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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)

VOLUNTARY ANNOUNCEMENT

**ACQUISITION OF 39.56% EQUITY INTEREST IN WUHAN YZY
BIOPHARMA CO., LTD.***

This announcement is made by the Company on a voluntary basis.

INTRODUCTION

On 9 January 2018, CSPC NBP, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement and Capital Increase Agreement with Independent Third Parties to acquire an aggregate of 39.56% of Wuhan YZY, a leading biotechnology company in the PRC, through the Acquisition and the Capital Injection at a total consideration of up to RMB356,000,000 depending on the achievement of the Milestone Events.

EQUITY TRANSFER AGREEMENT

On 9 January 2018, CSPC NBP, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors and the other existing shareholders of Wuhan YZY, pursuant to which, among other things, CSPC NBP agreed to acquire an aggregate of 37% equity interest in Wuhan YZY from the Vendors at a total consideration of RMB203,574,000. The Vendors further agreed to procure Wuhan YZY to achieve the Milestone Events before 31 December 2020 and CSPC NBP agreed to pay additional milestone payments to the Vendors by an aggregate amount of up to RMB55,426,000 if the Milestone Events are achieved by their respective agreed timeline.

Completion of the Acquisition is expected to take place within 20 days after the date of the Equity Transfer Agreement. Upon completion of the Acquisition, the Company will hold 37% equity interest in Wuhan YZY and the remaining 63% will be held by the existing shareholders of Wuhan YZY (including the Vendors) who are Independent Third Parties. Each milestone payment will be paid by CSPC NBP within 10 days after the achievement of each Milestone Event.

CAPITAL INCREASE AGREEMENT

On 9 January 2018, CSPC NBP also entered into the Capital Increase Agreement with the Investors, the Vendors and the other existing shareholders of Wuhan YZY, pursuant to which, among other things, each party agreed that after the completion of the Acquisition, CSPC NBP will inject RMB76,242,000 to Wuhan YZY (of which RMB15,242,900 will be contributed to increase its registered capital and RMB60,999,100 will be contributed to increase its capital reserve) and the Investors will inject an aggregate of RMB80,958,000 to Wuhan YZY (of which RMB16,185,700 will be contributed to increase its registered capital and RMB64,772,300 will be contributed to increase its capital reserve) (“**Initial Capital Injection**”). In addition to the Initial Capital Injection, CSPC NBP further agreed to inject additional milestone amounts aggregating up to RMB20,758,000 to the capital reserve of Wuhan YZY and the Investors further agreed to inject additional milestone amounts aggregating up to RMB22,042,000 (i.e. based on the same proportion of capital injection among CSPC NBP and the Investors under the Initial Capital Injection) to the capital reserve of Wuhan YZY, if the Milestone Events are achieved by their respective agreed timeline before 31 December 2020.

The Initial Capital Injection will take place after the completion of the Acquisition and is currently expected to be completed within 1 month after the date of the Capital Increase Agreement. Upon completion of the Initial Capital Injection, CSPC NBP will hold approximately 39.56% equity interest in Wuhan YZY and the remaining approximately 60.44% will be held by the Investors, the Vendors and other existing shareholders of Wuhan YZY. The injection of each milestone amount to Wuhan YZY as mentioned above will be contributed within 10 days after fulfillment of each Milestone Event.

INFORMATION ON WUHAN YZY

Wuhan YZY is a leading biotechnology company established in the PRC and is principally engaged in the development of innovative biopharmaceutical drugs. With its headquarters located in Biolake, Wuhan, Hubei, the PRC, Wuhan YZY is committed to the development of anti-tumor bispecific antibodies. One bispecific antibody in its product pipeline has been granted approval for commencing clinical trial in the PRC, while the application of another bispecific antibody for clinical trial has been submitted in the PRC. Wuhan YZY has a comprehensive research and development centre in its headquarters and a team of leading experts in the area of biopharmaceutical drug development.

To the best knowledge of the Directors’ knowledge, information and belief, having made all reasonable enquires, as at the date of this announcement, Wuhan YZY, the Vendors, the other existing shareholders of Wuhan YZY and the Investors are all Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company considers biopharmaceutical drugs have promising prospects in the pharmaceutical market. With a view to expanding the Group's presence in biopharmaceutical drug market, one of the development strategies is to seek for acquisition targets with strong research and development capabilities in this area. Since its formation in 2010, Wuhan YZY has developed into a company with strong research and development capabilities in biopharmaceutical drugs and has established a strong product pipeline. The Company believes that the investment in Wuhan YZY would provide a good opportunity to expand the Group's presence in the biopharmaceutical drug market.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of 37% equity interest in Wuhan YZY by CSPC NBP from the Vendors pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Capital Injection”	the injection of capital in Wuhan YZY pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 9 January 2018 entered into by CSPC NBP, the Investors, the Vendors and the other existing shareholders of Wuhan YZY (as supplemented by a supplemental agreement of even date)
“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)
“CSPC NBP”	石藥集團恩必普藥業有限公司 (CSPC NBP Pharmaceutical Co., Ltd.*), a foreign investment enterprise with limited liability established under the laws of the PRC and indirectly wholly-owned by the Company
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 9 January 2018 entered into by CSPC NBP, the Vendors and the other existing shareholders of Wuhan YZY in relation to the Acquisition (as supplemented by a supplemental agreement of even date)

“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
“Independent Third Parties”	third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Investors”	two entities which are Independent Third Parties and investors in the Capital Injection pursuant to the Capital Increase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Milestone Event(s)”	certain milestone events in relation to two biospecific antibodies of Wuhan YZY (including approval for clinical trials, IND filing and patent applications in the U.S. and the PRC)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“Vendors”	three individuals who are Independent Third Parties and existing shareholders of Wuhan YZY, being vendors under the Equity Transfer Agreement

“Wuhan YZY” 武漢友芝友生物製藥有限公司 (Wuhan YZY Biopharma Co., Ltd.*), a company established in the PRC

“%” per cent

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

Hong Kong, 9 January 2018

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. WANG Jinxu, Mr. WANG Zhenguo, Mr. LU Hua, Mr. LI Chunlei 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 purpose only*