of China;

“Previous Transaction”	the mutual supply framework agreement dated 1 November 2012 entered into between certain members of the Group with Shijiazhuang Pharmaceutical Group Company Limited* (石藥集團有限責任公司) as disclosed in the announcement of the Company dated 1 November 2012;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhongcheng Logistic”	CSPC Zhongcheng Pharmaceutical Logistic Company Limited* (石藥集團中誠醫藥物流有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company;
“%”	per cent.

By order of the Board  
**CSPC Pharmaceutical Group Limited**  
**Cai Dongchen**  
*Chairman*

Hong Kong, 18 December 2013

*As at the date of this announcement, the Board comprises Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Zhao John Huan, Mr. Wang Shunlong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo and Mr. Wang Jinxu as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive Director and Mr. Huo Zhenxing, Mr. Qi Moujia, Mr. Guo Shichang, Mr. Chan Siu Keung, Leonard, Mr. Wang Bo and Mr. Zhang Fawang as independent non-executive Directors.*

\* *for identification purpose only*