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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 LEASE AGREEMENTS

On 21 December 2018, CSPC NBP, CSPC Ouyi, CSPC Zhongnuo and CSPC Zhongqi (all being subsidiaries of the Company) (as tenants) entered into Lease Agreement 1, Lease Agreement 2, Lease Agreement 3 and Lease Agreement 4 respectively with CHL (as landlord) all for a term of three years commencing on 1 January 2019.

CHL is an associate of Mr. Cai Dongchen, a substantial shareholder of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Lease Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) calculated pursuant to Chapter 14 of the Listing Rules in respect of the aggregate annual caps for the Lease Agreements are greater than 0.1% but less than 5%, the Lease Agreements and the transactions contemplated thereunder 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.

INTRODUCTION

On 21 December 2018, CSPC NBP, CSPC Ouyi, CSPC Zhongnuo and CSPC Zhongqi (all being subsidiaries of the Company) (as tenants) entered into Lease Agreement 1, Lease Agreement 2, Lease Agreement 3 and Lease Agreement 4 respectively with CHL (as landlord) all for a term of three years commencing on 1 January 2019.

LEASE AGREEMENTS

The principal terms of the Lease Agreements are set out below.

	Date	Landlord	Tenant	Premises	Term	Rental	Principal Use
1	21 December 2018	CHL	CSPC NBP	Three industrial premises with a total gross floor area of 48,970.43 sq.m. located at 中國河北省石家莊經濟技術開發區塔東大街以西、海南路以北 (the west of Ta Dong Street and the north of Hainan Road, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC*) (“Premises 1”)	Three years commencing on 1 January 2019	RMB8,814,700 (approximately HK\$9,904,200) per annum payable monthly by twelve installments of RMB734,558 each	For the production of finished drug products
2	21 December 2018	CHL	CSPC Ouyi	Thirteen industrial premises with a total gross floor area of 133,199.74 sq.m. located at 中國河北省石家莊經濟技術開發區塔東大街以西、海南路以北 (the west of Ta Dong Street and the north of Hainan Road, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC*) (“Premises 2”)	Three years commencing on 1 January 2019	RMB23,975,800 (approximately HK\$26,939,100) per annum payable monthly by twelve installments of RMB1,997,983 each	For the production of finished drug products
3	21 December 2018	CHL	CSPC Zhongnuo	Nine industrial premises with a total gross floor area of 57,387.05 sq.m. located at 中國河北省石家莊經濟技術開發區塔東大街以西、海南路以北 (the west of Ta Dong Street and the north of Hainan Road, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC*) (“Premises 3”)	Three years commencing on 1 January 2019	RMB10,329,800 (approximately HK\$11,606,500) per annum payable monthly by twelve installments of RMB860,817 each	For the production of bulk drugs

Date	Landlord	Tenant	Premises	Term	Rental	Principal Use
4 21 December 2018	CHL	CSPC Zhongqi	Five office premises with a total gross floor area of 5,447.38 sq.m. located at 中國北京市海澱區蓮花池東路39號西金大廈201-202、301-303室 (Rooms 201-202 & 301-303, No. 39, Xijin Plaza Lianhua Chi East Road, Haidian District, Beijing, the PRC*) (“Premises 4”)	Three years commencing on 1 January 2019	RMB14,119,700 (approximately HK\$15,864,800) per annum payable monthly by twelve installments of RMB1,176,642 each	As office premises in Beijing

Note: RMB has been converted to HK\$ at the rate of RMB0.89 = HK\$1.00.

The Board confirms that the rental payable, being RMB57,240,000 per annum in aggregate, under the Lease Agreements was 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 Premises 1, Premises 2, Premises 3 and Premises 4 as set out in the asset valuation reports on rental appraisal prepared by independent valuation firms.

ANNUAL CAPS

Based on the aggregate rental payable by CSPC NBP, CSPC Ouyi, CSPC Zhongnuo and CSPC Zhongqi to CHL under the Lease Agreements, the aggregate annual caps of the Lease Agreements for the three years ending 31 December 2019, 2020 and 2021 will be as follows:

For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
RMB57,240,000 (approximately HK\$64,314,600)	RMB57,240,000 (approximately HK\$64,314,600)	RMB57,240,000 (approximately HK\$64,314,600)

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

Premises 1, Premises 2 and Premises 3 will be used for production of finished drug products or bulk drugs by the Group. The Group will lease Premises 4 as its office premises in Beijing.

The Directors, including the independent non-executive Directors, believe that terms of the transactions contemplated under the Lease Agreements are fair and reasonable, and the transactions contemplated under the Lease Agreements 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.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Cai Dongchen, a substantial shareholder of the Company, is indirectly interested in more than 30% of CHL through a series of corporations. Therefore, CHL 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. Accordingly, the entering into of the Lease Agreements and the transactions contemplated thereunder constitute continuing connected transactions 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 aggregate annual caps for the Lease Agreements are greater than 0.1% but less than 5%, the Lease Agreements and the transactions contemplated thereunder 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. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Dr. Lu Hua, Dr. Li Chunlei and Mr. Zhang Cuilong, all being Directors, is indirectly interested in CHL and may be regarded as having a material interest in the Lease Agreements, each of them had abstained from voting on the board resolutions of the Company in respect of the Lease Agreements. 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 Lease Agreements.

GENERAL

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

The principal business activity of CHL is investment holdings. CHL and its subsidiaries are principally engaged in the manufacture, sales and distribution of pharmaceutical products.

DEFINITIONS

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

“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*) (formerly known as 石藥集團有限責任公司 (Shijiazhuang Pharmaceutical Group Company Limited*)), a company established in the PRC
“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”	has the meaning ascribed to it in the Listing Rules
“CSPC NBP”	石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company
“CSPC Ouyi”	石藥集團歐意藥業有限公司 (CSPC Ouyi Pharmaceutical Co., Ltd.*), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company
“CSPC Zhongnuo”	石藥集團中諾藥業(石家莊)有限公司 (CSPC Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.*), a limited liability company established in the PRC and is a non-wholly owned subsidiary of the Company
“CSPC Zhongqi”	石藥集團中奇製藥技術(石家莊)有限公司 (CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.*), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Lease Agreement 1”	the lease agreement entered into between CSPC NBP (as tenant) and CHL (as landlord) on 21 December 2018 in respect of Premises 1 for a term of three years commencing on 1 January 2019
“Lease Agreement 2”	the lease agreement entered into between CSPC Ouyi (as tenant) and CHL (as landlord) on 21 December 2018 in respect of Premises 2 for a term of three years commencing on 1 January 2019
“Lease Agreement 3”	the lease agreement entered into between CSPC Zhongnuo (as tenant) and CHL (as landlord) on 21 December 2018 in respect of Premises 3 for a term of three years commencing on 1 January 2019
“Lease Agreement 4”	the lease agreement entered into between CSPC Zhongqi (as tenant) and CHL (as landlord) on 21 December 2018 in respect of Premises 4 for a term of three years commencing on 1 January 2019

“Lease Agreements”	collectively, Lease Agreement 1, Lease Agreement 2, Lease Agreement 3 and Lease Agreement 4
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“sq.m.”	square metre
“substantial shareholder”	has the meaning as ascribed to it in the Listing Rules
“%”	per cent.

* *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, 21 December 2018

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LU Hua, Dr. LI Chunlei, Mr. ZHANG Cuilong, Dr. WANG Qingxi and Mr. CHAK Kin Man as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Professor LO Yuk Lam, Dr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.