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CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1093)

GRANT OF SHARE OPTIONS UNDER THE SHARE OPTION SCHEME AND APPLICATION FOR WHITEWASH WAIVER

GRANT OF SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

The Board announces that on 4 September 2023, the Company has conditionally granted the Share Options to the Management Grantees to subscribe for an aggregate of 50,000,000 Shares at the exercise price of HK\$5.98 per Share under the Share Option Scheme, subject to acceptances by the Management Grantees after the Grant Conditions have been fulfilled.

As the total number of Shares to be issued to Mr. Cai (an executive Director and a substantial shareholder of the Company) upon exercise of Mr. Cai's Share Options would, in a 12-month period up to and including the Date of Grant, exceed 0.1% of the Shares in issue, Mr. Cai's Share Options is therefore conditional upon Shareholders' approval at the EGM pursuant to Rule 17.04(3) of the Listing Rules, where (a) Mr. Cai, his associates and all core connected persons of the Company shall abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.04(4) of the Listing Rules; and (b) the Trustee which held 51,464,000 unvested Shares of the Share Award Scheme as at the date of this announcement, shall also abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.05A of the Listing Rules.

APPLICATION FOR WHITEWASH WAIVER

Subject to fulfillment of the Grant Conditions, upon Exercise of the Share Options and assuming that there will be no change in the total number of issued Shares during the period from the date of this announcement up to the Exercise of the Share Options, the Management Grantees will be allotted and issued with an aggregate of 50,000,000 new Shares, representing approximately 0.420% of the total number of issued Shares immediately before the Exercise of the Share Options and approximately 0.418% of the total number of issued Shares as enlarged by the issuance of the Share Option Shares, respectively. As the Exercise of the Share Options will cause the aggregate shareholding interests of the Management Group to increase from approximately 29.90% (of the total number of issued Shares as at the date of this announcement) to approximately 30.19% (of the total number of issued Shares as enlarged by the issuance of the Share Option Shares), the Management Grantees would be obliged to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code to the Shareholders for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (if any) not already owned or agreed to be acquired by the Management Group as a result of the allotment and issuance of the Share Option Shares to the Management Grantees, unless the Whitewash Waiver is granted by the Executive. In this regard, an application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the conditions that the respective resolutions relating to the Underlying Transaction on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll in accordance with the requirements of the Takeovers Code.

GENERAL

Independent Board Committee and Independent Financial Advisor

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan, in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders on the Underlying Transaction and the Whitewash Waiver.

The Company will appoint an independent financial adviser, which will be approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in relation to the Underlying Transaction and the Whitewash Waiver in accordance with the requirements of the Takeovers Code. Further announcement will be made by the Company following the appointment of the independent financial adviser.

EGM

An EGM will be convened to consider, and if thought fit, pass the resolution(s) by way of poll to approve, among other things, (i) Mr. Cai's Share Options and (ii) the Underlying Transaction and the Whitewash Waiver. In respect of (i), (a) Mr. Cai and his associates and all core connected persons of the Company shall abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.04(4) of the Listing Rules; and (b) the Trustee which held 51,464,000 unvested Shares of the Share Award Scheme as at the date of this announcement, shall also abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.05A of the Listing Rules. In respect of (ii), (a) the Management Group, who holds an aggregate of approximately 29.90% of the total issued Shares as at the date of this announcement, and any other Shareholders who are involved in or interested in the Underlying Transaction and/or the Whitewash Waiver shall abstain from voting in respect of the relevant resolutions at the EGM; and (b) pursuant to the rules of the Share Award Scheme, the Trustee shall not exercise any voting rights in respect of any Shares held by it under the Share Award Scheme, and as such, the Trustee shall also abstain from voting in respect of the relevant resolutions at the EGM.

