

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1093)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

References are made to the 2021 Announcements and the 2024 Announcement in relation to (i) the Existing Lease Agreements entered into by certain members of the Group, namely CSPC NBP, CSPC Ouyi, CSPC Zhongnuo and CSPC Zhongqi (all as tenants) and CHL (as landlord) for a term of three years commencing on 1 January 2022 and (ii) the Existing Consolidated Services Agreement entered into between CSPC NZP, a non-wholly owned subsidiary of the Company, and NCP for a term of one year commencing on 1 January 2024.

As the Existing Lease Agreements and the Existing Consolidated Services Agreement will expire on 31 December 2024, the relevant members of the Group have on 19 December 2024 entered into (i) the Renewed Lease Agreements with CHL (as landlord) and NCP (as landlord) respectively and (ii) the Energy Supply Services Agreement with NCP (as service provider), all for a term of three years commencing on 1 January 2025.

CHL is an associate of Mr. Cai Dongchen, a substantial shareholder of the Company, and thus a connected person of the Company. Since NCP is an indirect wholly-owned subsidiary of CHL, NCP is also a connected person of the Company. Accordingly, the Renewed Lease Agreements constitute connected transactions of the Company, and the Energy Supply Services Agreement constitutes a continuing connected transaction of the Company, under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of all the Renewed Lease Agreements, on the basis of the estimated value of the right-of-use assets (on an aggregated basis), exceed(s) 0.1% but all of them are less than 5%, the Renewed Lease Agreements are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap for the Energy Supply Services Agreement exceed(s) 0.1% but all of them are less than 5%, the Energy Supply Services Agreement is subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

References are made to the 2021 Announcements and the 2024 Announcement in relation to (i) the Existing Lease Agreements entered into by certain members of the Group, namely CSPC NBP, CSPC Ouyi, CSPC Zhongnuo and CSPC Zhongqi (all as tenants) and CHL (as landlord) for a term of three years commencing on 1 January 2022 and (ii) the Existing Consolidated Services Agreement entered into between CSPC NZP, a non-wholly owned subsidiary of the Company, and NCP for a term of one year commencing on 1 January 2024.

As the Existing Lease Agreements and the Existing Consolidated Services Agreement will expire on 31 December 2024, the relevant members of the Group have on 19 December 2024 entered into (i) the Renewed Lease Agreements with CHL (as landlord) and NCP (as landlord) respectively and (ii) the Energy Supply Services Agreement with NCP (as service provider), all for a term of three years commencing on 1 January 2025.

II. THE RENEWED LEASE AGREEMENTS

Details of the Renewed Lease Agreements are as follows:

Date of agreement	Landlord	Tenant	Premises	Term	Rental	Principal Use
1. 19 December 2024	CHL	CSPC NBP	4 industrial premises with a total gross floor area of 52,715.09 m ² located at the west of Tadong Street and the north of Hainan Road, Economic and Technological Development Zone, Shijiazhuang, Hebei Province, the PRC ("Premises 1")	Three years commencing on 1 January 2025	RMB10,005,300 per annum payable by twelve equal monthly installments	For the production of finished drug products
2. 19 December 2024	CHL	CSPC Ouyi	8 industrial premises with a total gross floor area of 121,251.59 m ² located at the west of Tadong Street and the north of Hainan Road, Economic and Technological Development Zone, Shijiazhuang, Hebei Province, the PRC ("Premises 2")	Three years commencing on 1 January 2025	RMB23,013,500 per annum payable by twelve equal monthly installments	For the production of finished drug products

