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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: 01093)

CONTINUING CONNECTED TRANSACTION MASTER SALES AGREEMENT

On 1 November 2015, the Company entered into the Master Sales Agreement with SPG, pursuant to which the Company agrees to supply, and to procure its subsidiaries to supply, Pharmaceutical Products to the SPG Group for a period of three years commencing from 1 November 2015.

MGGL is a substantial shareholder of the Company holding approximately 17.90% of the total number of issued shares of the Company as at the date of this announcement, which is wholly-owned by MTL. SPG is a wholly-owned subsidiary of MTL. Therefore, SPG is an associate of a substantial shareholder of the Company, and thus a connected person 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 annual caps for the Transactions are greater than 0.1% but less than 5%, the Transactions constitute continuing connected transactions of the Company, which are subject to the reporting, annual review and announcements 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 1 November 2012, where it was disclosed that certain subsidiaries of the Company entered into the 2012 Mutual Supply Framework Agreement with SPG on 1 November 2012, pursuant to which, among others, certain subsidiaries of the Company agreed to supply Pharmaceutical Products to the SPG Group. The 2012 Mutual Supply Framework Agreement expired on 31 October 2015.

On 1 November 2015, the Company entered into the Master Sales Agreement with SPG, pursuant to which the Company agrees to supply, and to procure its subsidiaries to supply, Pharmaceutical Products to the SPG Group for a period of three years commencing from 1 November 2015.

II. MASTER SALES AGREEMENT

The principal terms of the Master Sales Agreement are summarised below:

Date	:	1 November 2015
Parties	:	The Company; and SPG
Term	:	1 November 2015 to 31 October 2018
Transaction nature	:	The Company agrees to supply, and procure its subsidiaries to supply, Pharmaceutical Products to the SPG Group. The relevant Group Company and the relevant SPG Group Company will enter into separate sales agreement for each Transaction in accordance with the principal terms set out in the Master Sales Agreement.
Pricing basis and general principles for sales	:	The unit price of the Pharmaceutical Products and the terms (including the payment terms) of the Transactions shall be determined by arm's length negotiation between the relevant Group Company and the relevant SPG Group Company with reference to the then prevailing market prices of comparable products and on general commercial terms which are no less favourable to the Group than those offered by the Group to independent third parties. The selling price charged by any Group Company for the Pharmaceutical Products to any SPG Group Company shall not be lower than such prevailing market prices.

Where no comparable market prices are available, the unit price of the Pharmaceutical Products shall be determined according to the costs of the products plus an appropriate margin which would be determined with reference to, among others, market conditions, inflation rate and the pricing offered to independent third parties for comparable type of products, and that the general commercial terms will be no less favourable to the Group than those offered by the Group to independent third parties for comparable type of products.

The Group will regularly review, monitor and benchmark the market price of pharmaceutical products. The Group will compare the selling price of the Pharmaceutical Products with the set benchmark before the approval of separate sales agreement between members of the Group and members of the SPG Group to ensure that the relevant Group Company 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 amounts paid by the SPG Group to the Group for the Pharmaceutical Products were as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the ten months ended 31 October 2015
	'000	'000	'000
	<i>(Approx.)</i>	<i>(Approx.)</i>	<i>(Approx.)</i>
Sales of Pharmaceutical Products	RMB139,159 (approximately HK\$176,150)	RMB156,326 (approximately HK\$197,881)	RMB185,745 (approximately HK\$229,315)

Note: RMB has been converted to HK\$ at the rate of RMB0.79 = HK\$1.00 for the year ended 31 December 2013 and 31 December 2014, and RMB0.81 = HK\$1.00 for the ten months ended 31 October 2015.

