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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 — WAREHOUSE STORAGE SERVICE AGREEMENT

On 14 November 2014, Zhongcheng Logistic, an indirect non wholly-owned subsidiary of the Company, entered into the Warehouse Storage Service Agreement with Hebei Zhongcheng, whereby Zhongcheng Logistic would provide warehouse storage service to Hebei Zhongcheng for a term of three years commencing on 14 November 2014 and expiring on 13 November 2017.

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 Warehouse Storage Service Agreement and the transactions contemplated thereunder thus 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 of the Warehouse Storage Service Agreement on an annual basis are more than 0.1% but all the applicable percentage ratios are less than 5%, the Warehouse Storage Service 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 14 November 2014, Zhongcheng Logistic, an indirect non wholly-owned subsidiary of the Company, entered into the Warehouse Storage Service Agreement with Hebei Zhongcheng, whereby Zhongcheng Logistic would provide warehouse storage service to Hebei Zhongcheng for a term of three years commencing on 14 November 2014 and expiring on 13 November 2017.

WAREHOUSE STORAGE SERVICE AGREEMENT

The principal terms of the Warehouse Storage Service Agreement are summarized as follows:

- Date** : 14 November 2014
- Parties** : Zhongcheng Logistic (as service provider); and
Hebei Zhongcheng (as service user).
- Location of Warehouse** : Warehouse with a gross floor area of 21,795 square meter located at 中華人民共和國河北省石家莊市高新區秦嶺大街111號 (No. 111 Qinling Street, High Tech Zone, Shijiazhuang City, Hebei Province, the People's Republic of China*)
- Scope of Service** : Zhongcheng Logistic would provide warehouse storage service to Hebei Zhongcheng for storage of pharmaceutical products at the Warehouse
- Term** : Three years commencing on 14 November 2014 and expiring on 13 November 2017
- Service Fee** : RMB2.48 (approximately HK\$3.14) per square meter, payable monthly in arrears according to the actual area of utilization calculated on a daily basis (assuming 30 days per month).

The Board confirms that the service fee payable, being RMB2.48 per square meter, under the Warehouse Storage Service Agreement is arrived at after due negotiation between the parties on an arm's length basis and was determined with reference to the market rates as at 31 October 2014 as set out in the valuation report dated 14 November 2014 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

It is anticipated that the amount of service fee payable by Hebei Zhongcheng to Zhongcheng Logistic under the Warehouse Storage Service 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 <i>(as from 14 November 2014)</i>	2015	2016	2017	
RMB2,535,719 (approximately HK\$3,209,766)	RMB19,422,500 (approximately HK\$24,585,443)	RMB19,422,500 (approximately HK\$24,585,443)	RMB16,886,785 (approximately HK\$21,375,677)	

The above annual caps are determined with reference to the estimated storage area of utilization and unit price per square meter charged by Zhongcheng Logistic and taking into account the historical figures of the service fee paid by Hebei Zhongcheng to Zhongcheng Logistic (i.e. RMB7,800,000 (approximately HK\$9,873,000)) for the period from 1 January 2014 to 13 November 2014 (the “**Previous Transaction**”). As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Previous Transaction are less than 0.1%, the Previous Transaction constitutes a de minimis transaction under the Listing Rules and is exempt from reporting, announcement and annual review requirements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE WAREHOUSE STORAGE SERVICE AGREEMENT

Zhongcheng Logistic is principally engaged in the sourcing, trading and providing storage service of pharmaceutical products while Hebei Zhongcheng is one of the suppliers and customers of the Group. The entering into of the Warehouse Storage Service Agreement with Hebei Zhongcheng enhances proper logistic and storage management of pharmaceutical products purchased from or sold to Hebei Zhongcheng that cater for the future operation needs.

The Board (including the independent non-executive Directors) is of the opinion that the Warehouse Storage Service 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 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 Warehouse Storage Service Agreement and the transactions contemplated thereunder thus 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 of the Warehouse Storage Service Agreement on an annual basis are more than 0.1% but all the applicable percentage ratios are less than 5%, the Warehouse Storage Service 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 from and did abstain from voting on the board resolution of the Company in respect of the Warehouse Storage Service Agreement.

GENERAL INFORMATION

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

Zhongcheng Logistic is an indirect non wholly-owned subsidiary of the Company and is principally engaged in the sourcing, trading and providing warehouse storage service of pharmaceutical products.

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

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the meanings as 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;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors 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 People’s Republic of China with limited liability and an indirect non wholly-owned subsidiary of MTL;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong and a controlling shareholder of the Company;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Warehouse”	a warehouse situate at 中華人民共和國河北省石家莊市高新區秦嶺大街111號 (No. 111 Qinling Street, High Tech Zone, Shijiazhuang City, Hebei Province, the People’s Republic of China*);
“Warehouse Storage Service Agreement”	an agreement dated 14 November 2014 entered into between Zhongcheng Logistic and Hebei Zhongcheng which sets out the general terms and conditions for the warehouse storage service at the Warehouse;

“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 People’s Republic of China with limited liability and an indirect non wholly-owned subsidiary of the Company; and

“%” 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 Dongcheng
Chairman

Hong Kong, 14 November 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.