Date of agreement	Landlord	Tenant	Premises	Term	Rental	Principal Use
3. 19 December 2024	CHL	CSPC Zhongnuo	11 industrial premises with a total gross floor area of 58,240.53 m ² located at the west of Tadong Street and the north of Hainan Road, Economic and Technological Development Zone, Shijiazhuang, Hebei Province, the PRC (“Premises 3”)	Three years commencing on 1 January 2025	RMB11,054,000 per annum payable by twelve equal monthly installments	For the production of bulk drug products
4. 19 December 2024	CHL	CSPC Zhongqi	5 office premises with a total gross floor area of 5,447.38 m ² located at Rooms 201–202 & 301–303, Xijin Building, No. 39, Lianhuachi East Road, Haidian District, Beijing, the PRC (“Premises 4”)	Three years commencing on 1 January 2025	RMB9,782,400 per annum payable by twelve equal monthly installments	For research and development
5. 19 December 2024	NCP	CSPC NZP	Factory no. 32 with a total construction area of 17,745.89 m ² located at Tuodian Industrial Park, Hohhot, Inner Mongolia, the PRC (“Premises 5”)	Three years commencing on 1 January 2025	RMB1,853,600 per annum payable by twelve equal monthly installments	For the production of bulk drug products

In accordance with HKFRS 16, the Group will recognise the lease payments payable by the Group under the Renewed Lease Agreements as acquisition of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

The value of the right-of-use assets under each of the Renewed Lease Agreements is estimated to be approximately RMB28,519,000 (Premises 1), RMB65,598,000 (Premises 2), RMB31,508,000 (Premises 3), RMB27,884,000 (Premises 4) and RMB5,283,000 (Premises 5), being the estimated present value of the total rental payments payable throughout the term under each of the Renewed Lease Agreements in accordance with HKFRS 16. On an aggregated basis, the estimated value of the right-of-use assets mentioned above is approximately RMB158,792,000.

The Board confirms that the rentals payable under the Renewed Lease Agreements were arrived at after arm’s length negotiations between the parties and were determined with reference to the market rents of the Premises on an annual basis as set out in the asset valuation reports on rental appraisal prepared by an independent valuation firm. The rental payments will be made by the Group out of its internal resources.

III. THE ENERGY SUPPLY SERVICES AGREEMENT

The principal terms of the Energy Supply Services Agreement are summarised below:

Date : 19 December 2024

Parties : (a) NCP; and
(b) CSPC NZP, a non-wholly owned subsidiary of the Company

Period : From 1 January 2025 to 31 December 2027 (both days inclusive)

- Subject matter** : 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 Premises 5, being the same types of energy supply services provided under the Existing Consolidated Services Agreement.
- Pricing and payment terms** : The fees payable by CSPC NZP in relation to the energy supply services are calculated at the following rates:
- (a) Steam: RMB165 per ton (value added tax inclusive), which was based on the rate for the supply of steam charged by NCP's supplier of steam in Premises 5
 - (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 Premises 5, 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

The fees for energy supply services shall be settled by the Group's internal resources on a monthly basis based on the actual usage of that month.

The terms (including the rates above) were arrived at after arm's length negotiations between the parties determined on the basis of normal commercial terms and no less favourable than those that might be available to independent third parties from NCP and with reference to the rates charged by the relevant state-owned utility suppliers and the costs of supply of the energy by NCP. In respect of the supply of steam, electricity and water, the Group will regularly monitor the market rates and/or the pricing policy promulgated by the relevant government departments in the PRC to ensure that the rates charged by NCP to CSPC NZP are determined on the basis of normal commercial terms as mentioned above. In respect of the supply of other energy, as there is no comparable market price for the same type of transaction in the neighbouring areas, the price shall be determined by adopting a cost-plus approach, comprising the production cost and a reasonable profit margin. The production cost shall be determined based on the cost of electricity and water incurred by NCP for producing the other energy according to the rates mentioned above. The reasonable profit margin shall not exceed 10% with reference to the historical profit margin. The Group will regularly review the price for the supply of other energy to ensure that it adheres to the principles mentioned above. The Board considers that the said methods and procedures can ensure that the transactions under the Energy Supply Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole.

