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華潤醫藥集團有限公司

China Resources Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3320)

INSIDE INFORMATION POTENTIAL FORMATION OF FUND AND CONNECTED TRANSACTION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CR Pharm (Shantou), a wholly-owned subsidiary of the Company, is under the discussion with, amongst other proposed Partners, CR Capital GP, CR Capital LP, CR Sanjiu and CR Double-Crane, in relation to the formation of the Fund with a proposed size of RMB2,500 million (equivalent to approximately HK\$2,942 million), which will be principally engaged in equity investments in the PRC pharmaceutical enterprises. The proposed aggregate capital commitment of the Group will amount to RMB305.25 million (equivalent to approximately HK\$359.26 million), representing approximately 12.21% of the total capital commitment in the Fund.

As at the date of this announcement, CRH, being a controlling shareholder of the Company, holds 100% interest in CR Capital, and each of CR Capital GP and CR Capital LP is wholly-owned by CR Capital. Accordingly, each of CR Capital GP and CR Capital LP is a connected person of the Company and the Limited Partnership Agreement and the transaction contemplated thereunder will constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules upon the execution of the Limited Partnership Agreement.

The proposed formation of the Fund is subject to the execution of the Limited Partnership Agreement and various conditions as set forth therein. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

CR Pharm (Shantou), a wholly-owned subsidiary of the Company, is under the discussion with, amongst other proposed Partners, CR Capital GP, CR Capital LP, CR Sanjiu and CR Double-Crane, in relation to the formation of the Fund with a proposed size of RMB2,500 million (equivalent to approximately HK\$2,942 million), which will be principally engaged in equity investments in the PRC pharmaceutical enterprises. The proposed aggregate capital commitment of the Group will amount to RMB305.25 million (equivalent to approximately HK\$359.26 million), representing approximately 12.21% of the total capital commitment in the Fund.

PROPOSED FORMATION OF THE FUND

The principal terms of the draft Limited Partnership Agreement are proposed to be as follows:

(1) Parties

(a) General Partners:

- (i) CR Pharm (Shantou), a subsidiary of the Company;
- (ii) CR Capital GP, a subsidiary of CR Capital;
- (iii) CVC GP;
- (iv) Guoxin GP;
- (v) Structure Reform Fund GP; and

(b) Limited Partners:

- (i) CR Pharmaceutical Investment, CR Sanjiu, CR Double-Crane and CR Pharmaceutical Commercial, subsidiaries of the Company;
- (ii) CR Capital LP, a subsidiary of CR Capital;
- (iii) CVC LP;
- (iv) Guoxin LP;
- (v) Structural Reform Fund LP; and
- (vi) SLP.

(2) Purpose of the Fund

It is intended that the Fund will be principally engaged in equity investments in enterprises established in the PRC in the pharmaceutical industry.

(3) Duration of the Fund

The initial duration of the Fund will be five (5) years commencing from the date of incorporation of the Fund, which may be extended for one year (and another year upon the expiry of the extension) with the approval at the Partners' meetings, but in any event, the duration of the Fund shall end by August 2026.

The first three (3) years commencing from the date of incorporation of the Fund shall be the investment period of the Fund (the "**Investment Period**"). The Fund shall not engage in further equity investment upon expiry of the Investment Period unless otherwise approved at the Partners' meetings or made pursuant to any legally binding documents entered into before the expiry of the Investment Period.

(4) Management of the Fund

CR Pharm (Shantou) will act as the executive general partner of the Fund, responsible for the investment, management, utilisation and disposal of the assets of the Fund. Shenzhen Harvest Huaji Equity Investment Co., Ltd. (深圳市漢威華基股權投資有限公司) will act as the fund manager and entrusted manager, responsible for the investment management, disclosure and filing of information relating to the Fund and other regulatory matters. CR Pharm (Shantou) as the executive partner of the Fund do not have any right to change the fund manager and entrusted manager unless with the approval at the Partners' meetings.

