

Executive Directors:

Mr. CAI Dongchen (*Chairman*)
Mr. ZHANG Cuilong (*Vice-Chairman and Chief Executive Officer*)
Mr. PAN Weidong
Mr. WANG Zhenguo
Mr. WANG Huaiyu
Dr. LI Chunlei
Dr. WANG Qingxi
Mr. CHAK Kin Man
Dr. JIANG Hao

Registered Office:

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32nd Floor
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Independent Non-executive Directors:

Mr. WANG Bo
Mr. CHEN Chuan
Prof. WANG Hongguang
Mr. AU Chun Kwok Alan
Mr. LAW Cheuk Kin Stephen
Ms. LI Quan

Hong Kong, 9 October 2023

To the Shareholders

Dear Sir or Madam,

**(1) GRANT OF SHARE OPTIONS UNDER THE SHARE OPTION SCHEME
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among others, Mr. Cai's Share Options, the Underlying Transaction and Whitewash Waiver.

The purpose of this circular is to provide the Shareholders with, amongst other things, (i) further information regarding Mr. Cai's Share Options; (ii) further information regarding the Underlying Transaction and Whitewash Waiver; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Underlying Transaction and Whitewash Waiver as to whether they are fair and reasonable and as to voting; (iv) the letter from Nuada to the Independent Board Committee in respect of the Underlying Transaction and the Whitewash Waiver as to whether they are fair and reasonable and as to voting; (v) Notice of EGM; and (vi) additional information as required under the Listing Rules and the Takeovers Code.

2. 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 the Announcement
Number of Share Options conditionally granted:	Share Options entitling the holders thereof to subscribe for a total of 50,000,000 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 (assuming there is no other change in the number of issued Shares of the Company)
Closing price per Share on the Date of Grant:	HK\$5.98
Consideration of the Share Options:	HK\$1.00 to be paid by each Management Grantee upon acceptance of his respective Share Options
Exercise price of the Share Options:	HK\$5.98 per Share, representing the higher of: (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 the 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 the 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:

Vesting of the Share Options are subject to the following conditions:

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.

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.

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 letter from the Board. 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 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).

No trustee has been appointed under the Share Option Scheme. None of the Directors is and will be a trustee of the Share Option Scheme nor has a direct or indirect interest in the trustees of the Share Option Scheme (if any).

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>

Pursuant to the terms of the Share Option Scheme, grant of share options to directors, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee). The conditional grant of Share Options to the above Executive Directors has been approved by the independent non-executive Directors in accordance with the terms of the Share Option Scheme and Rule 17.04(1) of the Listing Rules. 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.

All the Executive Directors, being the Management Grantees, have abstained from voting on the relevant Board resolutions for considering and approving the conditional grant of Share Options to the above Executive Directors. To avoid future conflict of interests, each of the above Executive Directors will abstain from voting on any relevant Board resolution(s) and administration in relation to any matter relating to the Share Option Scheme and the Share Award Scheme in the future with respect to his interests (if any) under such incentive schemes. Furthermore, according to the terms of reference of the Remuneration Committee of the Company, the Remuneration Committee (comprising three independent non-executive Directors) shall, among others, review and/or approve matters relating to the Share Option Scheme and the Share Award Scheme, and shall ensure that no Director or any of his associates is involved in deciding his own remuneration. Moreover, the Board has resolved that there is no intention to grant any Share options and/or Share awards to the independent non-executive Directors under the Share Option Scheme or Share Award Scheme respectively in the future.

Pursuant to the terms of the Share Option Scheme and 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 are therefore conditional upon Shareholders' approval at the EGM pursuant to the terms of the Share Option Scheme and Rule 17.04(3) of the Listing Rules.

