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上海醫藥集團股份有限公司

**Shanghai Pharmaceuticals Holding Co., Ltd. \***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02607)**

## **ANNOUNCEMENT**

### **ON PARTICIPATION IN THE PRIVATIZATION OF VITACO HOLDINGS LIMITED**

This announcement is made by the Board of Directors (the “**Board**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**” or “**Shanghai Pharma**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

#### **I. DESCRIPTION OF TRANSACTION**

Shanghai Pharma and SIIC Medical Science and Technology (Group) Limited (“**SIIC**”, a wholly-owned subsidiary of Shanghai Pharma) has entered into the Scheme Implementation Deed (hereinafter referred to as the “**Acquisition Agreement**” or “**Agreement**”) with Primavera Capital Fund II L. P. (“**Primavera**”) and PV Zeus Limited (“**Zeus**”, a wholly-owned subsidiary of Primavera) and Vitaco Holdings Limited (“**Vitaco**” or the “**Target Company**”) in Sydney, Australia on 3 August 2016 in relation to the project on the privatization of Vitaco (the “**Transaction**”).

##### **1. Transaction Structure**

To acquire Vitaco, Shanghai Pharma, SIIC, Primavera and Zeus also entered into the Shareholders’ Agreement (hereinafter referred to as the “**Shareholders’ Agreement**”) on the same day, and proposed to set up a holding company (hereinafter referred to as the “**Holding Company**”) in Hong Kong as the entity for purpose of the joint privatization of Vitaco, 60% of which is owned by SIIC and 40% of which is owned by Zeus.

## 2. Consideration

The price for proposed acquisition is AUD2.25 per share of Vitaco (subject to the finalised amount filed with the state-owned assets administrative authorities) with a corresponding aggregate share acquisition consideration of approximately AUD313 million (equivalent to approximately RMB1,565 million). SIIC intends to acquire 60% of the equity interests in cash with a corresponding acquisition cost of approximately AUD188 million (equivalent to approximately RMB938 million). Zeus intends to acquire 40% of the equity interests in cash with a corresponding acquisition cost of AUD125 million (equivalent to approximately RMB625 million). The consideration involved in the Transaction will be funded by internal resources of the Company.

## 3. Price Basis

The price for this proposed acquisition is AUD2.25 per Vitaco share, which is 14.7 times of the EV/EBITDA (i.e. enterprise value based on the unaudited financials of 2016 FY ) of the Target Company. Macquarie Capital (Australia) limited, the financial adviser jointly engaged by SIIC and Zeus, assisted to conduct valuation analysis by using comparable company technique, comparable transaction technique and discounted cash flow method. The price has been agreed following negotiations by all Transaction Parties (Shanghai Pharma, SIIC, Primavera, Zeus, Target Company). And the parties consider that the price of AUD2.25 per Vitaco share for the acquisition is reasonable and fair.

The quotation represents a premium of approximately 27.8% over the Vitaco's latest share price at closing (3 August, 2016), and a premium of 7.1% over the listing price in September last year; the price for the proposed acquisition represents a premium of 29.5% over the weighted average share price (AUD1.74 per share) for the past five trading days since the date of this announcement, a premium of 36.8% over the weighted average share price (AUD1.64 per share) for the previous month, a premium of 31.9% over the weighted average share price (AUD1.71 per share) for the past three months, and a premium of 26.7% over the weighted average share price (AUD1.78 per share) for the past six months.

Proposals related to the Transaction have been considered and passed by the 4th Executive Committee Meeting of the Sixth Session of the Board of Shanghai Pharma on 3 August 2016. The Transaction does not involve a related party transaction and major assets reorganization, and nor constitutes a disclosable transaction under Chapter 14 of the Listing Rules or a connected transaction under Chapter 14A of the Listing Rules. There is no need to submit the Transaction to the Board and general meeting for consideration and approval.

## II. BASIC INFORMATION OF ACQUIRERS

### 1. Zeus

Registration Place:	British Virgin Islands
Nature of Business:	Limited Company
Date of Incorporation:	August 2015
Principal Business Address:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Director:	Wong Hong Kit Kenneth/ Chen Tong
Substantial Shareholder or De Facto Controller:	Primavera

Zeus is a project company established in British Virgin Islands for the sole purpose of investment in Vitaco and a wholly-owned subsidiary of Primavera.

### 2. Primavera

Registration Place:	Cayman Islands
Nature of Business:	Limited Partnership
Date of Incorporation:	May 2014
Principal Business Address:	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands

Primavera is a private equity investment limited partnership established in the Cayman Islands and is managed by Primavera Capital Management Limited (together with its affiliates, hereinafter referred to as “Primavera Capital”).

