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CSPC

CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

**PLACING OF NEW SHARES UNDER GENERAL MANDATE
AND
RESUMPTION OF TRADING**

HSBC

Placing Agent

On 12 October 2017, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which, on terms and subject to the conditions of the Placing Agreement, the Placing Agent agrees to procure not less than six Placees to subscribe for, and the Company shall issue 189,000,000 Placing Shares at the Placing Price of HK\$12.44 per Placing Share, failing which, to subscribe for itself the Unplaced Placing Shares at the Underwritten Price. The Placees and their ultimate beneficial owner(s) are expected to be third parties independent of the Company and not connected persons of the Company.

The Placing Shares will be allotted and issued under the General Mandate and the Placing is therefore not subject to Shareholders' approval. The Placing is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Placing Shares, and the receipt by the Placing Agent of an opinion from its United States counsel.

Trading in the Shares on the Stock Exchange has been halted with effect from 9:08 a.m. on 12 October 2017 pending the publication of this announcement. Application will be made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 13 October 2017.

Shareholders and potential investors should note that Completion is subject to the fulfilment of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 12 October 2017, the Company and the Placing Agent entered into the Placing Agreement, the major terms of which are set out as follows:

THE PLACING AGREEMENT

Date

12 October 2017

Parties

The Company (as issuer) and the Placing Agent (as placing agent)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent is a third party independent of the Company and not a connected person of the Company.

Placees

The Placing Agent agrees to place the Placing Shares to not less than six Placees, who and whose ultimate beneficial owner(s) are expected to be third parties independent of the Company and not connected persons of the Company. It is expected that none of the Placees will become a substantial Shareholder (as defined under the Listing Rules) as a result of the Placing.

Placing Shares

Pursuant to the Placing Agreement, on the terms and subject to the conditions of the Placing Agreement, the Placing Agent agrees to procure not less than six Placees to subscribe for, and the Company shall issue 189,000,000 Placing Shares at the Placing Price of HK\$12.44 per Placing Share, failing which, to subscribe for itself the Unplaced Placing Shares at the Underwritten Price. The Placing Shares are all ordinary shares in the share capital of the Company. As at the date of this announcement, the Company has 6,054,018,403 Shares that have been issued and are fully paid or credited as fully paid.

The 189,000,000 Placing Shares represent approximately 3.12% of the existing issued share capital of the Company as at the date of this announcement, and approximately 3.03% of the issued share capital of the Company as enlarged by the Placing. In accordance with section 135 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Shares have no par or nominal value with effect from 3 March 2014.

Ranking of Placing Shares

Upon being allotted and issued the Placing Shares will rank pari passu in all aspects with the other Shares then in issue free from all liens, charges and encumbrances, and together with all rights attaching to them as at the date of issue of the Placing Shares, including the right to receive all dividends declared, made or paid on or after the date of issue of the Placing Shares.

Placing Price

The Placing Price of HK\$12.44 per Placing Share represents:

- (i) a discount of approximately 6.04% to the closing price of HK\$13.24 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 7.09% to the average closing price of approximately HK\$13.39 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day.

The Placing Price was agreed on the day of the Placing Agreement, being 12 October 2017, after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares and market conditions. The Directors consider that the terms of the Placing Agreement and the Placing Price are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Underwriting

In the event that, as at the close of the Placing period, there are any Unplaced Placing Shares, the Placing Agent shall underwrite the Unplaced Placing Shares at the Underwritten Price.

Conditions of the Placing

Completion is conditional upon the fulfilment of the following conditions:

- (a) Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to the deposit by the Placing Agent of the Placing Shares in the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited under the Placing Agreement); and

- (b) the receipt by the Placing Agent of an opinion from its United States counsel that no registration of the Placing Shares under the United States Securities Act of 1933, as amended, is required for the offer and sale of the Placing Shares by the Company pursuant to the Placing Agreement.

If the above conditions are not fulfilled at or prior to 8:00 a.m. (Hong Kong time) on the fifth Business Day after the date of the Placing Agreement, or such other date as the Company and the Placing Agent may agree in writing, the Placing Agreement shall terminate and the Placing Agent and the Company shall have no obligations or liabilities to each other under the Placing and neither the Company nor the Placing Agent shall have any claim against the other for costs, damages, compensations or otherwise arising under the Placing Agreement except for (i) any antecedent breach of any obligation under the Placing Agreement; and (ii) liabilities under certain clauses of the Placing Agreement.

The Placing is not subject to Shareholders' approval. Application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Placing Shares.

Completion

Completion is expected to take place on the Closing Date or as soon as practicable thereafter or such other time and/or date as the Company and the Placing Agent may agree in writing.