As at the Latest Practicable Date, having made all reasonable enquiries, save for Mr. Cai, Mr. Cai's Related Persons and the Trustee (which held 2,881,567,350 Shares in aggregate, representing approximately 24.21% of the issued Shares) as disclosed below, which were required to abstain from voting on the resolution to approve Mr. Cai's Share Options, no other Shareholder will be required to abstain from voting on the resolution to approve Mr. Cai's Share Options at the EGM:

Name	Identity	Number of Shares held	Approximate percentage of the issued Shares
Mr. Cai	Management Grantee	225,386,960	1.89%
True Ally	A company directly wholly-owned by Mr. Cai (Mr. Cai's associate)	948,249,600	7.97%
Massive Giant	A company indirectly wholly-owned by Mr. Cai (Mr. Cai's associate)	1,218,834,470	10.24%
Key Honesty	A company indirectly wholly-owned by Mr. Cai (Mr. Cai's associate)	406,904,640	3.42%
Harmonic Choice	A company ultimately controlled by Mr. Cai through a chain of corporations (Mr. Cai's associate)	26,880,000	0.23%
Mr. Chak Kin Man	Executive Director (Core connected person of the Company)	3,847,680	0.03%
Trustee	trustee of the Share Award Scheme	<u>51,464,000</u>	<u>0.43%</u>
Total		<u>2,881,567,350</u>	<u>24.21%</u>

As at the Latest Practicable Date, none of the Shareholders who are required to abstain from voting in favour of the resolution for approving Mr. Cai's Share Options have given the Company notice of their intention to vote against the resolution at the EGM.

Save as disclosed above, as at the Latest Practicable Date, none of the Management Grantee was (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; nor (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 under the Share Option Scheme is 541,101,840 Shares. The Board has resolved that the aggregate maximum number of Shares that may be granted under the Share Option Scheme (including the grant of the 50,000,000 Share Options) and Share Award Scheme shall not exceed an annual limit of 0.5% of the total number of Shares in issue from time to time in respect of the relevant financial year of the Company at the time of the grant/award.

3. 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 Latest Practicable Date 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 Latest Practicable Date, there were (i) 11,903,219,732 Shares in issue; (ii) 50,000,000 outstanding Share Options as disclosed in the Announcement; and (iii) 658,000 outstanding share awards (being existing Shares held by the Trustee which have not been vested) and 4,000 share awards (being existing Shares held by the Trustee which have been vested but not yet been transferred to the relevant awardee) pursuant to the Share Award Scheme. Save as disclosed above, as at the date of the Latest Practicable Date, the Company had 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 Latest Practicable Date.

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 Latest Practicable Date		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:	3,558,899,663	29.90	3,608,899,663	30.19
II. Other Shareholders				
Other Shareholders	8,344,320,069	70.10	8,344,320,069	69.81
Total:	11,903,219,732	100	11,953,219,732	100

Notes:

- As at the Latest Practicable Date, Mr. Cai was beneficially interested in 225,386,960 Shares and was deemed to be interested in 2,600,868,710 Shares through various companies, 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 own 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. As at the Latest Practicable Date, Common Success was ultimately beneficially owned by more than 80 individuals being existing and former management personnel of (i) the Group and (ii) CSPC Holdings Group. 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.

4. APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Management Group held an aggregate of 3,558,899,663 Shares, representing approximately 29.90% of the total number of issued Shares. 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 Latest Practicable Date; 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 Latest Practicable Date) 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 has been 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.

The Executive has agreed, subject to 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, to waive the obligation of the Management Grantees to make a mandatory general offer as a result of the allotment and issuance of the Share Options Shares to the Management Grantees by the Company.

As at the Latest Practicable Date, the Company did not believe that the Underlying Transaction would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). 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.

5. 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 (other than Mr. Cai, Mr. Cai’s Related Persons and the Trustee who are required to abstain from voting under the Listing Rules) 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.

6. INFORMATION ON THE GROUP

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

7. 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 letter from the Board regarding details of the Management Group and their respective interests in the Company as at the Date of Grant.

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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, 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.

Nuada has been appointed by the Board with the Independent Board Committee's approval as the Independent Financial Adviser 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.

9. INTENTIONS OF THE MANAGEMENT GRANTEES REGARDING OPERATION OF THE GROUP AND REASONS AND BENEFITS FOR THE UNDERLYING TRANSACTION

Mr. Cai is an Executive Director and Chairman of the Board and a substantial shareholder of the Company. The Management Group has a positive view on the business prospects of the Group and intend to continue with the existing businesses of the Group and do not intend to introduce any major changes in the businesses of the Group.

