

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 under the Companies Ordinance)

(Stock code: 1093)

DISCLOSEABLE TRANSACTION

LICENSE AGREEMENTS RELATING TO PATENT AND TECHNOLOGY RIGHTS

THE LICENSE AGREEMENTS

On 23 June 2017, AlaMab, a subsidiary of the Company, as the licensee, entered into the License Agreements with the Licensor, pursuant to which the Licensor has agreed to grant an exclusive license under the Patent Rights and a non-exclusive license under the Technology Rights to AlaMab to, among other things, develop, manufacture, distribute, use, sell and/or import the Licensed Products and to perform the Licensed Services in Field One and Field Two in the Territory, subject to the terms of the License Agreements, and AlaMab has agreed to, among other things, pay to the Licensor (i) the Milestone Fees of a maximum aggregate amount of US\$54,250,000 and US\$55,250,000 in relation to Field One and Field Two respectively (subject to completion of the relevant milestone events); (ii) the License Fees of US\$2,750,000 and US\$1,750,000 for Field One and Field Two respectively; and (iii) Royalties on net product sales and net service sales in relation to Field One and Field Two.

LISTING RULES IMPLICATIONS.

As some of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the aggregate estimated amount of the Milestone Fees and License Fees payable by the Group to the Licensor pursuant to the License Agreements exceed 5% but all of the applicable percentage ratios are less than 25%, the License Agreements are only subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 23 June 2017, AlaMab, a subsidiary of the Company, as the licensee, entered into the License Agreements with the Licensor, pursuant to which the Licensor has agreed to grant an exclusive license under the Patent Rights and a non-exclusive license under the Technology Rights to AlaMab to, among other things, develop, manufacture, distribute, use, sell and/or import the Licensed Products and to perform the Licensed Services in Field One and Field Two in the Territory, subject to the terms of the License Agreements, and AlaMab has agreed to, among other things, pay to the Licensor (i) the Milestone Fees of a maximum aggregate amount of US\$54,250,000 and US\$55,250,000 in relation to Field One and Field Two respectively (subject to completion of the relevant milestone events); (ii) the License Fees of US\$2,750,000 and US\$1,750,000 for Field One and Field Two respectively; and (iii) Royalties on net product sales and net service sales in relation to Field One and Field Two.

The major terms of the License Agreements are as follows:

THE LICENSE AGREEMENTS

Date : 23 June 2017

Parties : (i) the Licensor: The UT Health San Antonio on behalf of the Board of Regents of the University of Texas System, an agency of the State of Texas

(ii) the Licensee: AlaMab, a subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Licensor and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Licensed subject matter : An exclusive license under the Patent Rights and a non-exclusive license under the Technology Rights granted by the Licensor to AlaMab to, among other things, develop, manufacture, distribute, use, sell and/or import the Licensed Products and to perform the Licensed Services in Field One and Field Two in the Territory, subject to the terms of the License Agreements.

Effective Date : 23 June 2017

Field One : All human and animal therapeutic and diagnostic use for breast cancer bone metastasis

Field Two : All human and animal therapeutic and diagnostic use for spinal cord injury

Consideration : The Licensee will pay the following fees and Royalties to the Licensor:—

Milestone Fees

The Licensee will pay to the Licensor the Milestone Fees of a maximum aggregate amount of US\$54,250,000 and US\$55,250,000 in relation to Field One and Field Two respectively throughout the period from 2018 to 2037 in which the relevant milestone events in relation to each of Field One and Field Two (such as completion of mouse efficacy model and toxicity studies, IND filed in the US, completion of clinical trials and regulatory approvals of Licensed Products in various jurisdictions) are achieved.

License Fees

The Licensee will pay to the Licensor the License Fees of US\$2,750,000 and US\$1,750,000 for Field One and Field Two respectively, which are due within 30 days of the Effective Date.

The Milestone Fees and License Fees were determined after arms' length negotiations between the Licensor and the Licensee with reference to various factors, including but not limited to the expected future prospects of the development of the Licensed Products in Field One and Field Two, and will be funded by the Group's internal resources.

Royalties

The Licensee will pay to the Licensor the Royalties for Field One and Field Two on net product sales and net service sales, as follows:

- (a) at the following rates on net product sales and net service sales for the Licensed Products and the Licensed Services under Field One or Field Two covered by one or more Valid Claims:—
 - (i) for Field One: at the rates of 6% (in the US market) and 8% (in all other markets);
 - (ii) for Field Two: at the rates of 5% (in the US market) and 6% (in all other markets); and
- (b) at the rate of 2% on net product sales and net service sales for the Licensed Products and the Licensed Services under Field One or Field Two not covered by a Valid Claim.

