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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)

ANNOUNCEMENT

CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CSPC DOPHEN CORPORATION

On 9 May 2017, Zhongqi (as purchaser), a wholly-owned subsidiary of the Company, entered into the Agreement with CHL (as vendor) in relation to the sale and purchase of the entire equity interest in Dopphen at a consideration of US\$9,700,000. Upon completion of the Acquisition, Dopphen will become an indirect wholly-owned subsidiary of the Company.

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 Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As more than one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

The principal terms of the Agreement are summarised below:

Date : 9 May 2017

Parties : (i) CHL, a connected person of the Company, as vendor
(ii) Zhongqi, a wholly-owned subsidiary of the Company, as purchaser

- Subject matter** : CHL has agreed to sell and Zhongqi has agreed to purchase the entire equity interest in Dophen.
- Consideration** : The consideration payable by Zhongqi for the Acquisition is US\$9,700,000 and will be paid by Zhongqi in cash to CHL in full within 10 days from the date of completion.
- The consideration for the Acquisition was arrived at after arm's length negotiations between the parties having taken into account, amongst other things, the audited net asset value of Dophen as of 31 December 2016. The consideration will be funded by the internal resources of the Group.
- Completion** : After signing of the Agreement, CHL, Zhongqi and Dophen shall endeavor to complete the change of business registration and the other procedures as required by the US laws and regulations by 31 May 2017 or such later date as the parties may otherwise agree in writing.

Information on Dophen

Dophen is a company established under the laws of the State of New Jersey in US and is principally engaged in research and development of pharmaceutical products. Upon completion of the Acquisition, Dophen will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Company.

Based on the audited financial information of Dophen prepared in accordance with the PRC GAAP, the net asset value of Dophen as at 31 December 2016 was US\$9,717,826, and the net loss (before and after taxation) of Dophen for the two years ended 31 December 2015 and 2016 were as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>(US\$)</i>	<i>(US\$)</i>
	(Audited)	(Audited)
Net loss before taxation	65,959	65,959
Net loss after taxation	65,959	65,959

The original investment cost by CHL in Dophen was US\$9,849,745.

Reasons for and benefits of the Acquisition

So far as the Directors are aware, Dopphen has an established pharmaceutical research and development centre, which has come into operation since 2012, in the State of California in US with a team of experts. Dopphen has been conducting a number of biopharmaceutical development projects and initial results have been achieved. The Group considers biotechnology is an attractive industry in the PRC. The Acquisition will be able to strengthen the Group's research and development capability of biopharmaceuticals and supplement its product pipeline.

OPINION OF THE BOARD

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

LISTING RULES IMPLICATIONS

CHL is a wholly-owned subsidiary of MTL. MGGL is wholly-owned by MTL and is a substantial shareholder of the Company holding approximately 17.48% of the total number of issued shares of the Company as at the date of this announcement. 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 Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As more than one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu and Mr. Lu Hua is indirectly interested in MTL, each of them was required to abstain from and did abstain from voting on the board resolution of the Company in respect of the Acquisition. Save as the aforesaid, none of the Directors have a material interest in the Acquisition.

GENERAL

The principal activity of the Company is investment holding and Zhongqi is principally engaged in pharmaceutical research and development.

The principal activity of CHL is investments holding.

DEFINITIONS

“Acquisition”	the acquisition of the entire equity interest in Dophen by the Group from CHL pursuant to the Agreement
“Agreement”	the equity transfer agreement dated 9 May 2017 entered into between CHL and Zhongqi in respect of the Acquisition
“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*), a company established in the PRC and wholly-owned by MTL
“Company”	CSPC Pharmaceutical Group Limited, 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”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dophen”	CSPC Dophen Corporation, a company incorporated in the State of New Jersey, US and a wholly-owned subsidiary of CHL
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MGGL”	Massive Giant Group Limited, a limited liability company incorporated in the British Virgin Islands and a substantial shareholder of the Company
“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	the Generally Accepted Accounting Principles of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America
“US\$”	the United States dollars, the lawful currency of US
“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 company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board
CSPC Pharmaceutical Group Limited
Cai Dongchen
Chairman

Hong Kong, 9 May 2017

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Jinxu, Mr. WANG Zhenguo, Mr. LU Hua, Mr. WANG Shunlong 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, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Chuan as independent non-executive Directors.

* *For identification purposes only*