Historical Figures

The historical transaction amounts (excluding value added tax) for the provision of energy supply services by NCP to CSPC NZP are as follows:

For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the eleven months ended 30 November 2024 RMB'000
98,817	82,883	87,095

Annual Caps

The transactions amounts (excluding value added tax) payable by CSPC NZP to NCP pursuant to the Energy Supply Services Agreement for each of the three years ending 31 December 2027 shall be subject to the following annual caps:

For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000	For the year ending 31 December 2027 RMB'000
115,000	127,000	140,000

The above annual caps are determined with reference to, among others, (i) the historical amounts for the transactions between CSPC NZP and NCP in respect of the energy supply services, (ii) the estimated volume and pricing (based on prevailing market price) of the provision of energy supply services that may be required by CSPC NZP from NCP pursuant to the Energy Supply Services Agreement; (iii) the estimated potential growth in future demand for energy and potential increase in production capacity of the Group; and (iv) inflation factor.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED LEASE AGREEMENTS AND THE ENERGY SUPPLY SERVICES AGREEMENT

Premises 1, Premises 2 and Premises 3 have been used by the Group for the production of finished drug products or bulk drug products. The renewal of the leases will enable the Group to continue to use these premises for its pharmaceutical products production purpose. The Group has been using Premises 4 as its research and development centre in Beijing. The renewal of the lease will enable the Group to continue to use such premises as its research and development centre.

CSPC NZP is principally engaged in the manufacture and sales of, among others, bulk antibiotics products. CSPC NZP rented Premises 5 from NCP in Tuodian Industrial Park in Hohhot because of its stable energy supply which is essential to production. Premises 5 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 Renewed Lease Agreements and the Energy Supply Services Agreement (including the annual caps) are fair and reasonable, and the Renewed Lease Agreements and the Energy Supply Services Agreement are on normal commercial terms and 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.

V. LISTING RULES IMPLICATIONS

Mr. Cai Dongchen, a substantial shareholder of the Company, is indirectly interested in 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. Since NCP is an indirect wholly-owned subsidiary of CHL, NCP is also a connected person of the Company. Accordingly, the Renewed Lease Agreements constitute connected transactions of the Company, and the Energy Supply Services Agreement constitutes a continuing connected transaction of the Company, under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of all the Renewed Lease Agreements, on the basis of the estimated value of the right-of-use assets (on an aggregated basis), exceed(s) 0.1% but all of them are less than 5%, the Renewed Lease Agreements are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap for the Energy Supply Services Agreement exceed(s) 0.1% but all of them are less than 5%, the Energy Supply Services Agreement is subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that (i) each of Mr. Cai Dongchen, Mr. Zhang Cuilong, Mr. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Dr. Li Chunlei and Dr. Yao Bing, all being Directors, is indirectly interested in CHL; and (ii) Mr. Cai Xin, a Director, is the son of Mr. Cai Dongchen, they may be regarded as having a material interest in the Renewed Lease Agreements and the Energy Supply Services Agreement, each of them had therefore abstained from voting on the board resolutions of the Company in respect of the Renewed Lease Agreements and the Energy Supply Services Agreement. 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 Renewed Lease Agreements and the Energy Supply Services Agreement.

VI. GENERAL

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

The principal business activity of CSPC NBP, CSPC Ouyi, CSPC Zhongnuo and CSPC NZP is manufacture and sales of pharmaceutical products.

The principal business activity of CSPC Zhongqi is research and development of pharmaceutical products.

CPSC Zhongnuo and CSPC NZP are owned as to (i) 99.393% by the Company; (ii) 0.413% by CHL; and (iii) 0.194% by Shijiazhuang Development Investment Co. Ltd.* (石家莊發展投資有限責任公司) which is ultimately owned by Shijiazhuang Development and Reform Commission* (石家莊市發展和改革委員會), a local governmental authority in Shijiazhuang, the PRC responsible for management of key construction projects of the municipal government.

The principal business activity of CHL is investment holding.

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 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 80 management personnel of the Group and CHL Group.