Despatch of Circular

A circular containing, among other things, (i) further details of Mr. Cai's Share Options; (ii) further details of the Underlying Transaction and the Whitewash Waiver; (iii) the letter from the Independent Board Committee; (iv) the recommendations from the independent financial adviser on the Underlying Transaction and the Whitewash Waiver; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 25 September 2023.

WARNING: Shareholders and potential investors of the Company should note that the grant and Exercise of the Share Options and the Whitewash Waiver are subject to certain conditions and therefore may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

GRANT OF SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

The Board announces that on 4 September 2023, the Company has conditionally granted the Share Options to the Management Grantees to subscribe for an aggregate of 50,000,000 Shares under the Share Option Scheme, subject to the acceptances by the Management Grantees after the Grant Conditions have been fulfilled. Details of the Share Options are set out below.

Date of Grant: 4 September 2023, being the date of this announcement

Number of Share Options conditionally granted:	Share Options entitling the holders thereof to subscribe for a total of 50,000,000 Shares.
Closing price per Share on the Date of Grant:	HK\$5.98
Exercise price of the Share Options:	<p>HK\$5.98 per Share, representing the higher of:</p> <ul style="list-style-type: none"> (i) the closing price of HK\$5.98 per Share as stated in the Stock Exchange's daily quotations sheet on the Date of Grant (i.e. the date of this announcement); and (ii) the average closing price of HK\$5.91 per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant (i.e. the date of this announcement).
Exercise period of the Share Options:	Subject to fulfillment of the Grant Conditions, the vesting conditions and vesting period as mentioned below, the Share Options shall be exercisable within a period of 10 years from the Date of Grant (i.e. 4 September 2023 to 3 September 2033, both days inclusive).
Vesting conditions and vesting period of the Share Options:	<p>Vesting of the Share Options are subject to the following conditions:</p> <p>First Tranche: Conditional upon the Group having achieved a single-digit percentage growth on the amount of the underlying profit attributable to shareholders (i.e. the profit attributable to shareholders after excluding certain non-operating items as determined by the Board) for the year ended 31 December 2023 as compared to that for the year ended 31 December 2022, then 50% of the Share Options will be vested on 1 April 2024.</p> <p>Second Tranche: Conditional upon the Group having achieved a double-digit percentage growth on the amount of the underlying profit attributable to shareholders (i.e. the profit attributable to shareholders after excluding certain non-operating items as determined by the Board) for the year ended 31 December 2024 as compared to that for the year ended 31 December 2023, then 50% of the Share Options will be vested on 1 April 2025.</p>

If the condition referred to above in respect of the first tranche or the second tranche cannot be satisfied, the Share Options under the relevant tranche shall not be vested.

The remuneration committee of the Company is of the view that such vesting period is appropriate in the circumstances taking into account that the conditional grant of the Share Options is for the purpose of providing incentives and rewards to the Management Grantees for their continuous contributions to the growth and development of the Group.

Conditions precedent

The conditions which must be fulfilled before the Exercise of the Share Options are set out in the section headed “Grant Conditions of the Share Options” in this announcement. The Grant Conditions cannot be waived by the Company or any of the Management Grantees.

Financial assistance

The Group has not provided any financial assistance to the Management Grantees to facilitate the purchase of the Share Option Shares upon the Exercise of the Share Options.

Clawback Mechanism

If a Management Grantee ceases to be an employee, director or executive of any member of the Group (the “**Relevant Company**”) by reason of the termination of his employment, directorship or office on the ground that he/she has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with the his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which the Relevant Company would be entitled to terminate his employment, directorship or office (whether under law or contract), the Share Options granted to such Management Grantee will lapse automatically and will not be exercisable (to the extent not already exercised).

If a Management Grantee ceases to be a participant of the Share Option Scheme (i) for any reason other than on his death or the termination of his employment, directorship, office or appointment on one or more of the grounds specified in the preceding paragraph above; or (ii) by reason of his death, such Management Grantee (or his personal representative(s) in the case of death) may exercise such Management Grantee’s Share Options up to his entitlement at the date of cessation or death (to the extent exercisable but not already exercised) within a period of 3 months and 12 months respectively following the date of cessation or death (as the case may be).

