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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)

CONTINUING CONNECTED TRANSACTIONS STRATEGIC COOPERATION AGREEMENTS 2017

Reference is made to the prospectus of the Company dated 17 October 2016 in relation to, among other things, the Strategic Cooperation Agreements 2016.

As the Strategic Cooperation Agreements 2016 and their respective annual caps will expire on the date of the AGM, on 12 May 2017, the Company has entered into the CR Bank Strategic Cooperation Agreement 2017 and the CR Trust Strategic Cooperation Agreement 2017 with CR Bank and CR Trust, respectively, for a term commencing on 20 May 2017 and ending on 31 December 2018.

On 12 May 2017, the Company has also entered into the CR Leasing Strategic Cooperation Agreement 2017 with CR Leasing for a term commencing on 20 May 2017 and ending on 31 December 2018.

As at the date of this announcement, CRC, being a controlling shareholder of the Company, holds approximately 75.33%, 51% and 100% of interest in CR Bank, CR Trust and CR Leasing, respectively. Accordingly, each of CR Bank, CR Trust and CR Leasing is a connected person of the Company and the transactions contemplated under each of the Strategic Cooperation Agreements 2017 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the deposit services by CR Bank under the CR Bank Strategic Cooperation Agreement 2017 and the aggregate annual caps for the provision of financial products and services by CR Bank, CR Trust and CR Leasing under the Strategic Cooperation Agreements 2017 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements 2017 are only subject to reporting, announcement and annual review requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the prospectus of the Company dated 17 October 2016 in relation to, among other things, the Strategic Cooperation Agreements 2016.

As the Strategic Cooperation Agreements 2016 and their respective annual caps will expire on the date of the AGM, on 12 May 2017, the Company has entered into the CR Bank Strategic Cooperation Agreement 2017 and the CR Trust Strategic Cooperation Agreement 2017 with CR Bank and CR Trust, respectively, for a term commencing on 20 May 2017 and ending on 31 December 2018.

On 12 May 2017, the Company has also entered into the CR Leasing Strategic Cooperation Agreement 2017 with CR Leasing for a term commencing on 20 May 2017 and ending on 31 December 2018.

THE STRATEGIC COOPERATION AGREEMENTS 2017

A. CR Bank Strategic Cooperation Agreement 2017

Principal Terms

The principal terms of the CR Bank Strategic Cooperation Agreement 2017 are set out as follows:

(1) Date

12 May 2017

(2) *Parties*

(a) CR Bank; and

(b) The Company

(3) *Term*

From 20 May 2017 to 31 December 2018

(4) *Scope of services*

The Group may place deposits with CR Bank and use other financial services and products of CR Bank, including (but not limited to) the provision of letters of credit, guarantee, loans with collaterals, bill of exchange and discount services, assignment of receivables, RMB and foreign exchange settlement, entrusted loans and collaterals, financial and cash management services, financial advisory services and other financial services and products as agreed by the parties.

(5) *Pricing basis*

The deposits placed with CR Bank will bear the same interest and will be on the same terms and conditions as would apply to similar deposits made by other independent customers of CR Bank, which rates are determined with reference to the rates published by the People's Bank of China or such other preferred rates in the market.

The fees and charges for other financial services and products provided by CR Bank will be determined by arm's length basis negotiations between the parties and based on normal commercial terms, and shall not be higher than the rates published by CR Bank that are applicable to its independent customers.

Historical amounts

Set out below are the approximate historical amounts of the maximum daily deposit (inclusive of interest receivable) placed by the Group with CR Bank during the three years ended 31 December 2016:

	For the years ended 31 December					
	2014		2015		2016	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ⁽¹⁾	1,898	2,139	1,496	1,686	2,746	3,095

Note:

- (1) The above maximum daily deposit amount is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

The Group has from time to time procured loan-related services from CR Bank, where the Group has not been required to provide any security for such loans. As no security over the assets of the Group has been or will be provided for the loans, such loan-related services provided by CR Bank have been or will be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Accordingly, the interests and fees that the Group paid and are expected to pay for such loan-related services provided by CR Bank are not included in the above historical amounts and the annual caps set out below.

