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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 2019

Reference is made to the announcements of the Company dated 12 May 2017 and 2 June 2017 in relation to, among other things, the Strategic Cooperation Agreements 2017.

On 27 December 2018, the Company has entered into the CR Bank Strategic Cooperation Agreement 2019 and the CR Trust Strategic Cooperation Agreement 2019 with CR Bank and CR Trust, respectively, for a term commencing on 1 January 2019 and ending on 31 December 2020. Each of the CR Bank Strategic Cooperation Agreement 2017 and the CR Trust Strategic Cooperation Agreement 2017 will expire and cease to have effect on 1 January 2019.

As at the date of this announcement, CRC, being a controlling shareholder of the Company, holds approximately 75.33% and 51% of interest in CR Bank and CR Trust, respectively. Accordingly, each of CR Bank and CR Trust is a connected person of the Company and the transactions contemplated under each of the Strategic Cooperation Agreements 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 deposit services by CR Bank under the CR Bank Strategic Cooperation Agreement 2019 and the aggregate annual caps for the provision of financial products and services by CR Bank and CR Trust under the Strategic Cooperation Agreements 2019 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements 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 announcements of the Company dated 12 May 2017 and 2 June 2017 in relation to, among other things, the Strategic Cooperation Agreements 2017.

On 27 December 2018, the Company has entered into the CR Bank Strategic Cooperation Agreement 2019 and the CR Trust Strategic Cooperation Agreement 2019 with CR Bank and CR Trust, respectively, for a term commencing on 1 January 2019 and ending on 31 December 2020. Each of the CR Bank Strategic Cooperation Agreement 2017 and the CR Trust Strategic Cooperation Agreement 2017 will expire and cease to have effect on 1 January 2019.

THE STRATEGIC COOPERATION AGREEMENTS 2019

A. CR Bank Strategic Cooperation Agreement 2019

Principal Terms

The principal terms of the CR Bank Strategic Cooperation Agreement 2019 are set out as follows:

(1) Date

27 December 2018

(2) *Parties*

- (a) CR Bank; and
- (b) The Company

(3) *Term*

From 1 January 2019 to 31 December 2020

(4) *Scope*

Pursuant to the CR Bank Strategic Cooperation Agreement 2019, 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 and pricing policies*

(a) *Deposits with CR Bank*

The deposit rates for RMB-denominated deposits were historically set by the PBOC whilst the PBOC has gradually liberalized its regulation of deposit rates in the recent years, allowing commercial banks in the PRC more flexibility to determine the interest rate for RMB-denominated deposits. Accordingly, pursuant to the CR Bank Strategic Cooperation Agreement 2019, 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 deposit rates shall be determined with reference to the benchmark rates published by the PBOC or other preferred rates in the market as offered by CR Bank.

As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Bank, the Group will obtain quote from other independent financial institutions for similar deposit services for similar duration before it enters into any new deposit arrangement with CR Bank and such quotes, together with the offer from CR Bank, will be reviewed and passed by the Group's internal approval procedures.

(b) Financial products and services from CR Bank

The fees and charges for other financial services and products provided by CR Bank will be determined by negotiations between the parties on arm's length basis 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.

To the best knowledge and information of the Company, 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 provided by CR Bank are normally determined taking into account various factors:

- (i) in relation to the financial products to be provided by CR Bank, the amount of principal and interests in relation to such financial products generally depends on the size, nature and quality of the financial products; and
- (ii) in relation to the financial services to be provided by CR Bank, where only service fees and/or commissions are payable by the Group, such service fees and commissions are generally determined and charged by CR Bank based on the prevailing market rates for the similar type, nature and quality of financial services at the time of the transaction.

In addition, the Group will also obtain quote from, or compare the amount of principal and interests of financial products or service fees offered by, other independent financial service providers before it decides to purchase the financial products or use the financial services offered by CR Bank.

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 years ended 31 December 2016 and 2017 and the eleven months ended 30 November 2018:

	For the years ended 31 December				For the eleven months ended 30 November	
	2016		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>	<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⁾	2,746.0	3,096.4	2,019.1	2,276.8	2,483.7	2,800.7

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 on normal commercial terms or better 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 deposit amount (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 under the CR Bank Strategic Cooperation Agreement 2019 for the years ending 31 December 2019 and 2020 are as follows:

	For the years ending 31 December			
	2019		2020	
	<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⁾	2,800.0	3,157.3	2,800.0	3,157.3
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank ⁽¹⁾	1,500.0	1,691.4	1,500.0	1,691.4
Maximum service fees and commissions for other financial products and services to be provided by CR Bank	150.0	169.1	150.0	169.1