- Ownership** : All patent applications and patents will be in the name of the Licensor (and any co-owner identified in the License Agreements) and owned by the Licensor (and such co-owner, if any).
- Term** : Unless earlier terminated as provided in the License Agreements, the term of the License Agreements will commence on the Effective Date and continue until the last date of expiration or termination of the Patent Rights, or if the Technology Rights are licensed and no Patent Rights are applicable, for a term of 20 years, or expiration of market exclusivity provided under a regulatory approval for the Licensed Products or Licensed Services.
- Grant of security interest** : The Licensee grants to the Licensor a security interest in and to the Licensee's rights under the License Agreements, as a collateral security for the payment by the Licensee of any and all sums which may be owed from time to time by the Licensee to the Licensor.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LICENSE AGREEMENTS

The Board considers that the License Agreements will enable the Group to expand and strengthen its product pipeline under development, solidifying its foundation for achieving sustainable growth. In particular, the Licensed Products are biopharmaceuticals which is one of the current development focuses of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the License Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

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.

UT Health San Antonio is one of the leading health science universities in the US.

The principal activity of the Board of Regents of the University of Texas System is to govern, operate, support, and maintain The University of Texas System and its 14 academic and health institutions.

The principal activity of the Licensee is pharmaceutical research and development.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the aggregate estimated amount of the Milestone Fees and License Fees payable by the Group to the Licensor pursuant to the License Agreements exceed 5% but all of the applicable percentage ratios are less than 25%, the License Agreements are only subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules

DEFINITIONS

“AlaMab” or “Licensee”	AlaMab Therapeutics, Inc., a Delaware corporation and a subsidiary of the Company
“Board”	the board of Directors
“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 (Stock Code: 1093)
“Director(s)”	the director(s) of the Company
“Effective Date”	23 June 2017
“Field One”	all human and animal therapeutic and diagnostic use for breast cancer bone metastasis
“Field Two”	all human and animal therapeutic and diagnostic use for spinal cord injury
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“IND”	Investigational New Drug application of the US Food and Drug Administration
“License Agreements”	two patent and technology license agreements, both dated 23 June 2017 entered into between the Licensor and AlaMab in relation to the license of the Patent Rights and the Technology Rights

“License Fees”	the license fees payable by AlaMab to the Licensor set forth in the subsection headed “License Fees” in this announcement
“Licensed Product(s)”	any product(s) or component(s) (i) whose regulatory approval, manufacture, use, sale, offer for sale or import is covered by any Valid Claim or incorporates any Technology Rights, or (ii) which is made using a licensed process or another licensed product
“Licensed Service(s)”	performance of service(s) for any consideration using a Licensed Product, or the practice of a licensed process
“Licensor”	the licensor of the Patent Rights and Technology Rights in relation to Field One and Field Two as described in the subsection headed “Parties” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Milestone Fees”	the milestone fees which may become payable by AlaMab to the Licensor in relation to Field One and Field Two subject to achievement of the relevant milestone events as mentioned in the subsection headed “Milestone Fees” in this announcement
“Patent Rights”	the Licensor’s rights in the patents and patent applications in relation to two novel protein channel monoclonal antibodies for Field One and Field Two; all non-provisional patent applications that claim priority thereto; all divisionals and, continuations of the aforesaid; all reissues, reexaminations, extensions, and foreign counterparts of any of the aforesaid; and any patents that issue with respect to any of the aforesaid patent applications
“Royalties”	the running royalties which may become payable by AlaMab to the Licensor for in relation to sale of Licensed Products and/or Licensed Services under Field One and Field Two set forth in the subsection headed “Royalties” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Technology Rights”	the Licensor’s rights in technical information, know-how, processes, procedures, devices, methods, formulas, protocols, techniques, designs, drawings or data created before the Effective Date by the inventors while employed by the Licensor and within Field One or Field Two (as the case may be) which are not covered by a Valid Claim but which are necessary for practicing inventions claimed in the subject patents and/or patent applications
“Territory”	worldwide
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US
“UT Health San Antonio”	The University of Texas Health Science Center at San Antonio
“Valid Claim”	a valid claim of (i) an issued and unexpired patent included within the Patent Rights, or (ii) a pending patent application within the Patent Rights
“%”	per cent

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

Hong Kong, 23 June 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.