The number of Share Options conditionally granted to each of the Management Grantees is set out below:

Name of Management Grantee	Position in the Company	Number of Share Options conditionally granted
CAI Dongchen	Chairman and Executive Director	18,000,000
ZHANG Cuilong	Vice-Chairman, Chief Executive Officer and Executive Director	8,000,000
LI Chunlei	Executive Director	6,000,000
WANG Huaiyu	Executive Director	3,000,000
WANG Zhenguo	Executive Director	3,000,000
PAN Weidong	Executive Director	3,000,000
WANG Qingxi	Executive Director	3,000,000
CHAK Kin Man	Executive Director	3,000,000
JIANG Hao	Executive Director	3,000,000
Total		<u>50,000,000</u>

The conditional grant of Share Options to the above executive Directors has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme. The selection of grantees for the conditional grant of the Share Options and the number of Share Options conditionally granted to each of the Management Grantees were determined by the Board, based on the individual's work performance, responsibilities and potential contribution to the Group.

Pursuant to Rule 17.04(3) of the Listing Rules, if the grant of share options to a substantial shareholder of the Company or any of its associates would result in the shares to be issued in respect of all share options and awards granted (excluding any share options and awards lapsed) to such person during the 12-month period up to and including the date of grant representing in aggregate over 0.1% of the relevant class of shares in issue, such proposed grant of share options shall be approved by shareholders in a general meeting in the manner described in Rule 17.04(4) of the Listing Rules.

As the total number of Shares to be issued to Mr. Cai (an executive Director and a substantial shareholder of the Company) upon exercise of Mr. Cai's Share Options would, in a 12-month period up to and including the Date of Grant, exceed 0.1% of the Shares in issue, Mr. Cai's Share Options is therefore conditional upon Shareholders' approval at the EGM pursuant to Rule 17.04(3) of the Listing Rules. Mr. Cai and his associates and all core connected persons of the Company shall abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.04(4) of the Listing

Rules. In addition, the Trustee which held 51,464,000 unvested Shares of the Share Award Scheme as at the date of this announcement, shall also abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.05A of the Listing Rules.

Save as disclosed above, as at the date of this announcement, none of the Management Grantee is (i) a participant with options and awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; or (ii) a related entity participant or service provider (as defined in Listing Rules) with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the total issued Shares.

Subsequent to the grant of the Share Options after the Grant Conditions have been fulfilled, the number of Shares available for future grant pursuant to the Share Option Scheme is 541,101,840 Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Subject to the Grant Conditions having been fulfilled and assuming that there will be no change in the total number of issued Shares during the period from the date of this announcement up to completion of the Exercise of the Share Options, upon the Exercise of the Share Options at the exercise price of HK\$5.98 per Share as prescribed in the terms of the grant, the Management Grantees will be allotted and issued with an aggregate of 50,000,000 new Shares, representing approximately 0.420% of the total number of issued Shares immediately before the completion of the Exercise of the Share Options and approximately 0.418% of the total number of issued Shares as enlarged by the issuance of the Share Option Shares, respectively.

As at the date of this announcement, there are (i) 11,903,219,732 Shares in issue; (ii) 50,000,000 outstanding Share Options as disclosed in this announcement; and (iii) 662,000 outstanding unvested share awards pursuant to the Share Award Scheme. Save as disclosed above, the Company has no other outstanding securities convertible or exchangeable into Shares.

The Management Group holds an aggregate of 3,558,899,663 Shares, representing approximately 29.90% of the total number of issued Shares as at the date of this announcement.

