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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)

CONNECTED TRANSACTIONS

RENEWAL OF LEASE AGREEMENTS

Reference is made to the announcement of the Company dated 21 December 2018 in relation to 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 2019. As the Existing Lease Agreements will expire on 31 December 2021, the relevant members of the Group (as tenants) have on 22 December 2021 entered into the Renewed Lease Agreements with CHL (as landlord) for a term of three years commencing on 1 January 2022.

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 Renewed Lease Agreements constitute connected transactions 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 the Renewed Lease Agreements, on the basis of the estimated value of the right-of-use asset, 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.

INTRODUCTION

Reference is made to the announcement of the Company dated 21 December 2018 in relation to 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 2019. As the Existing Lease Agreements will expire on 31 December 2021, the relevant members of the Group (as tenants) have on 22 December 2021 entered into the Renewed Lease Agreements with CHL (as landlord) for a term of three years commencing on 1 January 2022.

THE RENEWED LEASE AGREEMENTS

Details of the Renewed Lease Agreements are as follows:—

	Date of agreement	Landlord	Tenant	Premises	Term	Rental	Principal Use
1.	22 December 2021	CHL	CSPC NBP	Four industrial premises with a total gross floor area of 47,294.66 sq.m. located at the west of Ta Dong Street and the north of Hainan Road, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC* (中國河北省石家莊經濟技術開發區塔東大街以西及海南路以北) (“Premises 1”)	Three years commencing on 1 January 2022	RMB8,286,000 per annum payable by twelve monthly installments	For the production of finished drug products
2.	22 December 2021	CHL	CSPC Ouyi	Eight industrial premises with a total gross floor area of 116,061.01 sq.m. located at the west of Ta Dong Street and the north of Hainan Road, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC* (中國河北省石家莊經濟技術開發區塔東大街以西及海南路以北) (“Premises 2”)	Three years commencing on 1 January 2022	RMB20,333,900 per annum payable by twelve monthly installments	For the production of finished drug products

	Date of agreement	Landlord	Tenant	Premises	Term	Rental	Principal Use
3.	22 December 2021	CHL	CSPC Zhongnuo	Eleven industrial premises with a total gross floor area of 58,240.53 sq.m. located at the west of Ta Dong Street and the north of Hainan Road, Shijiazhuang Economic and Technological Development Zone, Hebei Province, the PRC* (中國河北省石家莊經濟技術開發區塔東大街以西及海南路以北) (“Premises 3”)	Three years commencing on 1 January 2022	RMB10,203,700 per annum payable by twelve monthly installments	For the production of bulk drugs
4.	22 December 2021	CHL	CSPC Zhongqi	Five office premises with a total gross floor area of 5,447.38 sq.m. located at Rooms 201-202 & 301-303, Xijin Plaza No. 39, Lianhua Chi East Road, Haidian District, Beijing, the PRC* (中國北京市海澱區蓮花池東路39號西金大廈201-202 301-303室) (“Premises 4”)	Three years commencing on 1 January 2022	RMB12,128,500 per annum payable by twelve monthly installments	As research and development centre in Beijing

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

In accordance with the HKFRS 16 applicable to the Group, the Group will recognize the rental payments to be paid by the Group under the Renewed Lease Agreements as acquisition of right-of-use asset which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board confirms that the rents 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.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED LEASE AGREEMENTS

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

The Directors (including the independent non-executive Directors) are of the view that the Renewed Lease Agreements were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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 under Chapter 14A of the Listing Rules. Accordingly, the Renewed Lease Agreements constitute connected transactions 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 the Renewed Lease Agreements, on the basis of the estimated value of the right-of-use asset, 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.

Given that each of Mr. Cai Dongchen, Mr. Zhang Cuilong, Mr. Wang Zhenguo, Mr. Pan Weidong, Mr. Wang Huaiyu, Dr. Li Chunlei and Dr. Jiang Hao, all being Directors, is indirectly interested in CHL and may be regarded as having a material interest in the Renewed Lease Agreements, each of them had abstained from voting on the board resolutions of the Company in respect of the Renewed 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 Renewed Lease Agreements.

GENERAL

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

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

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

CPSC Zhongnuo is owned as to (i) 99.393% by the Group; (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.

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 100 management personnel of the Group and CHL Group.

DEFINITIONS

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

“2018 Announcement”	the announcement of the Company dated 21 December 2018 in relation to the Existing Lease Agreements
“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 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
“Existing Lease Agreements”	<ul style="list-style-type: none"> (i) the lease agreement entered into between CSPC NBP (as tenant) and CHL (as landlord) on 21 December 2018 for a term of three years commencing on 1 January 2019 in respect of the premises as disclosed in the 2018 Announcement (ii) the lease agreement entered into between CSPC Ouyi (as tenant) and CHL (as landlord) on 21 December 2018 for a term of three years commencing on 1 January 2019 in respect of the premises as disclosed in the 2018 Announcement (iii) the lease agreement entered into between CSPC Zhongnuo (as tenant) and CHL (as landlord) on 21 December 2018 for a term of three years commencing on 1 January 2019 in respect of the premises as disclosed in the 2018 Announcement (iv) the lease agreement entered into between CSPC Zhongqi (as tenant) and CHL (as landlord) on 21 December 2018 for a term of three years commencing on 1 January 2019 in respect of the premises as disclosed in the 2018 Announcement

“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
“Premises”	collectively, Premises 1, Premises 2, Premises 3 and Premises 4
“Premises 1” or “Premises 2” or “Premises 3” or “Premises 4”	has their respective meaning as defined under the section headed “The Renewed Lease Agreements” in 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 22 December 2021 in respect of Premises 1 for a term of three years commencing on 1 January 2022 (ii) the lease agreement entered into between CSPC Ouyi (as tenant) and CHL (as landlord) on 22 December 2021 in respect of Premises 2 for a term of three years commencing on 1 January 2022 (iii) the lease agreement entered into between CSPC Zhongnuo (as tenant) and CHL (as landlord) on 22 December 2021 in respect of Premises 3 for a term of three years commencing on 1 January 2022 (iv) the lease agreement entered into between CSPC Zhongqi (as tenant) and CHL (as landlord) on 22 December 2021 in respect of Premises 4 for a term of three years commencing on 1 January 2022
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square metre

“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, 22 December 2021

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. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Professor WANG Hongguang, Mr. AU Chun Kwok Alan and Mr. LAW Cheuk Kin Stephen as independent non-executive directors.