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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)

CONNECTED TRANSACTION ACQUISITION OF LIMITED PARTNERSHIP INTEREST IN A FUND

ACQUISITION OF LIMITED PARTNERSHIP INTEREST IN A FUND

On 29 May 2017, the Transferee (an indirect wholly-owned subsidiary of the Company), the Transferor and the General Partner (on its own behalf and as general partner of the Fund and as attorney-in-fact of the existing partners of the Fund) entered into the Transfer Agreement pursuant to which the Transferor shall transfer and assign to the Transferee the Limited Partnership Interest for a consideration of US\$3.72 million (equivalent to approximately HK\$29.02 million) with effect from the date of the Transfer Agreement. The General Partner has consented to the Transfer and accepted the Transfer on behalf of the Fund.

LISTING RULES IMPLICATIONS

As the General Partner is controlled by Mr. Wang Shunlong, a former Director who retired on 25 May 2017, the General Partner is an associate of Mr. Wang and therefore a connected person of the Company. In addition, as 3H Associates which is the Special Limited Partner of the Fund is controlled by Mr. Wang, it is also an associate of Mr. Wang and therefore a connected person of the Company. Accordingly, the Acquisition will result in the formation of a partnership arrangement among, inter alia, the Transferee and associates of Mr. Wang, namely, the General Partner and the Special Limited Partner, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition (taking into account the Transferee's Capital Commitment of up to US\$60 million (equivalent to approximately HK\$468 million) under the Limited Partnership Interest) is/are more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 29 May 2017, the Transferee (an indirect wholly-owned subsidiary of the Company), the Transferor and the General Partner (on its own behalf and as general partner of the Fund and as attorney-in-fact of the existing partners of the Fund) entered into the Transfer Agreement pursuant to which the Transferor shall transfer and assign to the Transferee the Limited Partnership Interest for a consideration of US\$3.72 million (equivalent to approximately HK\$29.02 million) with effect from the date of the Transfer Agreement. The General Partner has consented to the Transfer and accepted the application for the Transfer on behalf of the Fund.

PRINCIPAL TERMS OF THE TRANSFER AGREEMENT

- Date : 29 May 2017
- Name of the Fund : 3H Health Investment Fund I, L.P.
- Parties : (1) the Transferor;
- (2) the Transferee; and
- (3) the General Partner (on its own behalf and acting as general partner of the Fund and as attorney-in-fact of the existing partners of the Fund).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Transferor and its ultimate beneficial owner(s) is/are independent third party(ies) and not connected person(s) of the Company; (ii) the General Partner is controlled by Mr. Wang, a former Director who retired on 25 May 2017, and is therefore a connected person of the Company; and (iii) other than the General Partner and the Special Limited Partner, both of which are controlled by Mr. Wang and hence are connected persons of the Company, all other existing partners of the Fund and their respective ultimate beneficial owners are independent third parties and not connected persons of the Company.

- Subject Matter : The Transferee would acquire from the Transferor the Limited Partnership Interest (with a Capital Commitment of US\$60 million, equivalent to approximately HK\$468 million), representing approximately 44% of the existing partners' total Capital Commitment to the Fund as of the date of the Transfer Agreement and would accept the assignment of all the Transferor's rights, benefits, responsibilities, liabilities, obligations, duties, burden and restrictions attached to the Limited Partnership Interest by virtue of and pursuant to the Partnership Agreement, with effect from the date of the Transfer Agreement.

As of the date of the Transfer Agreement, out of the Limited Partnership Interest acquired by the Transferee, approximately US\$5.11 million (equivalent to approximately HK\$39.86 million) has been paid by the Transferor as capital contribution to the Fund and the remaining portion of the Capital Commitment of the Transferor is approximately US\$54.89 million (equivalent to approximately HK\$428.14 million).

Consideration : US\$3.72 million (equivalent to approximately HK\$29.02 million) which was determined after good faith arm's length negotiation between the Transferor and the Transferee, reflecting a 27% mutually agreed discount calculated based on the capital contribution actually made by the Transferor to the Fund on or prior to the date of the Transfer Agreement. The consideration was funded by the Group's internal resources and has been paid in full on the date of the Transfer Agreement.