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issuance of the Share Option Shares upon Exercise of the Share Options (assuming that there will be no other change in the total number of issued Shares prior to completion of the Exercise of the Share Options):

	As at the date of this announcement		Immediately after the issuance of the Share Option Shares upon Exercise of the Share Options	
	No. of Shares	%	No. of Shares	%
I. Management Group				
Mr. Cai and Mr. Cai's Controlled Corporations (Note 1)	2,826,255,670	23.74	2,844,255,670	23.79
Common Success (Note 2)	728,796,313	6.12	728,796,313	6.10
Mr. ZHANG Cuilong	–	–	8,000,000	0.07
Dr. LI Chunlei	–	–	6,000,000	0.05
Mr. WANG Huaiyu	–	–	3,000,000	0.03
Mr. WANG Zhenguo	–	–	3,000,000	0.03
Mr. PAN Weidong	–	–	3,000,000	0.03
Dr. WANG Qingxi (Note 3)	–	–	3,000,000	0.03
Mr. CHAK Kin Man	3,847,680	0.03	6,847,680	0.06
Dr. JIANG Hao	–	–	3,000,000	0.03
Sub-total of the Management Group:	<u>3,558,899,663</u>	<u>29.90</u>	<u>3,608,899,663</u>	<u>30.19%</u>
II. Other Shareholders				
Other Shareholders	<u>8,344,320,069</u>	<u>70.10</u>	<u>8,344,320,069</u>	<u>69.81</u>
Total:	<u><u>11,903,219,732</u></u>	<u><u>100</u></u>	<u><u>11,953,219,732</u></u>	<u><u>100</u></u>

Notes:

- As at the date of this announcement, Mr. Cai is beneficially interested in 225,386,960 Shares and is deemed to be interested in 2,600,868,710 shares through Mr. Cai's Controlled Corporations, comprising (i) 406,904,640 Shares (representing approximately 3.42% of the total number of issued Shares) directly held by Key Honesty, a direct wholly-owned subsidiary of True Ally, (ii) 1,218,834,470 Shares (representing approximately 10.24% of the total number of issued Shares) directly held by Massive Giant, a direct wholly-owned subsidiary of True Ally, (iii) 948,249,600 Shares (representing approximately 7.97% of the total number of issued Shares) directly held by True Ally, which is directly wholly-owned by Mr. Cai and (iv) 26,880,000 Shares (representing approximately 0.23% of the total number of issued Shares) directly held by Harmonic Choice by virtue of his interests in a chain of

corporations holding Harmonic Choice, namely Massive Top, of which March Rise, Beijing Zhongyihe and True Ally owns 75%, 15% and 10%, respectively. March Rise in turn is owned as to 40% by True Ally and 60% by Beijing Zhongyihe, the general partner of which is Mr. Cai.

2. *Common Success is ultimately beneficially owned by more than 80 existing and former management personnel of (i) the Group and (ii) CSPC Holdings Company Limited (石藥控股集團有限公司) (a company established in the PRC in which Mr. Cai is indirectly interested in more than 30% through a series of corporations) and its subsidiaries. These management personnel include certain Directors, namely Mr. Zhang Cuilong, Mr. Pan Weidong, Mr. Wang Zhenguo, Mr. Wang Huaiyu, Dr. Li Chunlei and Dr. Jiang Hao. None of these Directors beneficially own one-third or more of the total number of issued shares of Common Success.*
3. *Based on the information provided by Key Honesty, Key Honesty granted share awards to Dr. Wang Qingxi, enabling him to acquire 3,000,000 Shares from Key Honesty at the consideration of HK\$2.95 per Share pursuant to a share grant agreement dated 1 April 2022 made between Key Honesty and Dr. Wang Qingxi. Such share awards will only be vested in batches after 3 years from 1 April 2022 subject to the terms of the aforesaid share grant agreement.*
4. *Certain figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals or sub-totals may not represent precise arithmetic aggregations.*

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Management Group holds an aggregate of 3,558,899,663 Shares, representing approximately 29.90% of the total number of issued Shares as at the date of this announcement. Upon completion of the Exercise of the Share Options, the Management Group will be interested in 3,608,899,663 Shares, representing (a) approximately 30.32% of the total number of issued Shares as at the date of this announcement; and (b) approximately 30.19% of the total number of issued Shares as enlarged by the issuance of the Share Option Shares.