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. In addition, in light of the satisfactory financial performance of the Group for the years ended 31 December 2020, 2021 and 2022, the Exercise of the Share Options by the Management Grantees as a reward, compensation and remuneration to the Management Grantees in recognition of their valuable contributions to the Group is justifiable. Furthermore, upon completion of the Exercise of the Share Options, it will result in positive cash flows of approximately HK\$299 million derived from the exercise price payable by the Management Grantees to the Company which in turn will further replenish the Company's general working capital for its business operations and developments.

For the reasons stated above, the Directors (other than the Executive Directors who have an interest in the Underlying Transaction and/or the Whitewash Waiver) consider that the granting of the Whitewash Waiver, without obliging the Management Grantees 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 Exercise of the Share Options, is in the interests of the Company and the Shareholders as a whole.

The Management Grantees confirm that they (a) have no intention or any plans to make any change to the continued employment of the employees of the Group after the Exercise of the Share Options; (b) do not intend to redeploy the fixed assets of the Group; and (c) intend to continue the current business operation of the Group.

10. EGM

The EGM will be held to approve, among other things, Mr. Cai's Share Options, the Underlying Transaction and Whitewash Waiver by way of poll.

In respect of Mr. Cai's Share Options, (a) Mr. Cai and Mr. Cai's Related Persons which held 2,830,103,350 Shares in aggregate (representing approximately 23.78% of the issued Shares) as at the Latest Practicable Date; and (b) the Trustee which held 51,464,000 Shares under the Share Award Scheme (representing approximately 0.43% of the issued Shares) as at the Latest Practicable Date shall abstain from voting in respect of the relevant resolution at the EGM.

In respect of the Underlying Transaction and Whitewash Waiver, (a) the Management Group, who held an aggregate of approximately 29.90% of the total issued Shares as at the Latest Practicable Date, and any other Shareholders who are involved in or interested in the Underlying Transaction and the Whitewash Waiver shall abstain from voting in respect of the relevant resolutions at the EGM; and (b) the Trustee will 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.

As 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 have material interests in the Underlying Transaction and/or the Whitewash Waiver, each of them has abstained from voting on the Board resolutions for approving the Underlying Transaction and the Whitewash Waiver. Save as the aforesaid, no other Director has any material interest in the Underlying Transaction and/or the Whitewash Waiver and therefore was required to abstain from voting on the Board resolutions approving the Underlying Transaction and Whitewash Waiver.

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023 both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the EGM to be held on Friday, 3 November 2023, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 30 October 2023.

A notice convening the EGM to be held at Suite 3206, 32/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong on Friday, 3 November 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A proxy form for use at the EGM or any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the EGM or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the

time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

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 the satisfaction of the conditions set out in the section headed “Grant Conditions of the Share Options” in this letter from the Board and therefore may or 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.

11. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

12. RECOMMENDATION

The Board (including all the independent non-executive Directors but excluding all the Executive Directors who have an interest in the Underlying Transaction and/or Whitewash Waiver) considers that the terms of Mr. Cai’s Share Options, the Underlying Transaction and the Whitewash Waiver are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board (including all the independent non-executive Directors but excluding all the Executive Directors who have an interest in the Underlying Transaction and/or Whitewash Waiver) recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve Mr. Cai’s Share Options, the Underlying Transaction and the Whitewash Waiver.

The Independent Board Committee, having taken into account the advice from Nuada, considers that the Underlying Transaction, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole and taking into account the independent advice of Nuada, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Underlying Transaction, the Whitewash Waiver and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains its recommendation to the Independent Shareholders on the Underlying Transaction, the Whitewash Waiver and the transactions contemplated thereunder; (ii) the letter of advice from Nuada set out on pages 23 to 54 of this circular which contains, amongst other matters, its advice to the Independent Board Committee in relation to the Underlying Transaction, the Whitewash Waiver and the transactions contemplated thereunder, and the principal factors and reasons considered by it in arriving at such advice.


13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices and the Notice of EGM of this circular.

Yours faithfully,
By order of the Board
CSPC Pharmaceutical Group Limited

CAI Dongchen
Chairman

Yours faithfully,
By order of the Board
CSPC Pharmaceutical Group Limited

A handwritten signature in black ink, appearing to be '蔡东晨' (Cai Dongchen), written in a cursive style.

CAI Dongchen
Chairman