Upon entering into of the Transfer Agreement, the Transferee agrees to be bound by all the terms of the Partnership Agreement in respect of the Limited Partnership Interest as if it had been an original party to the Partnership Agreement.

Completion of the Acquisition has taken place immediately after the entering into of the Transfer Agreement, upon which the Transferee became the owner of the Limited Partnership Interest. The interest in the Fund held by the Transferee will be treated as an investment of the Group.

INFORMATION ABOUT THE FUND AND THE PARTNERSHIP AGREEMENT

The Fund is a Cayman Islands exempted limited partnership registered under the Exempted Limited Partnership Law, 2014 (as amended) of the Cayman Islands with the Registrar of Exempted Limited Partnerships in the Cayman Islands on 8 December 2015, the investment objective of which is to achieve long-term capital appreciation through making investments in equity and equity-related securities of companies in the life sciences and healthcare sector, its related technologies, products and services, or which otherwise have a strong nexus with such sector, and principally in companies based in or with substantial operations or customers in the PRC, Hong Kong and/or Taiwan but may also be based in other countries. The General Partner has full control over the business and affairs of the Fund, including responsibility for making all investment and divestment decisions.

The target size of the Fund is US\$250 million (equivalent to approximately HK\$1.95 billion). As at the date of this announcement, the total Capital Commitment to the Fund is US\$136 million (equivalent to approximately HK\$1.06 billion) and the Capital Commitment of the Transferor to the Fund is US\$60 million (equivalent to approximately HK\$468 million), representing approximately 44% of the total Capital Commitment to the Fund. The actual capital contribution made by the Transferor to the Fund was approximately US\$5.11 million (equivalent to approximately HK\$39.86

million) and the remaining portion of the Capital Commitment of the Transferor to the Fund is approximately US\$54.89 million (equivalent to approximately HK\$428.14 million) as at the date of the Transfer Agreement. The Special Limited Partner's Capital Commitment is US\$10 million (equivalent to approximately HK\$78 million).

Financial information of the Fund

The Fund was newly established in December 2015. Based on the audited financial statements of the Fund for the period from 8 December 2015 (being the establishment date of the Fund) to 31 December 2016, the loss (both before and after taxation) of the Fund was approximately US\$2.96 million (equivalent to approximately HK\$23.09 million), which was primarily attributable to administrative and operational expenses incurred by the Fund. The Fund has had no realised appreciation or depreciation on investments since its establishment.

Based on the audited financial statements of the Fund, the net assets of the Fund as at 31 December 2016 amounted to approximately US\$8.44 million (equivalent to approximately HK\$65.83 million).

Term of the Fund

The Fund has a term of eight years from its final closing, subject to (i) one-year extension upon the election of the General Partner, (ii) additional one-year extension upon the request of the General Partner and the consent of the advisory committee appointed by the General Partner, and may be further extended upon the request of the General Partner and as approved by the Limited Partners holding not less than 75% of the total Capital Commitments to permit the orderly disposition of investments.

Advisor

3H Health Investment Management Ltd., a Cayman Islands exempted company incorporated with limited liability, is controlled by Mr. Wang and is the Advisor to provide certain portfolio management and administrative services to the General Partner in respect of the Fund, including identifying, evaluating, structuring and negotiating proposed investments, monitoring the performance of portfolio companies and advising the General Partner on investment and divestment opportunities.

Management fee

The General Partner will pay to the Advisor out of the Fund assets an annual management fee, being an amount equal to 2.0% per annum of each Limited Partner's Capital Commitment for the period commencing on the first closing date of the Fund and ending on the first full fiscal semi-annual period following the fifth anniversary of the final closing date of the Fund. After that, the

annual management fee will be an amount equal to 2.0% per annum of the drawn down or reserved commitments of such Limited Partner with respect to investments that have not been realised. Any portion of the investment cost of an investment that is funded by borrowings of the Fund will be treated as drawn down for purposes of calculating management fees during such period.