The Exercise of the Share Options will cause the aggregate shareholding interests in the total number of issued Shares held by the Management Group to increase from approximately 29.90% (of the total number of issued Shares as at the date of this announcement) to approximately 30.19% (of the total number of issued Shares as enlarged by the issuance of the Share Option Shares). Accordingly, the Management Grantees would be obliged to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code to the Shareholders for all the issued Shares of the Company not already owned or agreed to be acquired by the Management Group as a result of the allotment and issuance of the Share Option Shares to the Management Grantees, unless the Whitewash Waiver is granted by the Executive. In this regard, an application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the conditions that the respective resolutions relating to the Underlying Transaction on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll in accordance with the requirements of the Takeovers Code.

GRANT CONDITIONS OF THE SHARE OPTIONS

According to the terms of the Offer Letter to each of the Management Grantees, the grant and exercise of the Share Options are subject to the fulfillment of the following conditions precedent (the “Grant Conditions”):

- (i) Mr. Cai’s Share Options being approved by more than 50% of the votes cast by the Shareholders at the EGM by way of poll in accordance with Chapter 17 of the Listing Rules;
- (ii) the Whitewash Waiver being granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to the Management Grantees of the obligation to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (if any) not already owned or agreed to be acquired by the Management Group as a result of the allotment and issuance of the Share Option Shares to the Management Grantees and such Whitewash Waiver not having been withdrawn; and
- (iii) the respective resolutions relating to the Underlying Transaction on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll.

None of the Grant Conditions set out above can be waived by the Company or any of the Management Grantees. The Management Grantees do not reserve the right to waive any of the Grant Conditions. If any of the Grant Conditions is not fulfilled, the Exercise of the Share Options cannot take place and the grant of Share Options will be cancelled.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacture and sale of pharmaceutical products in the PRC.

INFORMATION ON THE MANAGEMENT GROUP

Please refer to the sections headed “Grant of Share Options under the Share Option Scheme” and “Effects on Shareholding Structure of the Company” in this announcement regarding details of the Management Group and their respective interests in the Company as at the date of this announcement.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Save as disclosed in the sections headed “Grant of Share Options under the Share Option Scheme” and “Effects on Shareholding Structure of the Company” in this announcement and save for the transactions contemplated under the Exercise of the Share Options, as at the date of this announcement, neither the Management Grantees nor any party acting in concert with any of them:

- (a) owns, controls or has direction over any Shares, options, warrants or securities that are convertible into Shares;
- (b) has entered into any outstanding derivative in respect of securities in the Company;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Underlying Transaction and/or the Whitewash Waiver;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underlying Transaction and/or the Whitewash Waiver, other than the Grant Conditions;
- (f) has received any irrevocable commitment from any Shareholder to vote in favour of the Underlying Transaction and/or the Whitewash Waiver at the EGM; and
- (g) has (i) acquired voting rights in the Company in the six months period prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors (which would include informal discussions) in relation to the proposed conditional grant of Share Options and up to and including the date of this announcement; or (ii) acquired or disposed of voting rights in the Company on the Date of Grant.

Each Management Grantee has confirmed that, as at the date of this announcement:

- a) save for (i) the consideration of HK\$1.00 required to be paid by each Management Grantee to the Company for the acceptance of the Share Options after the fulfillment of the Grant Conditions and (ii) the exercise price to be paid upon Exercise of the Share Options, there is no other consideration, compensation or benefit in whatever form paid or to be paid by each Management Grantee or any parties acting in concert with him to the Company or any party acting in concert with the Company in connection with the Underlying Transaction;
- b) save for the conditional grant of Share Options, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between each Management Grantee or any party acting in concert with him on the one hand, and the Company and any party acting in concert with it on the other hand; and
- c) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on the one hand, and each Management Grantee and any party acting in concert with him on the other hand.