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 2019, are determined taking into account, among other things, (a) the amounts of historical transactions between the Group and CR Bank for the relevant transactions; (b) the maximum daily deposit balance placed with CR Bank has been increased to approximately RMB2,483.7 million for the year ended 31 December 2017 and for the eleven months ended 30 November 2018, thereby resulting in the need to arrange for 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 2019

Principal Terms

The principal terms of the CR Trust Strategic Cooperation Agreement 2019 are set out as follows:

(1) Date

27 December 2018

(2) Parties

(a) CR Trust; and

(b) The Company

(3) Term

From 1 January 2019 to 31 December 2020

(4) *Scope*

Pursuant to the CR Trust Strategic Cooperation Agreement 2019, the Group may use the services and products provided by CR Trust or its subsidiaries, 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, bonds underwriting services and other financial or trust services and products as agreed by the parties.

(5) *Pricing basis and pricing policies*

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

To the best knowledge and information of the Company, 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 provided by CR Trust are normally determined by taking into account various factors:

- (i) in relation to the financial products to be provided by CR Trust, the amount of principal and interests in relation to such financial products generally depends on the size, nature and quality of the financial products; and
- (ii) in relation to the financial services to be provided by CR Trust where only service fees and/or commissions are payable by the Group, such service fees and commissions are generally determined and charged by CR Trust based on the prevailing market rates for the similar type, nature and quality of financial services at the time of the transaction.

In addition, the Group will also obtain quote from, or compare the amount of principal and interests of financial products or service fees offered by, other independent financial service providers before it decides to purchase the financial products or use the financial services offered by CR Trust.

Historical amounts

Set out below are the approximate historical amounts of the maximum service fees and commissions by the Group for other financial products and services provided by CR Trust during the years ended 31 December 2016 and 2017 and for the eleven months ended 30 November 2018:

	For the years ending 31 December				For the eleven months ended 30 November 2018	
	2016		2017		RMB (million)	HK\$ (million)
	RMB (million)	HK\$ (million)	RMB (million)	HK\$ (million)		
Maximum service fees and commissions for other financial products and services provided by CR Trust	0	0	0	0	0.8	0.9

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 on normal commercial terms or better 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 under the CR Trust Strategic Cooperation Agreement 2019 for the years ending 31 December 2019 and 2020 are as follows:

	For the years ending 31 December			
	2019		2020	
	<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⁾	300.0	338.3	300.0	338.3
Maximum service fees and commissions for other financial products and services provided by CR Trust	70.0	78.9	70.0	78.9

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 2019, 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.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Strategic Cooperation Agreements 2019 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 2019, the Group is not required to exclusively use the deposit services and other financial services and products provided by CR Bank and/or CR Trust. The Board is of the view that the Group will retain the flexibility and discretion in selecting CR Bank, CR Trust 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.

The Board (including the independent non-executive Directors) consider that each of the Strategic Cooperation Agreements 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

As at the date of this announcement, CRC, being a controlling shareholder of the Company, holds approximately 75.33% and 51% of interest in CR Bank and CR Trust, respectively. Accordingly, each of CR Bank and CR Trust is a connected person of the Company and the transactions contemplated under each of the Strategic Cooperation Agreements 2019 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 and CR Trust 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 and CR Trust under the Strategic Cooperation Agreements 2019 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 2019 and the aggregate annual caps for the provision of financial products and services by CR Bank and CR Trust under the Strategic Cooperation Agreements 2019 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements 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. 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 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 Strategic Cooperation Agreements 2019 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.

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;
“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 Bank Strategic Cooperation Agreement 2019”	the Strategic Cooperation Agreement entered into between the Company and CR Bank on 27 December 2018;
“CR Trust”	China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), 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;
“CR Trust Strategic Cooperation Agreement 2019”	the Strategic Cooperation Agreement entered into between the Company and CR Trust on 27 December 2018;
“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 of Hong Kong Limited as amended, supplemented or otherwise modified from time to time;
“PBOC”	the People’s Bank of China;
“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;

“RMB”	Renminbi Yuan, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Cooperation Agreements 2017”	collectively, the CR Bank Strategic Cooperation Agreement 2017 and the CR Trust Strategic Cooperation Agreement 2017; and
“Strategic Cooperation Agreements 2019”	collectively, the CR Bank Strategic Cooperation Agreement 2019 and the CR Trust Strategic Cooperation Agreement 2019.

For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.12762. 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

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.