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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 TRANSACTIONS – MASTER STEAM SUPPLY AGREEMENT

On 29 August 2014, CSPC XNW, an indirect non wholly-owned subsidiary of the Company, entered into the Master Steam Supply Agreement with Hebei Hongyuan in relation to the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of three years commencing from 29 August 2014 and expiring on 28 August 2017.

As at the date of this announcement, Hebei Hongyuan is controlled as to 40% by SPG, a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company. Hebei Hongyuan is therefore an associate of MTL and a connected person of the Company. The entering into of the Master Steam Supply Agreement and the transactions contemplated thereunder hence constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Master Steam Supply Agreement are more than 0.1% but less than 5% on an annual basis, the Master Steam Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 29 August 2014, CSPC XNW, an indirect non wholly-owned subsidiary of the Company, entered into the Master Steam Supply Agreement with Hebei Hongyuan in relation to the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of three years commencing from 29 August 2014 and expiring on 28 August 2017.

MASTER STEAM SUPPLY AGREEMENT

The principal terms of the Master Steam Supply Agreement are summarized as follows:—

Date	:	29 August 2014
Parties	:	(a) CSPC XNW; and (b) Hebei Hongyuan
Term	:	29 August 2014 to 28 August 2017
Subject Matter	:	Purchase of steam by CSPC XNW from Hebei Hongyuan
Fee and Payment Terms	:	The steam shall be supplied and purchased at prices as negotiated by the parties to the Master Steam Supply Agreement from time to time with reference to the prevailing prices prescribed in the written approval issued by Shijiazhuang Municipal Price Bureau* (石家莊市物價局) or other designated government authorities and subject to adjustment from time to time in accordance with the direction published by Hebei Province Price Bureau* (河北省物價局) in its official website, on normal commercial terms and on terms no less favorable to CSPC XNW than terms available to CSPC XNW from independent third parties.

The fee for each month shall be paid by CSPC XNW to Hebei Hongyuan on or before the 15th day of the following month unless otherwise mutually agreed, based on the actual consumption of steam by CSPC XNW during that month.

Proposed Annual Caps

It is anticipated that the amount of fees payable by CSPC XNW to Hebei Hongyuan under the Master Steam Supply Agreement for each of the financial years ending 31 December 2014, 2015, 2016 and 2017 will not exceed the following amount respectively:—

	Financial year ending 31 December			
	2014	2015	2016	2017
(As from 29 August 2014)				
	RMB9,160,000	RMB21,840,000	RMB27,510,000	RMB22,390,000
	(approximately	(approximately	(approximately	(approximately
	HK\$11,595,000)	HK\$27,646,000)	HK\$34,823,000)	HK\$28,342,000)

The above annual caps are determined with reference to the estimated quantity and unit price of steam required by CSPC XNW from Hebei Hongyuan and taking into account (i) the historical figures of the transaction amounts paid by CSPC XNW to Hebei Hongyuan for supply of steam (i.e. RMB3,169,577 (approximately HK\$4,012,100) for the period from 1 January 2013 to 31 December 2013 and RMB7,266,032 (approximately HK\$9,197,500) for the period from 1 January 2014 to 28 August 2014); (ii) the estimated potential growth in future demand for steam; and (iii) inflation factor respectively.

Reasons for and benefits of entering into the Master Steam Supply Agreement

CSPC XNW is principally engaged in the manufacture and sale of bulk caffeine products in the Luancheng County where Hebei Hongyuan operates. The entering into of the Master Steam Supply Agreement with Hebei Hongyuan by CSPC XNW ensures the stable and sufficient local steam supply that fits its future operational need. The Board (including the independent non-executive Directors) is of the opinion that the Master Steam Supply Agreement was entered into on normal commercial terms or better and in the ordinary and usual course of business of the Company and on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, Hebei Hongyuan is controlled as to 40% by SPG, a wholly-owned subsidiary of MTL, which is a controlling shareholder of the Company. Hebei Hongyuan is therefore an associate of MTL and a connected person of the Company. The entering into of the Master Steam Supply Agreement and the transactions contemplated thereunder hence constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Master Steam Supply Agreement are more than 0.1% but less than 5% on an annual basis, the Master Steam Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from 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. 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 and did abstain from voting on the board resolutions of the Company in respect of the Master Steam Supply Agreement.

GENERAL INFORMATION

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

CSPC XNW is an indirect non wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of bulk caffeine products.

Hebei Hongyuan is an associate of MTL and is principally engaged in the provision of heat and steam supply in Pharmaceutical Industrial Zone, Luancheng County, Shijiazhuang City, Hebei Province, the PRC* (河北省石家莊市欒城縣醫藥工業區).

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSPC XNW”	CSPC XNW Pharmaceutical Joint Stock Company Limited* 石藥集團新諾威製藥股份有限公司, a limited liability company established under the laws of the PRC and an indirect non wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Hebei Hongyuan”	Hebei Hongyuan Re Dian Limited Liability Company* 河北宏源熱電有限責任公司, a limited liability company established in the PRC and a company controlled as to 40% by SPG
“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

“Master Steam Supply Agreement”	the master steam supply agreement dated 29 August 2014 entered into between CSPC XNW and Hebei Hongyuan, setting out the general terms and conditions for the purchase of steam by CSPC XNW from Hebei Hongyuan for a term commencing from 29 August 2014 and expiring on 28 August 2017
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SPG”	Shijiazhuang Pharmaceutical Group Company Limited* 石藥集團有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of MTL
“%”	per cent.

* *For identification purpose only*

For illustration purpose only, an exchange rate of HK\$1.00 to RMB0.79 is used in this announcement. No representation is made that any amount in RMB or HK\$ is or could have been or could be converted at such rate or at any other rate or at all.

By order of the Board
CSPC Pharmaceutical Group Limited
Cai Dongchen
Chariman

Hong Kong, 29 August 2014

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. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin as independent non-executive Directors.