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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)

- (1) APPLICATION FOR WHITEWASH WAIVER;**
(2) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME;
AND
(3) RE-ELECTION OF RETIRING DIRECTOR

APPLICATION FOR WHITEWASH WAIVER

On July 6, 2004, the Company approved and adopted the 2004 Share Option Scheme, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 153,812,466 Shares, representing 10% of the total number of Shares in issue as of July 6, 2004. As at the date of this announcement, the total number of the Existing Share Options granted by the Company pursuant to the 2004 Share Option Scheme is 150,000,000, among which 141,000,000 Existing Share Options granted to the Management remain outstanding.

Subject to the conditions of the Exercise as stated in the paragraph headed “Conditions of the Exercise” below having been fulfilled and assuming no further Shares will be allotted and issued during the period from the date of this announcement up to completion of the Exercise, upon the Exercise at the exercise price of HK\$3.98 per Share as prescribed in the terms of grant, the Management will be allotted and issued an aggregate of 141,000,000 new Shares, representing approximately 2.39% of the issued share capital of the Company immediately before the completion of the Exercise and approximately 2.33% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, respectively.

As the Exercise will cause the interests in the issued share capital of the Company held by the Management Group to increase from 29.98% (of the issued share capital of the Company as at the date of this announcement) to 31.62% (of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares), under Rule 26.1 of the Takeovers Code, the Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Management will make an application to the Executive for the Whitewash Waiver in respect of the Exercise. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

As the 2004 Share Option Scheme had a term of 10 years and had expired on July 5, 2014, the Company proposes to adopt a New Share Option Scheme, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 591,101,840 Shares, representing approximately 10% of the total number of Shares in issue as at the Adoption Date, assuming there is no change in the total number of Shares in issue during the period from the date of this announcement up to the Adoption Date.

RE-ELECTION OF RETIRING DIRECTOR

Mr. Lu was appointed as an executive Director of the Company with effect from September 7, 2015. At the forthcoming EGM, Mr. Lu will retire from office and, being eligible, shall offer himself for re-election pursuant to Article 92 of the Articles of Association.

GENERAL

Independent Board Committee and Independent Financial Advisor

An Independent Board Committee comprising Mr. LEE Ka Sze, Carmelo, being a non-executive Director, and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin, each being an independent non-executive Director, has been formed to advise the Independent Shareholders on the Whitewash Waiver.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Exercise and the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code. Further announcement will be made immediately following the appointment of the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

EGM

An EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve (i) the Whitewash Waiver; (ii) the adoption of the New Share Option Scheme and (iii) the Re-election by way of poll. The Management Group, who hold an aggregate of approximately 29.98% of the issued share capital of the Company as at the date of this announcement, and any persons who are involved or interested in the Exercise and/or the Whitewash Waiver will abstain from voting at the EGM with respect of the resolution to approve the Whitewash Waiver.

Despatch of Circular

A circular containing, among other things, further details of the New Share Option Scheme, particulars of the Whitewash Waiver, the Re-election, the recommendations of the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, a valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and a notice convening the EGM is expected to be sent to the Shareholders on or before November 12, 2015.

Shareholders and potential investors should note that the Exercise and the Whitewash Waiver are subject to certain conditions and may not proceed unless the Independent Shareholders approve the resolution regarding the Whitewash Waiver by way of poll and the Whitewash Waiver is granted by the Executive.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Reference is made to (i) the circular of the Company dated June 7, 2004 in relation to, among other things, the adoption of the 2004 Share Option Scheme; (ii) the announcement of the Company dated July 6, 2004 in relation to the adoption of the 2004 Share Option Scheme and (iii) the announcement of the Company dated April 18, 2013 in relation to the grant of the Existing Share Options.