VII. DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the meanings set out below:

“2021 Announcements”	the announcements of the Company dated 22 December 2021 and 29 December 2021 in relation to the Existing Lease Agreements
“2024 Announcement”	the announcement of the Company dated 25 July 2024 in relation to the Existing Consolidated Services Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CHL”	CSPC Holdings Company Limited (石藥控股集團有限公司), a limited liability 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 of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSPC NBP”	CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company
“CSPC NZP”	CSPC Neimenggu Zhongnuo Pharmaceutical Co., Ltd.* (石藥集團內蒙古中諾藥業有限公司), a limited liability company established in the PRC and is a non-wholly owned subsidiary of the Company

“CSPC Ouyi”	CSPC Ouyi Pharmaceutical Co., Ltd. (石藥集團歐意藥業有限公司), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company
“CSPC Zhongnuo”	CSPC Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd. (石藥集團中諾藥業(石家莊)有限公司), a limited liability company established in the PRC and is a non-wholly owned subsidiary of the Company
“CSPC Zhongqi”	CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. (石藥集團中奇製藥技術(石家莊)有限公司), 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
“Energy Supply Services Agreement”	the agreement entered into between CSPC NZP and NCP on 19 December 2024 in respect of the provision of energy supply services by NCP to CSPC NZP for a term of three years commencing on 1 January 2025
“Existing Consolidated Services Agreement”	the consolidated services agreement entered into between CSPC NZP and NCP on 1 April 2024 in relation to the lease of Premises 5 and provision of energy supply services by NCP to CSPC NZP as disclosed in the 2024 Announcement
“Existing Lease Agreements”	<p>(i) the lease agreement entered into between CSPC NBP (as tenant) and CHL (as landlord) on 22 December 2021 for a term of three years commencing on 1 January 2022 in respect of Premises 1 as disclosed in the 2021 Announcements</p> <p>(ii) the lease agreement entered into between CSPC Ouyi (as tenant) and CHL (as landlord) on 22 December 2021 for a term of three years commencing on 1 January 2022 in respect of Premises 2 as disclosed in the 2021 Announcements</p> <p>(iii) the lease agreement entered into between CSPC Zhongnuo (as tenant) and CHL (as landlord) on 22 December 2021 for a term of three years commencing on 1 January 2022 in respect of Premises 3 as disclosed in the 2021 Announcements</p> <p>(iv) the lease agreement entered into between CSPC Zhongqi (as tenant) and CHL (as landlord) on 22 December 2021 for a term of three years commencing on 1 January 2022 in respect of Premises 4 as disclosed in the 2021 Announcements</p>
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“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”	Neimenggu Changsheng Pharmaceutical Co., Ltd.* (內蒙古常盛製藥有限公司), a company established in the PRC
“Premises”	collectively, Premises 1, Premises 2, Premises 3, Premises 4 and Premises 5
“Premises 1” or “Premises 2” or “Premises 3” or “Premises 4” or “Premises 5”	has their respective meaning as defined in the section headed “II. The Renewed Lease Agreements” of this announcement
“PRC”	the People’s Republic of China
“Renewed Lease Agreements”	<ul style="list-style-type: none"> (i) the lease agreement entered into between CSPC NBP (as tenant) and CHL (as landlord) on 19 December 2024 in respect of Premises 1 for a term of three years commencing on 1 January 2025 (ii) the lease agreement entered into between CSPC Ouyi (as tenant) and CHL (as landlord) on 19 December 2024 in respect of Premises 2 for a term of three years commencing on 1 January 2025 (iii) the lease agreement entered into between CSPC Zhongnuo (as tenant) and CHL (as landlord) on 19 December 2024 in respect of Premises 3 for a term of three years commencing on 1 January 2025 (iv) the lease agreement entered into between CSPC Zhongqi (as tenant) and CHL (as landlord) on 19 December 2024 in respect of Premises 4 for a term of three years commencing on 1 January 2025 (v) the lease agreement entered into between CSPC NZP (as tenant) and NCP (as landlord) on 19 December 2024 in respect of Premises 5 for a term of three years commencing on 1 January 2025

“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

* *For identification purpose only.*

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

Hong Kong, 19 December 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. YAO Bing, Mr. CAI Xin and Mr. CHEN Weiping as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Professor WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan as independent non-executive directors.