The Fund will establish an investment committee comprising of seven (7) members, of which three (3) members will be appointed by CR Pharm (Shantou), one (1) member will be appointed by CR Capital GP and three (3) members will be appointed by each of CVC GP, Guoxin GP and Structural Reform Fund GP.

(5) Capital commitment

Pursuant to the draft Limited Partnership Agreement, the size of the Fund will be RMB2,500 million (equivalent to approximately HK\$2,942 million), of which:

- (i) the General Partners will contribute RMB10 million (equivalent to approximately HK\$12 million), of which CR Pharm (Shantou), CR Capital GP, CVC GP, Guoxi GP and Structure Reform Fund GP will contribute RMB2.75 million, RMB2.75 million, RMB1.50 million, RMB1.50 million and RMB1.50 million, respectively; and
- (ii) the Limited Partners will contribute RMB2,490 million (equivalent to approximately HK\$2,931 million), of which the Group, CR Capital LP, CVC LP, Guoxin LP, Structural Reform Fund LP and SLP will contribute RMB302.50 million, RMB302.50 million, RMB625.00 million, RMB625.00 million, and RMB625.00 million, and RMB10.00 million, respectively.

Out of the proposed aggregate commitment of the Group which shall be RMB305.25 million (equivalent to approximately HK\$359.26 million), (i) CR Pharm (Shantou), as a General Partner, will contribute RMB2.75 million; and (ii) each of CR Pharmaceutical Investment, CR Sanjiu, CR Double-Crane and CR Pharmaceutical Commercial, each as a Limited Partner, will contribute RMB152.50 million, RMB50.00 million, RMB50.00 million, and RMB50.00 million, respectively.

The parties to the Limited Partnership Agreement shall make the capital contributions in instalments over the Investment Period within 15 business days after receipt of demand notice issued by CR Pharm (Shantou) (as the executive general partner) and/or Shenzhen Harvest Huaji Equity Investment Co., Ltd. (深圳市漢威華基股權投資有限公司) (as entrusted manager).

(6) Management Fees

During the Investment Period, the management fees will be charged at 1.5% per annum on the accumulated paid-up amount as at the closing date of the duration. During the exit period, the management fees will be charged at 1% per annum on the investment costs of the existing invested projects. No management fees will be charged during the prolonged period. The management fees shall be distributed by the executive general partner and the fund manager at the proportion of 70%:30%. To ensure the basic operation of the fund team, management fees of RMB20 million in aggregate will be withheld on two occasions in the first year from the date of incorporation of the Fund. The repayment time and amount of the withholding management fees shall be determined at the Limited Partners' since the second year of operation of the Fund.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CRH, being a controlling shareholder of the Company, holds 100% interest in CR Capital, and each of CR Capital GP and CR Capital LP is wholly-owned by CR Capital. Accordingly, each of CR Capital GP and CR Capital LP is a connected person of the Company and the Limited Partnership Agreement and the transaction contemplated thereunder will constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules upon the execution of the Limited Partnership Agreement.

The proposed formation of the Fund is subject to the execution of the Limited Partnership Agreement and various conditions as set forth therein. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, and a controlling shareholder of the Company;
“CR Capital”	China Resources Capital Management Limited, a company incorporated in Hong Kong with limited liability, and a subsidiary of CRH;
“CR Capital GP”	Hanwei Huayou Equity Investment Shantou Co., Ltd. (漢威華酉股權投資汕頭有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of CR Capital;
“CR Capital LP”	Harvest Huade (Tianjin) Investment Consulting Co., Ltd. (漢威華德(天津)投資諮詢有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of CR Capital;
“CR Double-Crane”	China Resources Double-Crane Pharmaceutical Company Limited (華潤雙鶴藥業股份有限公司), a company established in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600062) and a subsidiary of the Company;