APPLICATION FOR WHITEWASH WAIVER

Existing Share Options

On July 6, 2004, the Company approved and adopted the 2004 Share Option Scheme, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 153,812,466 Shares, representing 10% of the total number of Shares in issue as of July 6, 2004. As at the date of this announcement, the total number of the Existing Share Options granted by the Company pursuant to the 2004 Share Option Scheme is 150,000,000, among which 141,000,000 Existing Share Options granted to the Management remain outstanding.

Subject to the conditions of the Exercise as stated in the paragraph headed “Conditions of the Exercise” below having been fulfilled and assuming no further Shares will be allotted and issued during the period from the date of this announcement up to completion of the Exercise, upon the Exercise at the exercise price of HK\$3.98 per Share as prescribed in the terms of grant, the Management will be allotted and issued an aggregate of 141,000,000 new Shares, representing approximately 2.39% of the issued share capital of the Company immediately before the completion of the Exercise and approximately 2.33% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, respectively.

Effect on Shareholding Structure

As at the date of this announcement, the total number of issued Shares is 5,911,018,403 Shares and the Management Group hold an aggregate of 1,772,363,534 Shares, representing approximately 29.98% of the existing total issued share capital of the Company as at the date of this announcement.

The following table sets out the shareholding structure of the Company immediately before and after completion of the Exercise (assuming that other than the Existing Share Option Shares, no Shares are issued or repurchased by the Company and other than the Existing Share Option Shares, no Shares are sold, purchased or subscribed by the Management Group, in each case after the date of this announcement until completion of the Exercise):

	Immediately before completion of the Exercise		Immediately after completion of the Exercise	
	No. of Shares	%	No. of Shares	%
I Management Group				
Mr. Cai and Mr. Cai’s Controlled Corporations (<i>Note 1</i>)	1,772,363,534	29.98%	1,852,363,534	30.60%
Mr. Lu Hua	0	0.00%	3,000,000	0.05%
Mr. Pan Weidong	0	0.00%	10,000,000	0.17%
Mr. Wang Huaiyu	0	0.00%	15,000,000	0.25%
Mr. Lu Jianmin	0	0.00%	10,000,000	0.17%
Mr. Wang Zhenguo	0	0.00%	3,000,000	0.05%
Mr. Wang Jinxu	0	0.00%	3,000,000	0.05%
Key Employees (<i>Note 2</i>)	0	0.00%	17,000,000	0.28%
Sub-total of the Management Group:	1,772,363,534	29.98%	1,913,363,534	31.62%
II Other Shareholders				
Other Shareholders	4,138,654,869	70.02%	4,138,654,869	68.38%
Total:	5,911,018,403	100%	6,052,018,403	100%

Notes:

- (1) As at the date of this announcement, Mr. Cai's Controlled Corporations include Massive Giant, True Ally and Key Honesty, which directly hold 1,058,016,034, 493,880,000 and 213,929,500 Shares, respectively. Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai.
- (2) As at the date of this announcement, Key Employees consist of Lei Jianjun, Tian Yumiao, Liu Jian, Huang Yin, Chen Xuejun, Li Chunlei, Sun Jumin, Zhang Heming, Kang Hui, Min Longgang, Wang Tao and Zhang Dazhi.

Whitewash Waiver

As at the date of this announcement, the Management Group hold an aggregate of 1,772,363,534 Shares, representing approximately 29.98% of the existing total issued share capital of the Company as at the date of this announcement. Upon completion of the Exercise, the Management Group will be interested in up to 1,913,363,534 Shares, representing (a) 32.37% of the issued Shares as at the date of this announcement; and (b) 31.62% of the issued Shares as enlarged by the issuance of the Existing Share Option Shares.

As the Exercise will cause the interests in the issued share capital of the Company held by the Management Group to increase from 29.98% (of the issued share capital of the Company as at the date of this announcement) to 31.62% (of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares), under Rule 26.1 of the Takeovers Code, the Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Management will make an application to the Executive for the Whitewash Waiver in respect of the Exercise. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll.