Distribution of investment returns

All proceeds received by the Fund will be distributed as soon as reasonably practicable following the accounting period in which such proceeds are realized, subject to certain minimum thresholds set forth in the Partnership Agreement. Each partner of the Fund's proportionate share of the proceeds available for distribution from each investment would, after payment of the management fee as mentioned above and other expenses and liabilities of the Fund, be distributed among the Limited Partners and the Special Limited Partner in accordance with the terms of the Partnership Agreement. In terms of the order of priority, proceeds from investment will first be distributed to the Limited Partners until their aggregate capital contributions and an 8% internal rate of return, compounded annually, on the amount of the distribution of such Limited Partner's capital contribution (such 8% payment, the "IRR Distribution") are satisfied. After that, the Special Limited Partner will be entitled to distribution representing 20% of the aggregate amount of the IRR Distribution and the distribution to itself. The remaining proceeds will be distributed among the Limited Partners and the Special Limited Partner as to 80% and 20% respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Having considered that (i) the investment focus of the Fund is on life sciences and healthcare sector which is a highly attractive industry in the PRC with promising growth opportunities; and (ii) the General Partner and Advisor of the Fund have rich investment and fund operation experience in the life sciences and healthcare industry, the Board believes that the Acquisition will enable the Group to capture investment opportunities and potential investment returns.

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 among the parties; and (iii) is fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sales of pharmaceutical products.

The principal activity of the Transferee is investment holding.

The principal activity of the Transferor is investment holding.

The General Partner is an exempted company incorporated in the Cayman Islands with limited liability. It is principally engaged in the management of the Fund.

LISTING RULES IMPLICATIONS

As the General Partner is controlled by Mr. Wang, a former Director who retired on 25 May 2017, the General Partner is an associate of Mr. Wang and therefore a connected person of the Company. In addition, as 3H Associates which is the Special Limited Partner of the Fund is controlled by Mr. Wang, it is also an associate of Mr. Wang and therefore a connected person of the Company. Accordingly, the Acquisition will result in the formation of a partnership arrangement among, inter alia, the Transferee and associates of Mr. Wang, namely, the General Partner and the Special Limited Partner, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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As none of the Directors has any material interest in the Acquisition, none of the Directors has abstained from voting on the resolution approving the Transfer Agreement at the board meeting of the Company.

DEFINITIONS

“Acquisition”	the acquisition of the Limited Partnership Interest by the Transferee in accordance with the terms of the Transfer Agreement by way of the Transfer
“Advisor”	3H Health Investment Management Ltd., a Cayman Islands exempted company incorporated with limited liability, which is controlled by Mr. Wang

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Commitment”	with respect to a partner of the Fund, the total amount that such partner has committed to contribute to the Fund
“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
“Fund”	3H Health Investment Fund I, L.P., a Cayman Islands exempted limited partnership established in accordance with the Exempted Limited Partnership Law of Cayman Islands on 8 December 2015
“General Partner”	3H Health Investment GP I Ltd., a Cayman Islands exempted company with limited liability, which is controlled by Mr. Wang
“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 People’s Republic of China
“Limited Partner(s)”	the limited partner(s) of the Fund
“Limited Partnership Interest”	the limited partnership interests in the Fund represented by a Capital Commitment of US\$60 million (equivalent to approximately HK\$468 million) to the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Shunlong, a former executive Director who retired on 25 May 2017

“Partnership Agreement”	the second amended and restated limited partnership agreement of the Fund dated 24 August 2016 entered into among the partners of the Fund to govern their relationship and provide for (among others) the manner of operation and management of the Fund
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Special Limited Partner” or “3H Associates”	3H Health Investment Associates I, L.P., a Cayman Islands exempted limited partnership established in accordance with the Exempted Limited Partnership Law of Cayman Islands, being a special limited partner of the Fund
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer and assignment of the Limited Partnership Interest by the Transferor to the Transferee pursuant to the Transfer Agreement
“Transfer Agreement”	the transfer agreement dated 29 May 2017 entered into among the Transferee, the Transferor and the General Partner (on its own behalf and acting as the general partner of the Fund and as agent on behalf of the existing partners of the Fund) in relation to the Transfer
“Transferee”	Dragon Merit Holdings Limited (佳曦控股有限公司), a limited company incorporated in Hong Kong, being the transferee of the Limited Partnership Interest pursuant to the Transfer Agreement
“Transferor”	Rich Wisdom Limited (formerly known as Prefect Record Limited), a company incorporated in the British Virgin Islands, being the transferor of the Limited Partnership Interest pursuant to the Transfer Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of HK\$7.80 per US\$1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 29 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 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.