IV. PROPOSED ANNUAL CAPS

It is anticipated that the annual caps for the Transactions contemplated under the Master Sales Agreement for each of the two months ending 31 December 2015, two years ending 31 December 2017 and ten months ending 31 October 2018 shall be as follows:

	For the two months ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017	For the ten months ending 31 October 2018
	'000	'000	'000	'000
Sales of Pharmaceutical Products	RMB53,000 (approximately HK\$64,634)	RMB327,000 (approximately HK\$398,780)	RMB400,000 (approximately HK\$487,805)	RMB370,000 (approximately HK\$451,220)

Note: RMB has been converted to HK\$ at the rate of RMB0.82 = HK\$1.00.

The above annual caps are determined with reference to, among others, the historical amounts for similar transactions between the Group and the SPG Group and the expected growth in business between the Group and the SPG Group.

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

The Company considers that it is in the Company's interests to enter into the Master Sales Agreement as the Group can sell its Pharmaceutical Products via the SPG Group and increase the sales revenue of the Group.

It is expected that the innovative drug business of the Group will maintain a strong growth momentum, with continuous expansion of market share and a stronger presence and coverage in the high-end market. In order to strive and to ensure the expansion and business growth, it is believed that the Master Sales Agreement will benefit the Group from its sales network whereby the Group will be able to maintain and expand its long-term business relationship with the SPG Group.

The Directors, including the independent non-executive Directors, believe that terms of the Transactions are fair and reasonable, and the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

VI. IMPLICATIONS UNDER THE LISTING RULES

MGGL is a substantial shareholder of the Company holding approximately 17.90% of the total number of issued shares of the Company as at the date of this announcement, which is wholly-owned by MTL. SPG is a wholly-owned subsidiary of MTL. Therefore, SPG is an associate of a substantial shareholder of the Company, and thus a connected person 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 annual caps for the Transactions are greater than 0.1% but less than 5%, the Transactions constitute continuing connected transactions of the Company, which are subject to the reporting, annual review and announcements requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu and Mr. Lu Hua, all being Directors, is indirectly interested in MTL and therefore had a material interest in the Master Sales Agreement, each of them had abstained from voting on the board resolutions of the Company in respect of the Transactions. 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 Transactions.

VII. GENERAL

The Group is principally engaged in the manufacture and sales of pharmaceutical products.

The principal business activity of SPG is investment holdings. The SPG Group is principally engaged in the manufacture, sales and distribution of pharmaceutical products.

VIII. DEFINITIONS

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

“2012 Mutual Supply Framework Agreement”	the mutual supply framework agreement dated 1 November 2012 entered into among SPG, 石藥集團中諾藥業(石家莊)有限公司 (CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.*), 石藥銀湖製藥有限公司 (CSPC Yinhu Pharmaceutical Co., Ltd.*), 石藥集團中奇製藥技術(石家莊)有限公司 (CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.*), 石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.), 石藥集團歐意藥業有限公司 (CSPC Ouyi Pharmaceutical Co., Ltd.*) and 石藥集團新諾威製藥股份有限公司 (CSPC XNW Pharmaceutical Joint Stock Company Limited*) as disclosed in the announcement of the Company dated 1 November 2012
“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
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries, any one of them is referred to as the “Group Company”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration 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
“Master Sales Agreement”	the product master sales agreement dated 1 November 2015 entered into between the Company and SPG in relation to the sales of Pharmaceutical Products by the Group to the SPG Group
“MGGL”	Massive Giant Group Limited, a limited liability company incorporated in the British Virgin Islands and a substantial shareholder of the Company
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong
“Pharmaceutical Products”	pharmaceutical products (including raw material and finished drugs)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SPG”	石藥集團有限責任公司(Shijiazhuang Pharmaceutical Group Company Limited*) (formerly known as 石藥集團有限公司(Shijiazhuang Pharmaceutical Group Company Limited*)), a company established in the PRC and wholly-owned by MTL
“SPG Group”	SPG and its subsidiaries, any one of them is referred to as the “SPG Group Company”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the sale of Pharmaceutical Products by the Group to the SPG Group as contemplated under the Master Sales Agreement

* *English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names shall prevail.*

In this announcement, RMB has been converted to HK\$ for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 1 November 2015

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo, Mr. WANG Jinxu and Mr. LU Hua 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.