The Management have confirmed that (a) they have not acquired voting rights attaching to the relevant securities (as defined in the Takeovers Code) of the Company and (b) there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Takeovers Code, within the six months period prior to the date of this announcement and up to and including the date of this announcement.

Save as the Existing Share Options granted pursuant to the 2004 Share Option Scheme as disclosed in this announcement, as at the date of this announcement:

- (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Exercise and the Whitewash Waiver;
- (ii) none of the Management Group have any agreement or arrangement to which any of them is a party which relates to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Exercise and the Whitewash Waiver;
- (iii) there is no outstanding derivative in respect of relevant securities (as defined in the Takeovers Code) in the Company which has been entered into by any of the Management Group;
- (iv) the Management Group do not hold any convertible securities, warrants, derivatives or options of the Company;
- (v) the Management Group have not received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Whitewash Waiver; and
- (vi) there are no relevant securities (as defined in the Takeovers Code) in the Company which the Management Group have borrowed or lent.

Conditions of the Exercise

The Exercise is subject to the following conditions:

- (i) the granting of the Whitewash Waiver by the Executive; and
- (ii) the approval by the Independent Shareholders of the relevant resolution regarding the Whitewash Waiver by way of poll at the EGM.

The conditions above cannot be waived.

The Listing Committee of the Stock Exchange has granted the approval in respect of the listing of, and permission to deal in, the Existing Share Option Shares.

Information on the Group

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

Information on the Management Group

Details of the Management Group and their respective interests in the Company as at the date of this announcement are set out below:

Name of Management	Position in the Company	Capacity in which Interests are Held	Number of Ordinary Shares	Approximate % of shareholding interest in Company
Mr. Cai	Executive Director (Chairman and CEO)	Beneficial owner	6,538,000	0.11%
		Interest in controlled corporation (Note)	1,765,825,534	29.87%
Mr. Lu Hua	Executive Director	N/A	0	0.00%
Mr. Pan Weidong	Executive Director	N/A	0	0.00%
Mr. Wang Huaiyu	Executive Director	N/A	0	0.00%
Mr. Lu Jianmin	Executive Director	N/A	0	0.00%
Mr. Wang Zhenguo	Executive Director	N/A	0	0.00%
Mr. Wang Jinxu	Executive Director	N/A	0	0.00%
Key Employees	N/A	N/A	0	0.00%

Note:

As at the date of this announcement, Mr. Cai's Controlled Corporations include Massive Giant, True Ally and Key Honesty, which directly hold 1,058,016,034, 493,880,000 and 213,929,500 Shares, respectively. Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

As the 2004 Share Option Scheme had a term of 10 years and had expired on July 5, 2014, the Company proposes to adopt a New Share Option Scheme, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 591,101,840 Shares, representing approximately 10% of the total number of Shares in issue as at the Adoption Date, assuming there is no change in the total number of Shares in issue during the period from the date of this announcement up to the Adoption Date.

The adoption of the New Share Option Scheme is conditional upon the following conditions:

- (a) the passing of an ordinary resolution to approve the adoption of the New Share Option Scheme by the Shareholders in the EGM and authorising the Directors to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the New Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted pursuant to the exercise of options granted under the New Share Option Scheme.

RE-ELECTION OF RETIRING DIRECTOR

Reference is made to the announcement of the Company dated September 7, 2015.

Mr. Lu was appointed as an executive Director of the Company with effect from September 7, 2015. Pursuant to Article 92 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the following general meeting of the Company, and shall then be eligible for re-election at the meeting.

At the forthcoming EGM, Mr. Lu will retire from office and, being eligible, shall offer himself for re-election pursuant to Article 92 of the Articles of Association.