The Company has confirmed that, as at the date of this announcement, save for the conditional grant of the Share Options, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

As at the date of this announcement, the Company does not believe that the Underlying Transaction gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Underlying Transaction does not comply with other applicable rules and regulations.

GENERAL

Reasons and Benefit of the Underlying Transaction

The Underlying Transaction, which allows the Management Grantees to gain further ownership interest in the Group and ties more closely their personal interest directly with the value of the Group, would incentivize and motivate the Management Grantees for their continuous commitment, devotion and contributions to the development and growth of the Group going forward. Moreover, once the Share Options are exercised, it will result in positive cash flows into the Company which in turn will further replenish the Company's general working capital for its business operations and developments. Having considered the aforementioned reasons for and possible benefits of the Underlying Transaction, the Board considers that the Underlying Transaction is in the interests of the Company and the Shareholders as a whole.

Independent Board Committee and Independent Financial Advisor

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan, in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders on the Underlying Transaction and the Whitewash Waiver.

The Company will appoint an independent financial adviser, which will be approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in relation to the Underlying Transaction and the Whitewash Waiver in accordance with the requirements of the Takeovers Code. Further announcement will be made by the Company following the appointment of the independent financial adviser.

EGM

An EGM will be convened to consider, and if thought fit, pass the resolution(s) by way of poll to approve, among other things, (i) Mr. Cai’s Share Options and (ii) the Underlying Transaction and the Whitewash Waiver. In respect of (i), (a) Mr. Cai and his associates and all core connected persons of the Company shall abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.04(4) of the Listing Rules; and (b) the Trustee which held 51,464,000 unvested Shares of the Share Award Scheme as at the date of this announcement, shall also abstain from voting in respect of the relevant resolution at the EGM pursuant to Rule 17.05A of the Listing Rules. In respect of (ii), (a) the Management Group, who holds an aggregate of approximately 29.90% of the total issued Shares as at the date of this announcement, and any other Shareholders who are involved in or interested in the Underlying Transaction and/or the Whitewash Waiver shall abstain from voting in respect of the relevant resolutions at the EGM; and (b) pursuant to the rules of the Share Award Scheme, the Trustee shall not exercise any voting rights in respect of any Shares held by it under the Share Award Scheme, and as such, the Trustee shall also abstain from voting in respect of the relevant resolutions at the EGM.

Despatch of Circular

A circular containing, among other things, (i) further details of Mr. Cai’s Share Options; (ii) further details of the Underlying Transaction and the Whitewash Waiver; (iii) the letter from the Independent Board Committee; (iv) the recommendations from the independent financial adviser on the Underlying Transaction and the Whitewash Waiver; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 25 September 2023.

WARNING: Shareholders and potential investors of the Company should note that the grant and Exercise of the Share Options and the Whitewash Waiver are subject to certain conditions and therefore may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“acting in concert” has the same meaning as ascribed to it under the Takeovers Code

“Beijing Zhongyihe”	Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) Limited* (北京中宜和合眾投資管理中心(有限合夥)) is a limited partnership established under the laws of the PRC with Mr. Cai being the general partner and (i) approximately 33.33% of its capital contributions is directly owned by Mr. Cai and (ii) approximately 66.67% of its capital contributions is directly owned by four other limited liability partnerships established in the PRC, the capital contributions of which are in turn owned by more than 90 individuals being existing and former management personnel of (a) the Group and (b) CSPC Holdings Company Limited (石藥控股集團有限公司) (a company established in the PRC in which Mr. Cai is indirectly interested in more than 30% through a series of corporations) and its subsidiaries
“Board”	the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Common Success”	Common Success International Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by more than 80 existing and former management personnel of (i) the Group and (ii) CSPC Holdings Company Limited (石藥控股集團有限公司) (a company established in the PRC in which Mr. Cai is indirectly interested in more than 30% through a series of corporations) and its subsidiaries
“Company”	CSPC Pharmaceutical Group Limited (Stock Code: 1093), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“core connected person”	has the same meaning as ascribed to it under the Listing Rules
“Date of Grant”	4 September 2023, being the date of this announcement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Underlying Transaction and the Whitewash Waiver