Termination

The Placing Agreement may be terminated by the Placing Agent:

- (a) if at any time prior to 8:00 a.m. (Hong Kong time) on the Closing Date:
- (i) there develops, occurs or comes into force:
 - i. any matter or circumstance as a result of which the conditions of the Placing has become incapable of satisfaction as at the required time; or
 - ii. a moratorium, trading halt, suspension, restriction or limitation in trading in securities generally, or the establishment of minimum prices, on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Company's securities are traded due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
 - iii. a trading halt, suspension or limitation in dealings in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded (except for trading halt in the Company's securities on the Stock Exchange effected prior to the publication of this announcement and which is lifted upon publication of this announcement); or

- iv. a declaration of a general moratorium or a disruption in commercial banking activities in the United States, United Kingdom, Hong Kong, the PRC or a disruption in commercial banking or securities settlement or clearance services in the United States, United Kingdom, Hong Kong or the PRC; or
- v. a change or development involving a prospective change in or affecting taxation or exchange or currency control (or the implementation of any exchange or currency control) or currency exchange rates in the PRC, Hong Kong or any other place in which any member of the Group conducts or carries on business; or
- vi. any new laws, rules, statutes, ordinances, regulations, guidelines or circulars (in each case, to the extent mandatory or, if not complied with, the basis for legal or regulatory consequences), orders judgements, decrees or rulings of any governmental authority (the “**Laws**”) are implemented or there are any changes or developments involving prospective changes in existing Laws or in the interpretation or application thereof by any court or other competent authority in Hong Kong or the PRC or any other place in which any member of the Group conducts or carries on business which have or are likely to have a material adverse effect on the financial position of the Group as a whole; or
- vii. any significant change in (whether or not permanent) local, national or international financial, political, economic, military, industrial, legal, fiscal, regulatory or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States) in or affecting Hong Kong, the United States, the United Kingdom, the European Union (or any member thereof) or the PRC which in the opinion of the Placing Agent is likely to be materially adverse to the success of the Placing; or
- viii. any event or circumstance or series of events or circumstances (including without limitation the occurrence of any local, national or international outbreak or escalation of disaster or hostilities (whether or not war is or has been declared), riot, earthquake, public disorder, civil commotion, fire, flood, explosion, outbreak of an infectious disease, calamity, crisis, strike, lock-out, insurrection, armed conflict, act of terrorism (whether or not responsibility has been claimed), act of God or epidemic); or
- ix. any event, act or omission occurs which gives or is likely to give rise to any liability of the Company pursuant to the indemnities referred to in the Placing Agreement; or
- x. an authority or a political body or organisation in any relevant jurisdiction commences any investigation or other action, or announces an intention to investigate or take other action, against any member of the Group or any of their respective directors; or

- (ii) the fact that any of the agreements, representations, warranties and undertakings by the Company set out in the Placing Agreement is untrue, inaccurate or misleading or has been breached in any respect comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to 8:00 a.m. (Hong Kong time) on the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such agreements, representations, warranties and undertakings untrue, inaccurate or misleading in such a manner as would in the opinion of the Placing Agent, materially and adversely affect the financial position or business of the Company and/or the Group as a whole or is or would be materially adverse to the success of the Placing, or there has been a breach of, or failure to perform, on the part of the Company of any other provision of the Placing Agreement; or
 - (iii) there is any such adverse change or a development involving a prospective adverse change in the general affairs, results of operations, prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or the Group as a whole which in the opinion of the Placing Agent is materially adverse to the success of the Placing; or
- (b) at any time by notice in writing to the Company if any of the Placing Shares are not delivered by or on behalf of the Company in accordance with the terms of the Placing Agreement.

In the event that the Placing Agent terminates the Placing Agreement in accordance with (a) or (b) above, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for (i) any antecedent breach of any obligation under the Placing Agreement; and (ii) liabilities under certain clauses of the Placing Agreement.

LOCK-UP UNDERTAKINGS BY THE COMPANY

In consideration of the obligations of the Placing Agent under the Placing Agreement, the Company undertakes to the Placing Agent that for a period of 90 days from the Closing Date, the Company will not, except for the Placing Shares and save pursuant to (1) the terms of any employee share option scheme of the Company which is in place as at the date of the Placing Agreement (i.e. the Share Option Scheme) or (2) any outstanding subscription warrants in issue prior to the date of the Placing Agreement or (3) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association or (4) conversion of outstanding convertible bonds in issue prior to the date of the Placing Agreement, (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Company is authorised to issue Shares not exceeding 20% of the total number of issued Shares as at the date of the AGM, that is a total of 1,210,803,680 new Shares. As at the date of this announcement, no new Shares have been issued under the General Mandate. The Company has not repurchased any Shares in the 30 days immediately preceding the date of the Placing Agreement. The Placing is not subject to Shareholders' approval.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities involving the issue of equity securities within the 12 months immediately prior to the date of this announcement.