Primavera Capital is a leading Asia-based investment firm which was founded in 2010 by Dr. Fred Hu, a former partner and Chairman of Greater China at Goldman Sachs Group. Primavera Capital employs a flexible investment strategy of growth capital and control-oriented transactions. Primavera Capital has assets under management and committed capital in excess of US\$4 billion or dollar equivalent.

Primavera and the Target Company have no relationship with the Company in terms of property rights, business, assets, creditor’s rights and debts, personnel or other aspects, nor do they directly or indirectly hold the shares of the Company, or have purchased or sold any shares of the Company in the last six months, or intend to increase their holdings in the Company. There is no arrangement in relation to such interest entered into with the Company and no arrangement entered into with any third party having an effect on the Company. Therefore, Primavera and the Target Company have no connected relationship with the Company.

### 3. SIIC

Registration Place:	Cayman Islands
Nature of Business:	Limited Company
Principal Business Address:	Flat 402, 4/F, Fairmont House, No.8 Cotton Tree Drive, Admiralty, Hong Kong
Director:	Cho Man, Li Yongzhong and Shen Bo
Total Capital Fund:	HKD4,250,893,400
Major Business:	Overseas merger and acquisition and equity investment

SIIC is a wholly-owned subsidiary of Shanghai Pharma. In 2015, SIIC recorded an operating income of RMB0, net profit of RMB49.03 million. As at the end of 2015, the total assets of SIIC amounted to RMB7,535.40 million and the net assets amounted to RMB6,932.58 million. (Unaudited financial information)

### III. BASIC INFORMATION OF THE TARGET COMPANY

Vitaco is a nutrition company engaged in development, manufacture and sale of series of nutrition, health and healthcare branded products. Vitaco began as a company in 2007 as a merger of Healtheries (a comprehensive health food and supplement company established in 1904 in New Zealand) and Nutra-Life (a supplement and sports nutrition company established in 1967 in New Zealand), and completed the initial public offering (“**IPO**”) on Australian Securities Exchange in 16 September 2015 (with the initial issue price of AUD2.10 per share and the issued share capital of 110,000,000 shares). Vitaco was incorporated in Victoria, Australia, with Australia and New Zealand as its principal market. Its main products include healthcare products, sports nutrition and health food. Vitaco’s business in China include “direct sale” of products under Healtheries (Chinese name being “賀壽利”) and Musashi (Chinese name being “武藏”) through e-commerce channel, and the “indirect sale” through local Chinese dealer in Australia and New Zealand. In the first half of 2016 FY, the direct and indirect sales of Vitaco in China amounted to approximately AUD11.52 million.

Vitaco completed IPO on Australian Securities Exchange in September 2015. Its accounting year was ended on 31 March before listing, and has been changed to 30 June afterwards. Therefore, Vitaco’s major financial information for the latest year and period in accordance with Australian generally accepted accounting principles was as follows:

Unit: AUD'million

Major financial information	1 April 2014 to 31 March 2015	1 April 2015 to 31 December 2015
Total assets	206.6	217.6
Total liabilities	110.3	82.4
Net assets	96.3	135.2
Operating income	160.9	154.9
Net profit	9.6	6.4

The aforesaid financial information from 1 April 2014 to 31 March 2015 has been audited by PricewaterhouseCoopers; the aforesaid financial information from 1 April 2015 to 31 December 2015 has been reviewed by PricewaterhouseCoopers.

The Target Company recorded a total revenue of AUD213 million during the period from 1 July 2015 to 30 June 2016 (i.e. 2016 FY), with the Pro Forma EBITDA, Pro Forma NPAT and EPS amounted to AUD23.90 million, AUD13.10 million and AUD0.94 per share, respectively. (These data are not audited)

The substantial shareholders of Vitaco and their respective shareholding ratio are as follow:

Shareholders	Number of ordinary shares held (as of the completion of IPO of 16 September 2015) (in million)	Shareholding ratio
Next Capital Pty Ltd	21.3	15.3%
Mike Thompson Investments Limited	5.0	3.6%
Management of Vitaco	1.5	1.1%
Other shareholders	111.3	80.0%
<b>Total</b>	<b>139.1</b>	<b>100.0%</b>

## 1. Next Capital Pty Ltd

Next Capital Pty Ltd was registered in Sydney, Australia on 25 November 2004 with private equity investments as its principal business.

## 2. Mike Thompson Investments Limited

Mike Thompson Investments Limited was registered in Auckland, New Zealand, and was established on 23 January 2007 with private investment as its principal business.

#### **IV. MAIN CONTENT OF THE ACQUISITION AGREEMENT**

##### **Parties**

Vitaco; Shanghai Pharma and SIIC; Primavera and Zeus.