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of such Executive Director
“Executive Director(s)”	the executive Director(s) of the Company
“Exercise of the Share Options”	the exercise of the Share Options by the Management Grantees in full
“Grant Conditions”	the conditions to the grant and exercise of the Share Options as set out in the section headed “Grant Conditions of the Share Options” in this announcement
“Group”	the Company and its subsidiaries
“Harmonic Choice”	Harmonic Choice Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Mr. Cai
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan, established to advise the Independent Shareholders on the Underlying Transaction and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Management Group; (ii) those who are involved in or interested in the Underlying Transaction and/or the Whitewash Waiver and (iii) the Trustee
“Key Honesty”	Key Honesty Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Mr. Cai
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Management Grantees”	comprising all the Executive Directors, namely Mr. Cai, Mr. ZHANG Cuilong, Dr. LI Chunlei, Mr. WANG Huaiyu, Mr. WANG Zhenguo, Mr. PAN Weidong, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao and “Management Grantee” means any one of them
“Management Group”	the Management Grantees and parties acting in concert with any of them, including Mr. Cai’s Controlled Corporations and Common Success
“March Rise”	March Rise Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 40% indirectly by Mr. Cai through True Ally and 60% directly by Beijing Zhongyihe
“Massive Giant”	Massive Giant Group Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Mr. Cai
“Massive Top”	Massive Top Limited, a company incorporated in Hong Kong with limited liability and is owned as to 10% indirectly by Mr. Cai through True Ally, 75% directly by March Rise and 15% directly by Beijing Zhongyihe
“Mr. Cai”	Mr. Cai Dongchen, an executive Director and Chairman of the Board and a substantial shareholder of the Company
“Mr. Cai’s Controlled Corporations”	Massive Giant, True Ally, Key Honesty and Harmonic Choice, each being a direct Shareholder
“Mr. Cai’s Share Options”	the 18,000,000 Share Options conditionally granted to Mr. Cai (an executive Director and a substantial shareholder of the Company) under the Share Option Scheme
“Offer Letter”	the offer letter dated 4 September 2023 issued by the Company to each Management Grantee in respect of his respective grant of Share Options pursuant to the terms and conditions of the Share Option Scheme, subject to the acceptance by the relevant Management Grantee
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region)
“Shareholder(s)”	holder(s) of the Shares

“Shares”	share(s) of the Company with no par value
“Share Award Scheme”	the restricted share award scheme of the Company adopted on 20 September 2018
“Share Options”	50,000,000 share options entitling the holders thereof to subscribe for a total of 50,000,000 new Shares at the exercise price of HK\$5.98 per Share granted by the Company to the Management Grantees pursuant to the Share Option Scheme as disclosed in this announcement
“Share Option Scheme”	the share option scheme adopted by the Company on 9 December 2015 and will expire on 8 December 2025
“Share Option Shares”	the 50,000,000 new Shares to be allotted and issued to the Management Grantees pursuant to the Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“True Ally”	True Ally Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and directly wholly-owned by Mr. Cai
“Trustee”	BOCI-Prudential Trustee Limited, being the trustee of the Share Award Scheme
“Underlying Transaction”	the conditional grant of the Share Options and the Exercise of the Share Options
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code from the obligations of the Management Grantees to make a mandatory general offer for all of the Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (if any) not already owned or agreed to be acquired by the Management Group which would otherwise arise as a result of the completion of the Exercise of the Share Options
“%”	percentage

* *The English names are for identification purposes only.*

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

Hong Kong, 4 September 2023

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LI Chunlei, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive Directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan, Mr. LAW Cheuk Kin Stephen and Ms. LI Quan as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.