REASON FOR THE PLACING AND THE USE OF PROCEEDS

The Directors consider that the Placing represents a good opportunity to raise capital for the Company. The Placing will broaden the Company's shareholder base and strengthen its capital base to facilitate future development of the Group. The Directors also believe that the terms of the Placing Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors consider the terms of the Placing Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Placing are expected to be approximately HK\$2,351 million. The estimated net proceeds from the Placing (based on the Placing Price of HK\$12.44), after deducting the related placing commission, professional fees and other related expenses incurred in connection with the Placing which will to be borne by the Company, are expected to be approximately HK\$2,345 million, representing a net placing price of approximately HK\$12.41 per Placing Share.

The Company intends to apply the net proceeds from the Placing for general working capital purposes and capital expenditure and to fund future investment opportunities as may be identified from time to time.

EFFECT OF THE PLACING ON THE SHAREHOLDING STRUCTURE

Assuming there is no change in the share capital of the Company from the date of this announcement up to Completion other than the allotment and issue of the Placing Shares, to the best of the Directors' knowledge, information and belief and based on the information set out in the disclosure of interest notices filed with the Stock Exchange, the following table sets out the shareholding structure of the Company immediately before and after the Placing:

	As at the date of this announcement		Upon Placing of the Placing Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Cai Dongchen ^(note 1)	1,852,363,534	30.6%	1,852,363,534	29.67%
Chak Kin Man	4,000	0.0001%	4,000	0.0001%
Placees	—	—	189,000,000	3.03%
Other public Shareholders	4,201,650,869	69.4%	4,201,650,869	67.30%
Total	6,054,018,403	100%	6,243,018,403	100%

Note 1: Out of 1,852,363,534 shares, 86,538,000 shares are held by Mr. Cai Dongchen in the capacity as beneficial owner. Mr. Cai Dongchen is also deemed to be interested in 1,765,825,534 shares, comprising (i) 493,880,000 shares directly held by True Ally Holdings Limited (“**True Ally**”), a company wholly-owned by Mr. Cai Dongchen; (ii) 213,929,500 shares directly held by Key Honesty Limited, a company indirectly wholly-owned by Mr. Cai Dongchen; and (iii) 1,058,016,034 shares directly held by Massive Giant Group Limited by virtue of his interests in a chain of corporations holding Massive Giant Group Limited, namely Massive Top Limited, of which March Rise Limited, Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) (北京中宜和合眾投資管理中心(有限合夥)) (“**Zhongyihe**”) and True Ally own 75%, 15% and 10%, respectively. March Rise Limited in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai Dongchen.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been halted with effect from 9:08 a.m. on 12 October 2017 pending the publication of this announcement. Application will be made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 13 October 2017.

CAUTION

Shareholders and potential investors should note that Completion is subject to the fulfilment of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AGM”	the annual general meeting of the Company held on 25 May 2017 at which, among other things, a resolution for the grant of the General Mandate to the Directors was duly passed by the Shareholders
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday or public holiday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for trading of securities in Hong Kong
“Closing Date”	the later of: (a) the sixth Business Day after the date of the Placing Agreement; and (b) the next Business Day after the date on which the conditions to the Placing are satisfied, or any other earlier or later date as the Company and the Placing Agent may agree in writing
“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
“Completion”	completion of the Placing pursuant to the Placing Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company for the time being
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with additional Shares not exceeding 20% of the total number of issued Shares as at the date of the AGM
“Group”	the Company and its subsidiaries and the expression “ member of the Group ” shall be construed accordingly
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Last Trading Day”	means 11 October 2017, being the last trading day of the Shares prior to the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the time being in force
“Placees”	any professional, institutional or other investor whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to its obligations under the Placing Agreement
“Placing”	the placing by or on behalf of the Placing Agent of the Placing Shares on the terms and subject to conditions set out in the Placing Agreement
“Placing Agent”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 9 (asset management) regulated activities as defined under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Placing Agreement”	the agreement dated 12 October 2017 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$12.44 per Share
“Placing Share(s)”	189,000,000 new Shares to be issued by the Company pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the fully paid ordinary shares in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 9 December 2015
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Underwritten Price”	HK\$12.38 per Share
“United States”	the United States of America
“Unplaced Placing Shares”	means such of the Placing Shares which have not been placed by the Placing Agent to the Placees as at the time of satisfaction of the conditions to the Placing (or such later time and date as the Company and the Placing Agent may agree in writing)
“%”	per cent.

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

Hong Kong, 12 October 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.