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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 PROCUREMENT FRAMEWORK AGREEMENT 2019

Reference is made to the announcement of the Company dated 30 October 2017 in relation to, among other things, the Procurement Framework Agreement 2017.

On 27 December 2018, the Company has entered into the Procurement Framework Agreement 2019 with CRH for a term commencing on 1 January 2019 and ending on 31 December 2020. The Procurement Framework Agreement 2017 will expire and cease to have effect on 1 January 2019.

As at the date of this announcement, CRH is a controlling shareholder of the Company, indirectly holding approximately 53.04% interest in the Company. Accordingly, CRH is a connected person of the Company and the transactions contemplated under the Procurement Framework Agreement 2019 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 transactions contemplated under the Procurement Framework Agreement 2019 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Procurement Framework Agreement 2019 are only subject to reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 30 October 2017 in relation to, among other things, the Procurement Framework Agreement 2017.

On 27 December 2018, the Company has entered into the Procurement Framework Agreement 2019 with CRH for a term commencing on 1 January 2019 and ending on 31 December 2020. The Procurement Framework Agreement 2017 will expire and cease to have effect on 1 January 2019.

THE PROCUREMENT FRAMEWORK AGREEMENT 2019

Principal Terms

The principal terms of the Procurement Framework Agreement 2019 are set out as follows:

(1) *Date*

27 December 2018

(2) *Parties*

(a) CRH; and

(b) The Company

(3) *Term*

From 1 January 2019 to 31 December 2020

(4) *Scope*

Pursuant to the Procurement Framework Agreement 2019, the Group may from time to time purchase from CRH Group various types of supplies and products (including raw materials, ingredients, apparel and software products, but excluding the procurement of utilities by the Group from CRH Group in the Group's ordinary and usual course of business) as well as services (including logistics services, company secretarial services and services of an integrated e-commerce and internet-based service platform, but excluding IT technical support services, property leasing services, and construction, decoration and furniture services which are covered by separate agreements entered into between CRH and the Company).

(5) *Pricing basis and pricing policies*

If government-prescribed price is applicable to any particular supplies, products or services under the Procurement Framework Agreement 2019, such supplies, products or services shall be supplied at the applicable government-prescribed price. If government-prescribed price is not available but a government-guided price standard is available, the price will fall within the range of the government-guided price. Where such pricing standard is not available, the price shall be determined through arm's length basis by the parties with reference to the then prevailing market price and taking into account the quantity and quality of the supplies, products and services as well as other terms such as payment terms.

When the Group procures relevant supplies, products and services in its ordinary and usual course of business, it selects suppliers and determines the relevant procurement terms through negotiations based on the categories and scale of the procurement. As part of the Group's internal approval and monitoring procedures relating to the transactions with CRH, the Group will obtain quote from other independent suppliers for procurement of similar supplies, products and services and consider assessment criteria (including the price, quality, suitability, payment terms, and time required for the provision and delivery of the supplies, products and services) before it enters into any new procurement arrangement with CRH, and such quotes, together with the offer from CRH, will be reviewed and passed by the Group's internal approval procedures. The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

Historical amounts

Set out below are the approximate historical amounts of the relevant procurement by the Group from CRH Group during the years ended 31 December 2015, 2016 and 2017 and for the eleven months ended 30 November 2018:

	For the years ended 31 December			For the eleven months ended
				30 November
	2015	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Procurement of supplies and products	104.2	88.0	86.8	61.4
Procurement of services	11.9	13.1	19.2	17.5

Annual Caps and Basis of Determination

The proposed maximum annual caps for the transactions contemplated under the Procurement Framework Agreement 2019 for the years ending 31 December 2019 and 2020 are as follows:

	For the years ending 31 December	
	2019	2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>
Procurement of supplies and products	152.5	152.5
Procurement of services	28.0	28.0

The proposed annual caps for the transactions contemplated under the Procurement Framework Agreement 2019 are determined taking into account, among other things, (a) the historical amount of procurement of supplies, products and services by the Group from CRH Group; (b) the enhancement of CRH Group's scope of services (in particular, the new company secretarial services and online platform services); (c) the expected increase in the Group's demand for the relevant supplies, products and services as the Group continue to expand its business, taking into account, among other things, its objective to develop its product mix and enhance its distribution capabilities; and (d) the expected increase in average prices of the relevant supplies, products and services in the future.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Procurement Framework Agreement 2019 will enable the Group to procure raw materials, products and supplies as well as services provided by CRH and/or its subsidiaries to support our business, to ensure a steady source of raw materials, supplies and services which are of reliable quality, and to support the development within the CRH Group on normal commercial terms and on a scale which will not place the Group's resources at risk or affect its relationship with other independent third-party suppliers.

Under the Procurement Framework Agreement 2019, the Group is not required to exclusively procure certain supplies, products and services from CRH Group. The Board is of the view that the Group will retain the flexibility and discretion in selecting CRH Group and/or other independent suppliers based on arm's length negotiation and taking into account the commercial terms and factors of consideration.

The Board (including the independent non-executive Directors) considers that the Procurement Framework Agreement 2019 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

CRH is a controlling shareholder of the Company, indirectly holding approximately 53.04% interest in the Company as at the date of this announcement. Accordingly, CRH is a connected person of the Company and the transactions contemplated under the Procurement Framework Agreement 2019 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 transactions contemplated under the Procurement Framework Agreement 2019 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Procurement Framework Agreement 2019 are only subject to reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. WANG Chuncheng, Mr. CHEN Rong and Mr. YU Zhongliang are concurrently directors of the Company and senior management members of CRH, they had abstained from voting on the relevant board resolutions approving the Procurement Framework Agreement 2019 and the transactions (including the relevant annual caps) contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the Procurement Framework Agreement 2019 and the transactions (including the relevant annual caps) contemplated thereunder.

INFORMATION OF THE PARTIES

CRH

CRH is a major PRC state-owned conglomerate based in Hong Kong. Its core businesses include consumer products (including retail, beer, food and beverage), power, real estate, cement, gas, pharmaceuticals and finance.

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:

“Board”	the board of Directors of the Company;
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 3320);
“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 (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company;
“CRH Group”	CRH and its subsidiaries;
“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 of Hong Kong Limited as amended, supplemented or otherwise modified from time to time;
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

“Procurement Framework Agreement 2017”	the Procurement Framework Agreement entered into between the Company and CRH on 30 October 2017;
“Procurement Framework Agreement 2019”	the Procurement Framework Agreement entered into between the Company and CRH on 27 December 2018; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Shenzhen, 27 December 2018

As of the date of this announcement, the Board comprises Mr. FU Yuning as chairman and non-executive Director, Mr. WANG Chuncheng and Mr. LI Guohui as executive Directors, Mr. CHEN Rong, Mr. YU Zhongliang, Mr. WANG Shouye and Mr. LU Ruizhi 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.