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## **CSPC PHARMACEUTICAL GROUP LIMITED**

### **石藥集團有限公司**

*(formerly known as China Pharmaceutical Group Limited 中國製藥集團有限公司)*

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

**(Stock code: 1093)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTION**

On 25 June 2013, (a) CSPC Zhongnuo (as tenant) and SPG (as landlord) entered into three new lease agreements of Premises 1, 2 and 3 for a term of three years commencing on 25 June 2013; and (b) CSPC XNW (as tenant) and Hebei Shengxue (as landlord) entered into a new lease agreement in respect of Premises 4 for a term of three years commencing on 25 June 2013.

As at the date of this announcement, SPG is a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company, Hebei Shengxue is a non-wholly owned subsidiary of SPG, CSPC Zhongnuo and CSPC XNW are both non-wholly owned subsidiaries of the Company. Accordingly, the entering into of the New Lease Agreements constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the aggregate annual caps of the New Lease Agreements on an annual basis do not exceed 5% of each of the applicable percentage ratios under the Listing Rules, the New Lease Agreements is subject to announcement and reporting requirements, and is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 5 March 2009, in which it was disclosed, that Zhongnuo and SPG had on 5 March 2009 entered into the Old Lease Agreement for an initial term of three years. As disclosed in the Company's Annual Report for the year ended 31 December 2012, the Old Lease Agreement was not renewed after the expiration on 4 March 2012 and SPG allowed Zhongnuo to use Premises 1 and 2 free of charge from 5 March 2012 to 24 June 2013.

On 25 June 2013, (a) CSPC Zhongnuo (as tenant) and SPG (as landlord) entered into three new lease agreements in respect of Premises 1, 2 and 3 for a term of three years commencing on 25 June 2013; and (b) CSPC XNW (as tenant) and Hebei Shengxue (as landlord) entered into a new lease agreement in respect of Premises 4 for a term of three years commencing on 25 June 2013.

As at the date of this announcement, SPG is a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company, Hebei Shengxue is a non-wholly owned subsidiary of SPG, CSPC Zhongnuo and CSPC XNW are both non-wholly owned subsidiaries of the Company.

## NEW LEASE AGREEMENTS

Date	Landlord	Tenant	Premises	Term	Rental	Principal Use	
1	25 June 2013	SPG	CSPC Zhongnuo	several factory buildings with a gross floor area of 22,462.32 sq.m. located at 中國河北省石家莊市橋西區工農路188號 (No. 188 Gongnong Road, Qiaoxi District, Shijiazhuang City, Hebei Province, the PRC*) (“Premises 1”)	Three years commencing on 25 June 2013	RMB3,827,700 (approximately HK\$4,845,200) per annum payable monthly by twelve installments of RMB318,975 (approximately HK\$403,800) each	For the production of finished drug products
2	25 June 2013	SPG	CSPC Zhongnuo	several buildings with a gross floor area of 6,881.66 sq.m. located at 中國河北省石家莊市橋西區和平東路496號 (No. 496 Heping Road East, Qiaoxi District, Shijiazhuang City, Hebei Province, the PRC*) (“Premises 2”)	Three years commencing on 25 June 2013	RMB1,602,500 (approximately HK\$2,028,500) per annum payable monthly by twelve installments of RMB133,542 (approximately HK\$169,000) each	For warehousing goods and office use
3	25 June 2013	SPG	CSPC Zhongnuo	a factory building with a gross floor area of 15,395.50 sq.m. located at 河北省石家莊經濟技術開發區揚子路與塔西大街交叉口 (Interchange of Yangzi Road and Ta Xi Street, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC*) (“Premises 3”)	Three years commencing on 25 June 2013	RMB4,544,400 (approximately HK\$5,752,400) per annum payable monthly by twelve installments of RMB378,700 (approximately HK\$479,400) each	For the production of finished drug products
4	25 June 2013	Hebei Shengxue	CSPC XNW	Part of a factory building with a gross floor area of 9,252.76 sq.m. located at 中國河北省石家莊市欒城縣聖雪路北側 (Shengxue Road North, Luancheng County, Shijiazhuang City, Hebei Province, the PRC*) (“Premises 4”)	Three years commencing on 25 June 2013	RMB1,501,200 (approximately HK\$1,900,200) per annum payable monthly by twelve installments of RMB125,100 (approximately HK\$158,400) each.	For the production of bulk drug products

The Board confirms that the rental payable, being RMB11,475,800 in aggregate under the New Lease Agreements are arrived at after due negotiation between the parties on an arm's length basis and was determined with reference to the market rental on an annual basis of the Premises 1, 2, 3 and 4 as at 30 April 2013 as set out in the asset valuation reports on rental appraisal dated 30 May 2013 prepared by 河北中智信資產評估有限公司 (Hebei Zhongzhixin Asset Valuation Company Limited\*), an independent valuation firm.