“CR Sanjiu”	China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000999), and a subsidiary of the Company;
“CR Pharm (Shantou)”	China Resources Pharmaceutical Equity Investment Fund Management (Shantou) Company Limited (華潤醫藥股權投資基金管理(汕頭)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company;
“CR Pharmaceutical Commercial”	China Resources Pharmaceutical Commercial Group Company Limited (華潤醫藥商業集團有限公司), a company established in the PRC and a wholly owned subsidiary of the Company;
“CR Pharmaceutical Investment”	China Resources Pharmaceutical Investment Company Limited (華潤醫藥投資有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company;
“CVC GP”	Guoxin Baicao Investment (Shenzhen) Company Limited (國新百草投資(深圳)有限公司), the general partner entity of China State-owned Venture Capital Fund (國風投)
“CVC LP”	China State-owned Venture Capital Investment Fund Company Limited (中國國有資本風險投資基金股份有限公司), a joint stock company established in the PRC;
“Director(s)”	the director(s) of the Company;
“Fund”	China Resources Pharmaceutical Industrial Investment Fund LLP (華潤醫藥產業投資基金合夥企業(有限合夥))* , a limited liability partnership to be established in the PRC pursuant to the Limited Partnership Agreement;
“General Partner(s)”	CR Pharm (Shantou), CR Capital GP, CVC GP, Guoxin GP and Structural Reform Fund GP, or each of them;

“Group”	the Company and its subsidiaries;
“Guoxin GP”	Guoxin Guorun (Hangzhou) Investment Management Company Limited (國新國潤(杭州)投資管理有限公司), the general partner entity of Guoxin Guotong Investment Fund (國新國同基金);
“Guoxin LP”	Guoxin Guotong (Zhejiang) Investment Fund LLP (國新國同(浙江)投資資金合夥企業(有限合夥)), a limited liability partnership established in the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Limited Partner(s)”	CR Pharmaceutical Investment, CR Sanjiu, CR Double-Crane, CR Pharmaceutical Commercial, CR Capital LP, CVC LP, Guoxin LP, Structural Reform Fund LP and SLP, or each of them;
“Limited Partnership Agreement”	the limited partnership agreement to be entered into among CR Pharm (Shantou), CR Capital GP, CR Capital LP, CVC GP, CVC LP, Guoxin GP, Guoxin LP, Structural Reform Fund GP, Structural Reform Fund LP and SLP in relation to the proposed establishment of the Fund;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Partner(s)”	General Partner(s) and Limited Partner(s), or each of them;
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;

“SLP”	Shantou Shi Runyao ChanYe Investment LLP (汕頭市潤藥產業投資合伙企業(有限合伙)), the special limited partner of the Fund;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Structural Reform Fund GP”	Ningbo Meishan Baoshui Gangqu Jintianhe Investment Management Company Limited (寧波梅山保稅港區錦甜河投資管理有限公司), the general partner entity of China Structural Reform Fund (國有企業結構調整基金);
“Structural Reform Fund LP”	China Structural Reform Fund Company Limited (中國國有企業結構調整基金股份有限公司), a joint stock company established in the PRC;
“subsidiary”	has the meaning ascribed thereto under the Listing Rules.

** Note: The name of the Fund remains subject to the relevant industry and commerce administration registration in the PRC and may be subject to change.*

For the purpose of this announcement and illustration only, conversation of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.17694. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

For ease of reference, the names of the PRC established companies or entities have been included in this announcement in both the Chinese and English languages, and in the event of any inconsistency, the Chinese version shall prevail.

By order of the Board of Directors
China Resources Pharmaceutical Group Limited
WANG Chuncheng
Executive Director

Hong Kong, 24 October 2017

As of the date of this announcement, the Board of Directors comprises Mr. FU Yuning as chairman and non-executive Director, Mr. WANG Chuncheng, Mr. SONG Qing and Mr. LI Guohui as executive Directors, Mr. CHEN Rong, Mr. YU Zhongliang, Mr. WANG Chenyang and Ms. WANG Jing as non-executive Directors, Mdm. SHING Mo Han Yvonne, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian as independent non-executive Directors.