##### **Target Shares**

The acquirers, SIIC and Zeus, acquired all issued shares of the Target Company through their wholly-owned subsidiaries

##### **Payment Method**

One-off full payment in cash

##### **Payment Arrangement**

Prior to obtaining the approval for the Transaction from the shareholders' meeting of the Target Company, SIIC and Zeus shall pay their respective consideration payable in proportion to a clearing escrow account located in Australia (SIIC and Zeus may choose to pay in cash or provide irrevocable letter of credit)

##### **The Acquisition Agreement shall be Effective up to**

31 March 2017 or other date as agreed by the parties to the contract

##### **Conditions Precedent to the Completion of acquisition mainly include**

No court or law officially prohibits execution of this acquisition arrangement;

obtaining the necessary approvals from regulatory authorities, including the approvals from the superior competent authorities of Australia, New Zealand and China; no prescribed events of the Target Company under the definition of the Agreement occur; no material adverse changes under the definition of the Agreement occur; the acquisition arrangement is approved by the shareholders of the Target Company; the local court of the Target Company approved the implementation scheme of the acquisition arrangement proposed by the buyer.

##### **The Prescribed Events of the Target Company**

No occurrence of the prescribed events of the Target Company is one of the conditions precedent to complete the Transaction. These events include changes in the shareholding structure of the Target Company (changes in the shareholding during the period from the date of the Agreement to the Completion of the Transaction), issuance of new shares or equity repurchase, insolvency of the Target Company, disposal of all major or main businesses/assets, creating new encumbrances on its businesses or assets by the Target Company, and the circumstance that the act or omission of the

Target Company constitutes a substantial delinquency or leads to changes in accounting policies.

### **Material Adverse Change**

Material adverse changes under the terms of the material adverse change of the Target Company, including such events or other matters as lead to the consolidated revenue of the Target Company exceeding the amount specified therein, other than impacts resulting from certain events disclosed in the due diligence materials as well as market changes. The acquirers shall have the right to terminate this Agreement in case of any material adverse changes with respect to the Target Company.

### **Recommendation on Acquirers' Implementation Scheme of Acquisition Arrangement by Directors of the Target Company**

Under the precondition that there is no such quotation as more favorable from a third party and that the independent expert has concluded that the Scheme is in the best interests of the Target Company, the Target Company shall guarantee that each director of the Target Company shall inform that they will recommend the implementation scheme of acquisition arrangement proposed by the acquirers.

Under the following circumstances, directors of the Target Company may cancel or modify recommendations mentioned above: pursuant to this Agreement, the quotation submitted by a third party is determined to be more favorable; or the independent expert has concluded that the Scheme is not in the best interests of the shareholders of the Target Company; or after consulting the financial adviser and based on the opinion of legal adviser in writing, failing to cancel or modify recommendations mentioned above shall constitute a violation of the duty to act in good faith or legal obligation of directors.

### **Termination Fee Paid by Acquirer**

Upon occurrence of the following events, the Target Company has the right to terminate the Acquisition Agreement and the acquirer shall pay a termination fee amounting to 1% of the consideration to the Target Company:

The acquirers fails to fulfill the conditions precedent with respect to it prior to 31 March 2017 due to the act or omission of the acquirers;

The acquirers breach substantially the Acquisition Agreement; or

The acquirers fail to perform the payment obligations under the Acquisition Agreement.

### **Termination Fee Paid by the Target Company**

Upon occurrence of the following events, the acquirers have the right to terminate the Acquisition Agreement and the Target Company shall pay a termination fee amounting to 1% of the consideration to the acquirers:

Any one director of the Target Company has withdrawn his/her proposals for the Implementation Scheme of Acquisition Arrangement of the acquirers, provided that the independent expert considers that the quotation of the acquirers is not in the best interests of the shareholders of the Target Company;

An agreement, arrangement or understanding has been concluded in relation to the quotation with a third party;

The Target Company fails to fulfill all conditions precedent related to it prior to 31 March 2017 (such as any material adverse change or prescribed events of the Target Company), other than such conditions as are related to governments of Australia, New Zealand and China; or

the Target Company breaches substantially the Acquisition Agreement.

### **Guarantee for Agreement**

Shanghai Pharma, as the Guarantor of SIIC, undertakes to provide a guarantee for each obligation of SIIC under the Acquisition Agreement (namely 60% of the obligations under the Acquisition Agreement). Primavera, as the Guarantor of Zeus, undertakes to provide a guarantee for each obligation of Zeus under the Acquisition Agreement (namely 40% of the obligations under the Acquisition Agreement).

