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**CSPC**

**CSPC PHARMACEUTICAL GROUP LIMITED**

**石藥集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1093)**

**(1) COMPLETION OF THE ACQUISITION OF 93.18% EQUITY INTEREST IN  
CSPC SHENGXUE GLUCOSE CO., LTD.  
AND  
(2) CONTINUING CONNECTED TRANSACTIONS**

**(1) COMPLETION OF THE ACQUISITION**

The Board is pleased to announce that the Acquisition was completed on 7 June 2016. Following completion of the Acquisition, Shengxue has become a non-wholly owned subsidiary of the Company.

**(2) CONTINUING CONNECTED TRANSACTIONS**

On 13 June 2016, Shengxue entered into the Steam Supply Agreement with Hebei Hongyuan in relation to the purchase of steam by Shengxue from Hebei Hongyuan commencing from 13 June 2016 to 12 June 2019.

Hebei Hongyuan 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. The entering into of the Steam Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

## **(1) COMPLETION OF THE ACQUISITION**

Reference is made to the announcement of the Company dated 14 April 2016 in relation to the Acquisition. The Board is pleased to announce that the Acquisition was completed on 7 June 2016. Following completion of the Acquisition, Shengxue has become a non-wholly owned subsidiary of the Company.

## **(2) CONTINUING CONNECTED TRANSACTIONS**

Prior to completion of the Acquisition, Shengxue had been purchasing steam from Hebei Hongyuan from time to time in its ordinary course of business. As it is anticipated that Shengxue (now being part of the Group) will continue to purchase steam from Hebei Hongyuan in its ordinary course of business after completion of the Acquisition, Shengxue has therefore entered into the Steam Supply Agreement with Hebei Hongyuan on 13 June 2016. The principal terms of the Steam Supply Agreement are set out below.

<b>Date</b>	: 13 June 2016
<b>Parties</b>	: (a) Shengxue; and (b) Hebei Hongyuan
<b>Term</b>	: 13 June 2016 to 12 June 2019
<b>Subject Matter</b>	: Purchase of steam by Shengxue from Hebei Hongyuan

**Pricing Basis and Payment Terms** : The terms shall be agreed by the parties on normal commercial terms and no less favorable than terms available to independent third parties from Hebei Hongyuan. The price shall be RMB196 per ton for the time being (including the value-added tax of 13%) which was determined with reference to the price prescribed in the written approval issued from time to time by Shijiazhuang Municipal Price Bureau\* (石家莊市物價局) to Hebei Hongyuan and directions issued from time to time by Shijiazhuang Development and Reform Commission\* (石家莊市發展和改革委員會) and Shijiazhuang Development and Reform Commission (Price Bureau)\* (石家莊市發展和改革委員會(物價局)) in its website (<http://www.sjzfgw.cn/>). The latest direction regulating the reference price of industrial steam was issued by Shijiazhuang Development and Reform Commission in “Notice on Reduction of Price of Industrial Steam in Urban Area” (Shi Fa Gai Jia Ge [2016] No. 270) (《關於下調市區工業用蒸汽銷售價格的通知》(石發改價格(2016)270號) on 29 March 2016. In the event that the abovementioned approval and direction are amended or replaced by notices, approvals or other documents of the relevant government department, the price payable by Shengxue to Hebei Hongyuan for the provision of steam under the Steam Supply Agreement shall be adjusted upwards or downwards from time to time.

The purchase price is payable monthly in arrears before 15th day of the each calendar month by Shengxue to Hebei Hongyuan unless otherwise agreed.

### **Historical Figures and Proposed Annual Caps**

The transaction amounts paid by Shengxue to Hebei Hongyuan for supply of steam for the two years ended 31 December 2014 and 2015 and the period from 1 January 2016 to 31 May 2016 were approximately RMB9,088,000, RMB7,228,000 and RMB3,570,000 respectively.

It is anticipated that the amount payable by Shengxue to Hebei Hongyuan under the Steam Supply Agreement for the period from 13 June 2016 to 31 December 2016, the two years ending 31 December 2017 and 2018 and the period from 1 January 2019 to 12 June 2019 will not exceed the following amount respectively:-

	<b>For the period from 13 June 2016 to 31 December 2016</b> <i>(excluding the value added tax of 13%)</i>	<b>For the year ending 31 December 2017</b> <i>(excluding the value added tax of 13%)</i>	<b>For the year ending 31 December 2018</b> <i>(excluding the value added tax of 13%)</i>	<b>For the period from 1 January 2019 to 12 June 2019</b> <i>(excluding the value added tax of 13%)</i>
Annual Caps	RMB5,300,000 (approximately HK\$6,310,000)	RMB12,500,000 (approximately HK\$14,881,000)	RMB13,800,000 (approximately HK\$16,429,000)	RMB6,300,000 (approximately HK\$7,500,000)

The above annual caps are determined with reference to (i) the estimated quantity and unit price of steam required by Shengxue from Hebei Hongyuan, (ii) the historical transaction amounts, (iii) the estimated potential growth in future demand for steam and (iv) inflation factor.

### **Reasons for and Benefits of Entering into the Steam Supply Agreement**

Hebei Hongyuan has been supplying steam to Shengxue for its production since 2002. The production base of the Group is located in close proximity to that of Hebei Hongyuan which allows Hebei Hongyuan to deliver the steam in stable and transportation-efficient manner that fits the future operational need of Shengxue.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the transactions contemplated under the Steam Supply Agreement are fair and reasonable, and the transactions contemplated under the Steam Supply Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group 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 CHL, which is a wholly-owned subsidiary of MTL. Massive Giant Group Limited is wholly-owned by MTL and 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. Therefore, Hebei Hongyuan 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. The entering into of the Steam Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the Steam Supply Agreement are more than 0.1% but all of them are less than 5%, the Steam Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and 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 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 Steam Supply Agreement. Other than the aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Steam Supply Agreement.

### **General Information**

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sales of pharmaceutical products. Shengxue is principally engaged in the manufacture and sale of products processed from corn, such as dextrose, starch, starch sugar, sorbitol and xylitol.

Hebei Hongyuan is principally engaged in the provision of heat and steam supply in Pharmaceutical Industrial Zone, Luancheng Area, Shijiazhuang City, Hebei Province, the PRC\* (河北省石家莊市欒城區醫藥工業區).

### **DEFINITIONS**

“Acquisition”	the acquisition of 93.18% equity interest in Shengxue by 石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.*), a wholly-owned subsidiary of the Company, from CHL
“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*), a company established in the PRC and wholly-owned by MTL
“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 of Hong Kong Limited
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hebei Hongyuan”	河北宏源熱電有限責任公司 (Hebei Hongyuan Re Dian Limited Liability Company*), a limited liability company established in the PRC and a company controlled as to 40% by CHL
“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
“PRC”	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
“Shengxue”	石藥集團聖雪葡萄糖有限責任公司 (CSPC Shengxue Glucose Co., Ltd.*) (formerly known as 河北聖雪葡萄糖有限責任公司 (Hebei Shengxue Glucose Limited Liability Company*)), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Steam Supply Agreement”	the steam supply agreement entered between Shengxue and Hebei Hongyuan on 13 June 2016 for the supply of steam by Hebei Hongyuan to Shengxue commencing from 13 June 2016 to 12 June 2019
“%”	per cent.

\* *For identification purpose only*

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

Hong Kong, 13 June 2016

*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 Chuan as independent non-executive directors.*

*In this announcement, RMB has been converted to HK\$ at the rate of RMB0.84 = HK\$1 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.*