GENERAL

Independent Board Committee and Independent Financial Advisor

An Independent Board Committee comprising Mr. LEE Ka Sze, Carmelo, being a non-executive Director, and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin, each being an independent non-executive Director, has been formed to advise the Independent Shareholders on the Whitewash Waiver.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Exercise and the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code. Further announcement will be made immediately following the appointment of the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

EGM

An EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve (i) the Whitewash Waiver; (ii) the adoption of the New Share Option Scheme and (iii) the Re-election by way of poll. The Management Group, who hold an aggregate of approximately 29.98% of the issued share capital of the Company as at the date of this announcement, and any persons who are involved or interested in the Exercise and/or the Whitewash Waiver will abstain from voting at the EGM with respect of the resolution to approve the Whitewash Waiver.

Despatch of Circular

A circular containing, among other things, further details of the New Share Option Scheme, particulars of the Whitewash Waiver, the Re-election, the recommendations of the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, a valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and a notice convening the EGM is expected to be sent to the Shareholders on or before November 12, 2015.

Shareholders and potential investors should note that the Exercise and the Whitewash Waiver are subject to certain conditions and may not proceed unless the Independent Shareholders approve the resolution regarding the Whitewash Waiver by way of poll and the Whitewash Waiver is granted by the Executive.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

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

“2004 Share Option Scheme” the share option scheme of the Company adopted on July 6, 2004

“acting in concert” has the same meaning as ascribed to it under the Takeovers Code

“Adoption Date”	the proposed adoption date of the New Share Option Scheme
“Articles of Association”	the memorandum and articles of association of the Company
“Board”	the board of Directors
“Company”	CSPC Pharmaceutical Group Limited (石藥集團有限公司) (Stock Code: 1093), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Whitewash Waiver (ii) the adoption of the New Share Option Scheme and (iii) the Re-election
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of such executive director
“Exercise”	the exercise of the Existing Share Options by the Management
“Existing Share Option Shares”	the 141,000,000 new Shares to be issued to the Management pursuant to the 2004 Share Option Scheme
“Existing Share Options”	the outstanding options to subscribe for 141,000,000 new Shares granted to the Management pursuant to the 2004 Share Option Scheme
“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 PRC
“Independent Board Committee”	the independent board committee comprising Mr. LEE Ka Sze, Carmelo, Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin, which will be established to advise the Independent Shareholders on the Exercise and the Whitewash Waiver

“Independent Shareholders”	Shareholders other than the Management Group and those who are involved in or interested in the Exercise and/or the Whitewash Waiver
“Key Employees”	Lei Jianjun, Tian Yumiao, Liu Jian, Huang Yin, Chen Xuejun, Li Chunlei, Sun Jumin, Zhang Heming, Kang Hui, Min Longgang, Wang Tao and Zhang Dazhi
“Key Honesty”	Key Honesty Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Management”	Mr. Cai Dongchen, Mr. Lu Hua, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jiamin, Mr. Wang Zhenguo, Mr. Wang Jinxu and the Key Employees
“Management Group”	the Management and parties acting in concert with any of them, including Mr. Cai’s Controlled Corporations
“March Rise”	March Rise Limited, a company incorporated in the British Virgin Islands with limited liability
“Massive Giant”	Massive Giant Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Massive Top”	Massive Top Limited, a company incorporated in Hong Kong with limited liability
“Mr. Cai”	Mr. Cai Dongchen, the Chairman of the Board and chief executive officer of the Company
“Mr. Cai’s Controlled Corporations”	Massive Giant, True Ally and Key Honesty, each being a direct Shareholder
“Mr. Lu”	Mr. Lu Hua, an executive Director of the Company
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company
“PRC” or “China”	the People’s Republic of China

“Re-election”	the proposed re-election of Mr. Lu as an executive Director of the Company
“Shareholders”	holders of Shares of the Company
“Shares”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong as amended from time to time
“True Ally”	True Ally Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code from the obligations of the Management to make a mandatory general offer for all of the Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group which would otherwise arise as a result of the completion of the Exercise
“Zhongyihe”	Beijing Zhongyihe Hezhong Investment Management Centre LLP* (北京中宜和合眾投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC
“%”	percentage

* *The English names are for identification purposes only.*

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

Hong Kong, October 26, 2015

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 Shilin as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.