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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)**

## **CONNECTED TRANSACTION FORMATION OF THE FUND**

The Board is pleased to announce that on 8 November 2017, CR Pharm (Shantou), a wholly-owned subsidiary of the Company (as a General Partner) and CR Pharmaceutical Investment, CR Sanjiu, CR Double-Crane and CR Pharmaceutical Commercial, subsidiaries of the Company (as Limited Partners) have entered into the Limited Partnership Agreement with the other Partners in relation to the establishment of the Fund with a proposed size of RMB2,500 million (equivalent to approximately HK\$2,937 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\$358.58 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 constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the establishment of the Fund exceed 0.1% but are all less than 5%, the Limited Partnership Agreement and the transaction contemplated thereunder are only subject to reporting and announcement requirement, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement made by the Company on 24 October 2017 in relation to, among other things, the proposed formation of the Fund.

The Board is pleased to announce that on 8 November 2017, CR Pharm (Shantou), a wholly-owned subsidiary of the Company (as a General Partner) and CR Pharmaceutical Investment, CR Sanjiu, CR Double-Crane and CR Pharmaceutical Commercial, subsidiaries of the Company (as Limited Partners) have entered into the Limited Partnership Agreement with the other Partners in relation to the establishment of the Fund with a proposed size of RMB2,500 million (equivalent to approximately HK\$2,937 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\$358.58 million), representing approximately 12.21% of the total capital commitment in the Fund.

## **FORMATION OF THE FUND**

The principal terms of the Limited Partnership Agreement are set out as follows:

**(1) Date**

8 November 2017

**(2) 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; and
- (v) Structural Reform Fund GP.

**(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.

To the best of the Directors' knowledge and information having made reasonable enquiries, CVC GP, CVC LP, Guoxin GP, Guoxin LP, Structural Reform Fund GP, Structural Reform Fund LP, SLP and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

**(3) Purpose of the Fund**

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

**(4) 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.

#### **(5) Management of the Fund**

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.

CR Pharm (Shantou), with its extensive experience and expertise in the pharmaceutical industry in the PRC, 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, with its extensive experience in fund management, will act as the fund manager and entrusted manager, responsible for the disclosure and filing of information relating to the Fund and other regulatory matters. CR Pharm (Shantou), as the executive general partner of the Fund, does not have any right to change the fund manager and entrusted manager unless with the approval at the Partners’ meetings. The other General Partners are not involved in the day-to-day management of the Fund and are responsible for key decision making in the investment committee of the Fund.

#### **(6) Capital contribution**

Pursuant to the Limited Partnership Agreement, the size of the Fund will be RMB2,500 million (equivalent to approximately HK\$2,937 million), of which:

- (i) the General Partners will contribute RMB10 million (equivalent to approximately HK\$11.75 million), of which CR Pharm (Shantou), CR Capital GP, CVC GP, Guoxin GP and Structural 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\$2,925 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 aggregate commitment of the Group in the amount of RMB305.25 million (equivalent to approximately HK\$358.58 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 (as entrusted manager).

The capital commitment was determined after arm's length negotiations between the parties with reference to their respective interests in the Fund as well as the investment objective of the Fund. The Group will finance its capital commitment by internal resources.

## **(7) 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 Partners' meetings since the second year of operation of the Fund.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. The Fund will provide a platform for the Group to leverage on the business and financial model of a private equity fund, and to enhance the returns whilst managing the relevant financial risks, such as engaging in pre-IPO investment in pharmaceutical companies with growth potential in the PRC. As the principal objective of the Fund is to seek investment opportunities in the pharmaceutical industry in the PRC, the formation of the Fund is in line with the Group's business strategy to accelerate its development through strategic acquisitions and thereby further consolidating its leading position and enhancing its competitiveness in the pharmaceutical industry in the PRC and promoting the sustainable growth of the Group. Upon formation of the Fund, the Fund will be accounted for as an equity investment in the consolidated financial statements of the Company.

The terms of the Limited Partnership Agreement are made after arm's length negotiation among the parties. The Directors (including the independent non-executive Directors) consider that the terms of the Limited Partnership Agreement are on normal commercial terms and fair and reasonable, and the establishment of the Fund is in the interest of the Company and its Shareholders as a whole.

None of the Directors had a material interest in the establishment of the Fund and had abstained from voting at the relevant board resolutions.

## **INFORMATION OF THE PARTIES**

### **The Group**

CR Pharm (Shantou) is a wholly-owned subsidiary of the Company, and is principally engaged in entrusted management of equity investment fund, equity investment, investment in industrial projects and investment consulting.

CR Pharmaceutical Investment is a wholly-owned subsidiary of the Company, and is an investment holding company.

CR Sanjiu is a 63.60% owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000999). It is principally engaged in manufacturing of pharmaceutical products.

CR Double-Crane is a 59.99% owned subsidiary of the Company and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600062). It is principally engaged in manufacturing of pharmaceutical products.

CR Pharmaceutical Commercial is a wholly-owned subsidiary of the Company, and is principally engaged in trading of pharmaceutical products.

### **CR Capital**

CR Capital GP is a wholly-owned subsidiary of CR Capital, and is principally engaged in equity investment, investment in industrial projects and investment consulting.

CR Capital LP is a wholly-owned subsidiary of CR Capital, and is principally engaged in investment management and business information consulting services.

### **CVC**

CVC GP is principally engaged in investment in industrial projects, venture capital investment, investment consulting and corporate management consulting.

CVC LP is principally engaged in entrusted management of industrial investment fund, venture capital investment fund, equity investment fund; equity investment in non-listed companies, equity investment and listing consultation for enterprise; investment consulting; equity investment; venture capital investment; institutional or individual venture capital investment enterprises in entrusted management; venture capital investment consulting services; provision of venture management service for venture enterprises; participating in establishment of venture capital investment enterprises and venture capital investment management consulting.

## **Guoxin**

Guoxin GP is principally engaged in entrusted corporate assets management, investment management and investment consulting.

Guoxin LP is principally engaged in equity investment, industrial investment, investment management and investment consulting.

## **Structural Reform Fund**

Structural Reform Fund GP is principally engaged in investment management.

Structural Reform Fund LP is principally engaged in raising funds from non-public offering, equity investment, project investment, asset management, investment consulting and corporate management consulting.

## **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 constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the establishment of the Fund exceed 0.1% but are all less than 5%, the Limited Partnership Agreement and the transaction contemplated thereunder are only subject to reporting and announcement requirement, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.



## DEFINITIONS

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

“Board”	the board of Directors;
“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 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;
“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;
“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)投資基金合夥企業(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 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;
“Shenzhen Harvest Huaji”	Shenzhen Harvest Huaji Equity Investment Co., Ltd. ( 深圳市漢威華基股權投資有限公司 ), a company established in the PRC, a wholly-owned subsidiary of CR Capital;
“SLP”	Shantou Shi Runyao Chanye Investment LLP ( 汕頭市潤藥產業投資合夥企業 ( 有限合夥 ) ), 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; and
“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, conversion of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.17470. 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  
**China Resources Pharmaceutical Group Limited**  
**WANG Chuncheng**  
*Executive Director*

Shenzhen, the PRC, 8 November 2017

*As of the date of this announcement, the Board 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.*