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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)

**PROGRESS UPDATE ON
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
CSPC XNW GROUP ON THE SHENZHEN STOCK EXCHANGE**

Reference is made to the announcements of the Company dated 27 December 2017, 11 December 2018 and 1 March 2019 (the “**Announcements**”) in relation to the Proposed A Share Listing of CSPC XNW on SZSE. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

A SHARE OFFERING OF CSPC XNW ON SZSE

The Board is pleased to announce that, CSPC Innovation Pharmaceutical Co., Ltd.* (Shenzhen Stock Exchange stock code: 300765) proposed to issue 50,000,000 A shares at the offer price to be determined. Before the clawback mechanism is triggered, the number of A shares initially offered by CSPC XNW under the offline portion and online portion are 30,000,000 A shares and 20,000,000 A shares, representing 60% and 40% of the total number of A shares offered by CSPC XNW, respectively. The ultimate number of the offer shares under both offline and online portion will be subject to final announcement by CSPC XNW.

OFFERING DOCUMENTS AND RELEVANT INFORMATION OF CSPC XNW

According to the relevant PRC law and regulations, a copy of the A share prospectus (the “**A Share Prospectus Proof**”) has also been made available for disclosure on the website Juchao Information Net at www.cninfo.com.cn. The A Share Prospectus Proof does not constitute, nor does it intend to constitute, an offer of securities of the Company or CSPC XNW for sale in Hong Kong. The A Share Prospectus Proof has not been and will not be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong). It contains, among others, financial information of CSPC XNW including total assets, sales and net profits for the amount of approximately RMB1.39 billion, RMB1.24 billion and RMB0.22 billion, respectively, for the financial year ended 31 December 2018 as audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

UNDERTAKING TO LOCK-UP THE SHARES OF CSPC XNW

In the offering and to comply with the requirement of the CSRC, (i) Mr. CAI Dongchen (the substantial shareholder of the Company and ultimate controller of CSPC XNW), (ii) CSPC NBP Pharmaceutical Co., Ltd.* (the controlling shareholder of CSPC XNW and a wholly owned subsidiary of the Company), (iii) CSPC Ouyi Pharmaceutical Co., Ltd.* (party acting in concert with the controlling shareholder of CSPC XNW and a wholly owned subsidiary of the Company), and (iv) certain directors, supervisors and senior management indirectly holding the shares of CSPC XNW (“**XNW Senior Management**”), namely, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. LU Hua, Ms. Tian Yumiao, Mr. Guo Yumin, Mr. Han Feng, Mr. ZHANG Jiyong, Mr. Feng Zhijun, Mr. Liu Gangsan and Ms. Du Ying has each undertaken:

- (a) that it/he/she will not transfer or entrust others to manage the pre-initial public offering issued shares of CSPC XNW (“**Pre-IPO Shares**”), whether held directly or indirectly by each of them (if any), and that no repurchase of such Pre-IPO Shares by CSPC XNW shall be allowed within 36 months commencing on the date on which dealings in the shares of CSPC XNW commence (the “**Lockup Period**”);
- (b) if the closing price of CSPC XNW’s shares is lower than the offering price for 20 consecutive trading days during the 6-month period commencing on the date on which dealings in the shares of CSPC XNW commence or the closing price at the end of such 6-month period (if such day falls on a non-trading day, the next trading day thereafter) is lower than the offering price, the Lockup Period will be extended automatically for another 6 months (the “**Extended Lockup Period**”) (in case of any ex-rights and ex-dividend event, the offering price will be adjusted accordingly);

- (c) if such person intends to reduce its/his/her shareholdings in CSPC XNW within a period of 2 years immediately after the expiry of the Lockup Period or the Extended Lockup Period (as the case may be), the total number of shares so reduced shall be no more than 40% of such person's total shareholdings in CSPC XNW, whether held directly or indirectly. Such intended reduction of shareholdings shall be announced by CSPC XNW 3 trading days prior to the reduction, and the then selling price shall be no less than the offering price of CSPC XNW in the initial public offering (in case of any ex-rights and ex-dividend event such as dividend distribution, issue of bonus share, capitalization from capital public reserve or placing, etc., the restrictions on selling price and number of shares will be adjusted accordingly); and
- (d) such person will comply with the relevant CSRC regulations and requirements when they reduce their shareholdings in CSPC XNW.

In addition, the XNW Senior Management has each further undertaken that:

- (a) during the period of being a director, supervisor or member of senior management of CSPC XNW, after the expiration of the Lockup Period or the Extended Lockup Period (as the case may be), the total number of shares of CSPC XNW transferred in each year shall not exceed 25% of his/her total shareholdings in CSPC XNW, whether held directly or indirectly;
- (b) within 6 months after his/her resignation from such office, he/she will not transfer any shares of CSPC XNW held by him/her;
- (c) if he/she resigns within 6 months after the date on which dealings in the shares of CSPC XNW commence, he/she will not transfer the shares of CSPC XNW (whether held directly or indirectly by him/her) within 18 months after the date of resignation; and
- (d) if he/she resigns between the seventh month and the twelfth month after the date on which dealings in the shares of CSPC XNW commence, he/she will not transfer the shares of CSPC XNW (whether held directly or indirectly by him/her) within 12 months after the date of resignation.

Further announcement(s) will be made by the Company in relation to the Proposed A Share Listing as and when appropriate.

Shareholders and the prospective investors of the Company should note that the Proposed A Share Listing may or may not be materialised, and they are advised to exercise caution when dealing in the securities of the Company. If in any doubt, shareholders and potential investors of the Company are recommended to consult their professional advisers.

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

Hong Kong, 5 March 2019

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LU Hua, Dr. LI Chunlei, Mr. ZHANG Cuilong, Dr. WANG Qingxi 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, Professor LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.

** For identification purposes only.*