Annual Caps and Basis of Determination

The proposed maximum daily deposits (inclusive of interest receivable) which may be placed by the Group with CR Bank and the proposed annual caps for the principal amount and interest in relation to financial products provided by CR Bank and the service fees and commissions payable by the Group for other financial products and services to be provided by CR Bank during the term of the CR Bank Strategic Cooperation Agreement 2017 are as follows:

	For the years ending 31 December			
	2017		2018	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ⁽¹⁾	2,500	2,818	2,500	2,818
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank ⁽¹⁾	1,500	1,691	1,500	1,691
Maximum service fees and commissions for other financial products and services to be provided by CR Bank	150	169	150	169

Note:

- (1) The above maximum daily deposit amount or daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

The proposed (1) maximum daily amounts for the deposit balance and the maximum daily amounts for the principal amount and interest in relation to financial products provided by CR Bank and (2) annual caps for the service fees and commissions for other financial products and services under the CR Bank Strategic Cooperation Agreement 2017, are determined taking into account, among other things, (a) the amounts of historical transactions between the Group and CR Bank; (b) the increase in the maximum daily deposit balance placed with CR Bank in the year ended 31 December 2016 (as compared with that in the year ended 31 December 2015) by approximately RMB1,250 million (equivalent to approximately HK\$1,409 million), which was primarily due to the increase in the cash held by the Group as at the end of 2016 as compared with that at the end of 2015, thereby resulting in the corresponding increase in the amount of deposits placed with the CR Bank, and the adequate buffer to account for potential incoming funds and deposits from fund raising activities and other transactions; (c) the Group's liquidity and need for capital management; and (d) the anticipated growth in the Group's business leading to increase in net cash inflow of the Group which may be deposited with or used for the purchase of financial services or products from CR Bank.

B. CR Trust Strategic Cooperation Agreement 2017

Principal Terms

The principal terms of the CR Trust Strategic Cooperation Agreement 2017 are set out as follows:

(1) Date

12 May 2017

(2) Parties

(a) CR Trust; and

(b) The Company

(3) Term

From 20 May 2017 to 31 December 2018

(4) Scope of services

The Group may use the services and products provided by CR Trust, including (but not limited to) cash management, asset management, custodian trust loan services, assignment of receivables, advisory services in relation to redemptory monetary capital for sale, and other financial or trust services and products as agreed by the parties.

(5) Pricing basis

The services and products will be provided by CR Trust on normal commercial terms which apply to its other independent customers.

Historical amounts

The Group has from time to time procured loan-related services from CR Trust where the Group has not been required to provide any security for such loans. As no security over the assets of the Group has been or will be provided for the loans, such loan-related services provided by CR Trust have been or will be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Other than the loan-related services as mentioned above, the Group had not used other services or products of CR Trust. Accordingly, the interests and fees that the Group paid and are expected to pay for such loan-related services provided by CR Trust are not included in the annual caps set out below.

Other than the loan and investment related and consultancy services, the Group had not used other services or products of CR Trust.

Annual Caps and Basis of Determination

The proposed annual caps for the principal amount and interest in relation to financial products provided by CR Trust and the service fees and commissions payable by the Group for other financial products and services to be provided by CR Trust during the term of the CR Trust Strategic Cooperation Agreement 2017 are as follows:

	For the years ending 31 December			
	2017		2018	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Maximum daily principal amount and interest in relation to financial products to be provided by CR Trust ⁽¹⁾	300	338	300	338
Maximum service fees and commissions for other financial products and services provided by CR Trust	70	79	70	79

Note:

- (1) The above maximum daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

The proposed (1) maximum daily amounts for the principal amount and interest in relation to financial products provided by CR Trust and (2) annual caps for service fees and commissions for other financial products and services under the CR Trust Strategic Cooperation Agreement 2017, are determined taking into account, among other things, (a) the Group's liquidity and need for capital management; (b) the business needs of the Group; (c) the anticipated need for financial or trust services in relation to potential fund raising activities or other transactions to be engaged by the Group; and (d) the anticipated growth in the Group's business leading to increase in net cash inflow of the Group which may be used for purchase of financial services or products from CR Trust.

C. CR Leasing Strategic Cooperation Agreement 2017

Principal Terms

The principal terms of the CR Leasing Strategic Cooperation Agreement 2017 are set out as follows:

(1) *Date*

12 May 2017

(2) *Parties*

(a) CR Leasing; and

(b) The Company

(3) *Term*

From 20 May 2017 to 31 December 2018

(4) *Scope of services*

The Group may use the financial services and products provided by CR Leasing, including (but not limited to) financial leasing, leasing and the related consultancy and guarantee services, and factoring in relation to the Group's principal businesses.

(5) *Pricing basis*

The services and products will be provided by CR Leasing on normal commercial terms which apply to its other independent customers.

Annual Caps and Basis of Determination

The proposed annual caps for the service fees and commissions payable by the Group for the financial products and services to be provided by CR Leasing during the term of the CR Leasing Strategic Cooperation Agreement 2017 are as follows:

	For the years ending 31 December			
	2017		2018	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Maximum service fees and commissions for the financial services and products to be provided by CR Leasing	70	79	70	79

The proposed annual caps for the fees and commissions for financial products and services under the CR Leasing Strategic Cooperation Agreement 2017, are determined taking into account, among other things, (a) the amounts of historical transactions between the Group and CR Leasing; (b) the anticipated need for factoring services in relation to the principal businesses of the Group (such as the supply chain of the pharmaceutical manufacturing segment of the Group); (c) the requirement for consultancy services in relation to leasing of assets and facilities in relation to the principal businesses of the Group (such as medical devices, warehouses and other assets and facilities in relation to the Group's pharmaceutical distribution segment); and (d) the anticipated growth of the businesses of the Group.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Strategic Cooperation Agreements 2017 will enable the Group to enhance its overall liquidity, optimize its utilization of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for generation of better return.