## ANNUAL CAPS

### Historical Annual Caps

The aggregate historical annual caps and the actual amount of rental paid under the Old Lease Agreement for the four financial years ended 31 December 2012 were:

	<b>Financial Year ended 31 December</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical annual caps	4,215,969	5,125,296	5,125,296	909,327
Actual amount paid	4,215,969	5,125,296	5,125,296	909,327

*Note: The above historical annual caps were disclosed in the announcement of the Company dated 5 March 2009.*

### Annual Caps for the New Lease Agreements

Based on the aggregate annual rental payable by CSPC Zhongnuo and CSPC XNW to SPG and Hebei Shengxue under the New Lease Agreements, the aggregate annual caps of the New Lease Agreements for the four financial years ending 31 December 2016 will be as follows:

	<b>Financial Year ending 31 December</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	5,929,163	11,475,800	11,475,800	5,546,637
	(approximately	(approximately	(approximately	(approximately
	HK\$7,505,300)	HK\$14,526,300)	HK\$14,526,300)	HK\$7,021,000)

## REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW LEASE AGREEMENTS

By entering into the New Lease Agreements, the Group will be able to continue the existing use of Premises 1 and 2, and to cope with its business expansion with the use of Premises 3 and 4.

The Board (including independent non-executive Directors) is of the opinion that the New Lease Agreements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms after arm's length negotiations between the parties and on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **GENERAL**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are manufacture and sales of pharmaceutical products.

The principal activity of SPG is investment holding. SPG is a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company and therefore SPG is a connected person of the Company under Rule 14A.11 of the Listing Rules.

The principal activity of Hebei Shengxue is manufacture and sales of anhydrous glucose and xylitol. Hebei Shengxue is a non wholly-owned subsidiary of SPG, which is a connected person of the Company.

The entering into of the New Lease Agreements thus constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the aggregate annual caps of the New Lease Agreements on an annual basis do not exceed 5% of each of the applicable percentage ratios under the Listing Rules, the New Lease Agreements is subject to announcement and reporting requirements, and is exempt from independent shareholders' approval requirement 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 abstained from voting on the board resolutions of the Company in respect of the New Lease Agreements.

## **DEFINITIONS**

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

“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 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;
“CSPC Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司 (CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Company Limited*), a limited liability company established in the PRC which was formerly known as CSPC Hebei Zhongrun Pharmaceutical Co., Ltd., and a non wholly-owned subsidiary of the Company;
“CSPC XNW”	石藥集團新諾威製藥股份有限公司 (CSPC XNW Pharmaceutical Joint Stock Company Limited*), a limited liability company established in the PRC and is a non wholly-owned subsidiary of the Company;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hebei Shengxue”	河北聖雪葡萄糖有限責任公司 (Hebei Shengxue Glucose Limited Liability Company*), a limited liability company established in the PRC and a non wholly-owned subsidiary of SPG;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong and a controlling shareholder of the Company;
“New Lease Agreements”	(i) the three new lease agreements entered into between CSPC Zhongnuo (as tenant) and SPG (as landlord) on 25 June 2013 in respect of Premises 1, 2 and 3 for a term of three years commencing on 25 June 2013; and  (ii) the new lease agreement entered into between CSPC XNW (as tenant) and Hebei Shengxue (as landlord) on 25 June 2013 in respect of Premises 4 for a term of three years commencing on 25 June 2013.
“Old Lease Agreement”	the previous lease agreement entered into between Zhongnuo and SPG on 5 March 2009 in respect of, among others, Premises 1 and 2 for a term of three years commencing on 5 March 2009;

“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SPG”	石藥集團有限責任公司 (Shijiazhuang Pharmaceutical Group Company Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of MTL;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司 (Shijiazhuang Pharma Group Zhongnuo Pharmaceutical (Shijiazhuang) Company Limited*), a wholly-owned subsidiary of the Company which was merged into another subsidiary of the Company, CSPC Hebei Zhongrun Pharmaceutical Co., Ltd., which was renamed as CSPC Zhongnuo after completion of the merger;
“%”	per cent.

By order of the Board  
**CSPC Pharmaceutical Group Limited**  
**Chak Kin Man**  
*Executive Director*

Hong Kong, 25 June 2013

*Note: For illustration purposes only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of HK\$1 = RMB0.79. This does not constitute any representation that any amount has been, could have been or may be exchanged at any particular rate on any date.*

*\* The English names are for identification purpose only.*

*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 and Mr. Chan Siu Keung, Leonard, Mr. Wang Bo and Mr. Zhang Fawang as independent non-executive Directors.*