### **Major Circumstances to Terminate the Agreement**

Upon occurrence of the following events, any party to the Agreement may, before the date of the second hearing, terminate the Agreement in writing:

The other party seriously breached the obligations under this Agreement;

Failure to fulfill conditions precedent;

The court has not issued an order to convene a general meeting to vote on the Transaction;

Completion did not take place before the long stop date to fulfill conditions precedent to the Acquisition Agreement; or

Most directors of the Target Company have canceled or modified their recommendations on the Implementation Scheme of Acquisition Arrangement made by the acquirer.

This Agreement shall be automatically terminated if the Implementation Scheme of Acquisition Arrangement made by the acquirers was not approved on the general meeting in accordance with the statutory requirements.

### **Dispute Settlement**

This Agreement is governed by the law of New South Wales of Australia; any disputes arising out hereof shall be submitted to the court in New South Wales of Australia for arbitration.



## **V. MAJOR TERMS OF THE SHAREHOLDERS' AGREEMENT**

### **Parties**

Shanghai Pharma and its wholly-owned subsidiary SIIC; Primavera and its wholly-owned subsidiary Zeus.

### **Set up the Holding Company**

The parties agreed to set up the Holding Company. SIIC and Zeus will hold 60% and 40% of the entire share capital of the Holding Company, respectively.

### **Board Composition**

SIIC has the right to nominate and replace 3 directors; Zeus has the right to nominate and replace 2 directors; a director from SIIC acts as the chairman of the board and a director from Zeus acts as the vice-chairman of the board. Once the company is set up, the initial directors of the company shall be as follows: SIIC (Cho Man, Li Yongzhong and Shen Bo), Zeus (Wong Hong Kit Kenneth and Chen Tong).

### **Put Option**

At any time during a period of four years since the fourth anniversary upon the completion of the Transaction or upon the occurrence of a put event, Zeus has the right to require Shanghai Pharma and SIIC to acquire all or partial shares held by Zeus in the Holding Company at the price specified in the Agreement.

### **Right of First Refusal and Tag-along Right**

Any shareholder with an intention to transfer its shares held in the Holding Company to other parties shall inform other shareholders in writing in advance immediately. Other shareholder(s) have the right to choose to purchase the entire shares proposed to be transferred at the transfer price set out in the notice of transfer or to transfer their shares held in the Holding Company at the transfer price set out in the notice of transfer and based on such proposed transfer ratio to the transferee.

### **Dividend**

Unless otherwise agreed, the HK Holding Company shall, upon compensating the losses of the company incurred in the preceding years, allocate all statutory profit available for distribution in the financial year to the shareholders.

### **Financing**

SIIC and Zeus shall provide 60% and 40% of the capital required by the Holding Company, respectively.

## **VI. OBJECTIVES OF THE TRANSACTION AND ITS IMPACT ON THE**

## LISTED COMPANY

1. Shanghai Pharma may, leveraging on the Transaction, enter into healthcare products sector and benefit from its future growth;
2. Shanghai Pharma and Vitaco enjoy great advantages in resource complementarity and collaboration. Shanghai Pharma boasts its own on-line and off-line channel resources in China, while Vitaco supplies quality healthcare products. Large-scale healthcare products portfolio and competitive products are expected from such cooperation;
3. Upon the completion of this Transaction, Shanghai Pharma is able to generate incremental revenue and profit;
4. The Transaction is in line with the strategic objectives of Shanghai Pharma in the grand health field and further promotes its internationally-focused development and layout.

## VII. RISK WARNING

1. The formal completion of this privatization, upon the conclusion of the Agreement, is subject to the approval of superior competent authorities of Shanghai Pharma, and for Vitaco, it is subject to the approval of the Australian Securities and Investments Commission (ASIC), the approval of its general meeting, court hearing and the approval of the Australian Foreign Investment Review Board (FIRB) and the Overseas Investment Office (OIO) in New Zealand;
2. Exposed to risks arising from changes in regulatory policies issued by the Chinese government on retail business of cross-border e-commerce;
3. Besides, the intensifying competition in sports nutrition sector and changing consumption ideas and preferences of consumers expose Vitaco to potential risks in terms of its future development.

**The success of this transaction remains uncertain. Shareholders and investors shall exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Shanghai Pharmaceuticals Holding Co., Ltd.\***  
**Zhou Jie**  
*Chairman*

Shanghai, the PRC, 4 August 2016

*As of the date of this announcement, the executive directors of the Company are Mr. ZHOU Jie, Mr. CHO Man, Mr. LI Yongzhong and Mr. SHEN Bo; the non-executive*

*Director is Ms. LI An; and the Independent Non-executive Directors are Mr. WAN Kam To, Mr. TSE Cho Che, Edward, Mr. CAI Jiangnan and Mr. HONG Liang.*

*\* For identification purpose only*