Under the Strategic Cooperation Agreements 2017, the Group is not required to exclusively use the depository services and other financial services and products provided by CR Bank, CR Trust and/or CR Leasing. The Board is of the view that the Group will retain the flexibility and discretion in selecting CR Bank, CR Trust, CR Leasing and/or other independent financial institutions or commercial banks taking into consideration its business needs and the fees and quality of services and products offered.

All Directors (including the independent non-executive Directors) consider that each of the Strategic Cooperation Agreements 2017 was negotiated on an arm's length basis based on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and annual caps thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRC, being a controlling shareholder of the Company, holds approximately 75.33%, 51% and 100% of interest in CR Bank, CR Trust and CR Leasing, respectively. Accordingly, each of CR Bank, CR Trust and CR Leasing is a connected person of the Company and the transactions contemplated under each of the Strategic Cooperation Agreements 2017 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As some of the financial products (such as wealth management products) provided by CR Bank and CR Trust are similar in nature, the proposed daily maximum amounts for the principal amount and interest in relation to such financial products are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As the financial services and/or products where only service fees and commissions will be charged by CR Bank, CR Trust and CR Leasing are similar in nature, the proposed annual caps for such service fees and commissions for the provision of such financial services and/or products by CR Bank, CR Trust and CR Leasing under the Strategic Cooperation Agreements 2017 are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the deposit services by CR Bank under the CR Bank Strategic Cooperation Agreement 2017 and the aggregate annual caps for the provision of financial products and services by CR Bank, CR Trust and CR Leasing under the Strategic Cooperation Agreements 2017 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements 2017 are only subject to reporting, announcement and annual review requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. CHEN Rong is a director of the Company, CR Bank and CR Trust, he had abstained from voting on the relevant Board resolutions approving the Strategic Cooperation Agreements 2017 and the transactions (including the relevant annual caps) contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the Strategic Cooperation Agreements 2017 and the transactions (including the relevant annual caps) contemplated thereunder.

INFORMATION OF THE PARTIES

CR Bank

CR Bank is a licensed bank regulated by the China Banking Regulatory Commission and is headquartered in Zhuhai, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services.

CR Trust

CR Trust is an integrated financial service provider headquartered in Shenzhen, the PRC, and is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC.

CR Leasing

CR Leasing is principally engaged in financial leasing, leasing, factoring and other related consultancy and guarantee services and is headquartered in Shenzhen, the PRC.

The Group

The Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products.

DEFINITIONS

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

“AGM”	the forthcoming annual general meeting of the Company, which is expected to be held on 19 May 2017;
“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;
“CR Bank”	China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司), a limited liability company established in the PRC and a municipal bank headquartered in Zhuhai, in which CRC holds approximately 75.33% interest as at the date of this announcement;
“CR Bank Strategic Cooperation Agreement 2017”	the Strategic Cooperation Agreement entered into between the Company and CR Bank on 12 May 2017;

“CR Leasing”	China Resources Leasing Co., Ltd. (華潤租賃有限公司), a limited liability company established in the PRC, in which CRC holds 100% indirect interest as at the date of this announcement;
“CR Leasing Strategic Cooperation Agreement 2017”	the Strategic Cooperation Agreement entered into between the Company and CR Leasing on 12 May 2017;
“CR Trust”	China Resources SZITIC Trust Co., Ltd. (華潤深國投信托有限公司), a limited liability company established in the PRC, in which CRC holds 51% interest as at the date of this announcement;
“CR Trust Strategic Cooperation Agreement 2017”	the Strategic Cooperation Agreement entered into between the Company and CR Trust on 12 May 2017;
“CRC”	China Resources Co., Limited (華潤股份有限公司), a joint stock limited liability company established in the PRC and a controlling shareholder of the Company;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Cooperation Agreements 2016”	collectively, the Strategic Cooperation Agreement entered into between the Company and CR Bank on 11 October 2016 and the Strategic Cooperation Agreement entered into between the Company and CR Trust on 11 October 2016; and
“Strategic Cooperation Agreements 2017”	collectively, the CR Bank Strategic Cooperation Agreement 2017, the CR Leasing Strategic Cooperation Agreement 2017 and the CR Trust Strategic Cooperation Agreement 2017.

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\$1.1271. 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 versions shall prevail.

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

United Kingdom, 12 May 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, Mr. TSANG Hing Lun, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian as independent non-executive Directors.