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**CSPC PHARMACEUTICAL GROUP LIMITED**

**石藥集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1093)**

**CONTINUING CONNECTED TRANSACTIONS  
PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES**

This announcement is made by the Company pursuant to Rule 14A.60(1) of the Listing Rules.

The Company has been informed by CHL Group that it has recently acquired equity interests in NCP, a company which has been leasing the Factory Premises and providing energy supply services to CSPC NZP, a non wholly-owned subsidiary of the Company, for its manufacturing facilities at the Factory Premises pursuant to the Consolidated Services Agreement made between NCP and CSPC NZP.

As NCP has become an indirect wholly-owned subsidiary of CHL, an associate of Mr. Cai Dongchen, who is in turn a substantial shareholder and a director of the Company, NCP has therefore become a connected person of the Company and the continuing transactions under the Consolidated Services Agreement have become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the continuing transactions under the Consolidated Services Agreement including publishing announcement and annual reporting. The Company will further comply with all applicable reporting, disclosure and, if applicable, independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Consolidated Services Agreement.

## I. INTRODUCTION

This announcement is made by the Company pursuant to Rule 14A.60(1) of the Listing Rules.

The Company has been informed by CHL Group that it has recently acquired equity interests in NCP, a company which has been leasing the Factory Premises and providing energy supply services to CSPC NZP, a non wholly-owned subsidiary of the Company, for its manufacturing facilities at the Factory Premises pursuant to the Consolidated Services Agreement made between NCP and CSPC NZP.

## II. THE CONSOLIDATED SERVICES AGREEMENT

The principal terms of the Consolidated Services Agreement are summarised below:

<b>Date</b>	:	1 April 2024
<b>Parties</b>	:	(a) NCP; and (b) CSPC NZP, a non wholly-owned subsidiary of the Company
<b>Period</b>	:	From 1 January 2024 to 31 December 2024 (both days inclusive)
<b>Subject matter</b>	:	Lease of the Factory Premises and provision of energy supply services including steam, electricity, water and secondary energy by NCP to CSPC NZP for the purposes of CSPC NZP's manufacturing facilities at the Factory Premises.
<b>Pricing and payment terms</b>	:	(i) For the lease of the Factory Premises  CSPC NZP shall pay a fixed annual rent with value added tax inclusive of RMB1,800,000 for the lease of the Factory Premises, with RMB900,000 being payable by 30 June 2024 and the remaining RMB900,000 being payable by 31 December 2024. The rent was determined based on the depreciation of the Factory Premises plus the applicable property tax and factory maintenance expenses.

(ii) For the energy supply services

The fees payable by CSPC NZP in relation to the energy supply services are calculated at the following rates:

- (a) Steam: RMB165 per ton (valued added tax inclusive), which was based on the rate for the supply of steam charged by NCP's supplier of steam in the Factory Premises
- (b) Electricity: the same rate as adopted by West Inner Mongolia Power Grid\* (蒙西電網), being the rate for the supply of electricity charged by NCP's supplier of electricity in the Factory Premises, which is currently RMB0.48 per unit (value added tax inclusive) for reference purpose
- (c) Water: RMB5.9 per ton (value added tax inclusive), which is based on the water price as approved by the Inner Mongolia Provincial Development and Reform Commission plus the cost of pipeline transport of NCP
- (d) Other energy, being certain secondary energy produced in power plant of NCP such as cooling water, ethylene glycol, compressed air, etc: the production cost of NCP in respect of the actual usage plus 10%, which was determined after arm's length negotiation between the parties and comparable to and no less favourable to the Group than the rate which might be available from other independent third parties in similar transactions

The fees for energy supply services shall be settled on a monthly basis based on the actual usage of that month.

Based on the fees paid by CSPC NZP to NCP for the energy supply services under the Consolidated Services Agreement for the six months ended 30 June 2024, the estimated amount of the total fees payable (value added tax exclusive) by CSPC NZP to NCP for the energy supply services under the Consolidated Services Agreement for the six months ending 31 December 2024 will not exceed RMB47,000,000.

### **III. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSOLIDATED SERVICES AGREEMENT**

CSPC NZP is principally engaged in the manufacture and sales of, among others, bulk antibiotics products. CSPC NZP rented the Factory Premises from NCP in Hohhot Tuodian Industrial Park because of its stable energy supply which is essential to production. The Factory Premises is in close proximity to NCP's power plant which allows NCP to supply energy in a stable and transportation-efficient manner that fits the operational need of CSPC NZP.

The Directors, including the independent non-executive Directors, believe that the terms of the Consolidated Services Agreement (including the pricing terms) are fair and reasonable, and the Consolidated Services Agreement is on normal commercial terms and was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

### **IV. LISTING RULES IMPLICATIONS**

The Company has been informed by CHL Group that it has recently acquired equity interests in NCP. As NCP has become an indirect wholly-owned subsidiary of CHL, an associate of Mr. Cai Dongchen, who is in turn a substantial shareholder and a director of the Company, NCP has therefore become a connected person of the Company and the continuing transactions under the Consolidated Services Agreement have become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Group will recognise the rent paid under the Consolidated Services Agreement an expense of the Group (rather than a right-of-use asset) in its financial statements in accordance with HKFRS 16 given that the lease term does not exceed 12 months.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the continuing transactions under the Consolidated Services Agreement including publishing announcement and annual reporting. The Company will further comply with all applicable reporting, disclosure and, if applicable, independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Consolidated Services Agreement.

## V. GENERAL INFORMATION

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

CSPC NZP is owned as to 99.39% by the Company and is principally engaged in the manufacture and sales of bulk antibiotics products.

NCP is an indirect wholly-owned subsidiary of CHL and is principally engaged in The manufacture and sales of bulk antibiotics products. Mr. Cai Dongchen (a substantial shareholder and a director of the Company) indirectly controls the exercise of more than 30% of the voting power at general meetings of CHL. The remaining ultimate beneficial owners of CHL comprise more than 90 existing and former management personnel of the Group and CHL Group.

## VI. 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 in the Listing Rules
“Board”	the board of Directors
“CHL”	CSPC Holdings Company Limited (石藥控股集團有限公司), a company established in the PRC
“CHL Group”	CHL and its subsidiaries and associates
“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(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Services Agreement”	the consolidated services agreement dated 1 April 2024 entered into between CSPC NZP and NCP in relation to the lease of the Factory Premises and provision of the energy supply services by NCP to CSPC NZP
“CSPC NZP”	石藥集團內蒙古中諾藥業有限公司 (CSPC Neimenggu Zhongnuo Pharmaceutical Co., Ltd.*), a non wholly-owned subsidiary of the Company and a company established in the PRC
“Director(s)”	the director(s) of the Company
“Factory Premises”	a fermentation factory (factory no. 32) with a construction area of 17,745.89 square meters located at Hohhot Tuodian Industrial Park (呼和浩特托電工業園)

“Group”	the Company and its subsidiaries
“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
“NCP”	內蒙古常盛製藥有限公司 (Neimenggu Changsheng Pharmaceutical Co., Ltd.*), a company established in the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

\* For identification purposes only

By order of the Board  
**CSPC Pharmaceutical Group Limited**  
**CAI Dongchen**  
*Chairman*

Hong Kong, 25 July 2024

*As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LI Chunlei, Dr. JIANG Hao, Dr. YAO Bing and Mr. CAI Xin as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan as independent non-executive directors.*