CONTINUING CONNECTED TRANSACTIONS
CR LEASING STRATEGIC COOPERATION AGREEMENT 2020

Reference is made to the announcements of the Company dated 12 May 2017, 2 June 2017 and 7 May 2018 (the “Announcements”) in relation to the CR Leasing Strategic Cooperation Agreement 2017 and its supplemental agreement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

As the Supplemental Agreement to the CR Leasing Strategic Cooperation Agreement 2017 and the annual caps thereunder will be expired on 31 December 2019, on 9 December 2019, the Company has entered into the Strategic Cooperation Agreement 2020 with CR Leasing for a term commencing on 1 January 2020 and ending on 31 December 2020.

As at the date of this announcement, CRI, being a controlling shareholder of the Company, indirectly holds 60% interest in CR Leasing. Accordingly, CR Leasing is a connected person of the Company and the Strategic Cooperation Agreement 2020 and the transactions contemplated thereunder constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.
As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the aggregate annual caps for the service fees and commissions for the provision of financial services and products by CR Leasing under the Strategic Cooperation Agreement 2020 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreement 2020 are only subject to reporting, announcement and annual review requirements but are exempted from 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, 2 June 2017 and 7 May 2018 (the “Announcements”) in relation to the CR Leasing Strategic Cooperation Agreement 2017 and its supplemental agreement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

As the Supplemental Agreement to the CR Leasing Strategic Cooperation Agreement 2017 and the annual caps thereunder will be expired on 31 December 2019, on 9 December 2019, the Company has entered into the Strategic Cooperation Agreement 2020 with CR Leasing for a term commencing on 1 January 2020 and ending on 31 December 2020.

STRATEGIC COOPERATION AGREEMENT 2020

Principal terms

The principal terms of the CR Leasing Strategic Cooperation Agreement 2020 are set out as follows:

(1) Date

9 December 2019
(2) **Parties**

(a) CR Leasing; and

(b) The Company

(3) **Term**

From 1 January 2020 to 31 December 2020

(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 related consultancy and guarantee services, and factoring in relation to the principal business of the Group.

(5) **Pricing policies**

The services and products will be provided by CR Leasing on normal commercial terms which apply to its other independent customers. Such service fees and commissions are determined and charged by CR Leasing based on the prevailing market rates for financial services of similar type, nature and quality at the time of the transaction.
**Historical figures of CR Leasing Strategic Cooperation Agreement 2017**

Set out below are the approximate historical figures of the maximum service fees and commissions for financial services and products provided by CR Leasing under the terms of the CR Leasing Strategic Cooperation Agreement 2017 and the Supplemental Agreement to the CR Leasing Strategic Cooperation Agreement 2017 during each of the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019:

<table>
<thead>
<tr>
<th></th>
<th>For the years ending 31 December</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td></td>
<td></td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>RMB (million)</td>
<td>HK$ (million)</td>
<td>RMB (million)</td>
<td>HK$ (million)</td>
<td>RMB (million)</td>
<td>HK$ (million)</td>
</tr>
<tr>
<td>Maximum service fees and commissions for the financial services and products provided by CR Leasing</td>
<td>70.0</td>
<td>77.9</td>
<td>250.0</td>
<td>278.4</td>
<td>250.0</td>
<td>278.4</td>
</tr>
<tr>
<td>Actual service fees and commissions for the financial services and products provided by CR Leasing</td>
<td>16.8</td>
<td>18.7</td>
<td>60.0</td>
<td>66.8</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Annual caps and basis of determination**

The proposed annual caps for the service fees and commissions payable by the Group for the financial services and products to be provided by CR Leasing during the term of the CR Leasing Strategic Cooperation Agreement 2020 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the year ending 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (million)</td>
</tr>
<tr>
<td>Maximum service fees and commissions for the financial services and products to be provided by CR Leasing</td>
<td>250.0</td>
</tr>
</tbody>
</table>
The proposed annual caps for the service fees and commissions for financial products and services under the CR Leasing Strategic Cooperation Agreement 2020 are determined taking into account, among other things, (a) the historical transaction amounts 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 Group’s pharmaceutical manufacturing segment); (c) the demand for consultancy services in relation to leasing of assets and facilities for the principal businesses of the Group (such as the medical devices, warehouses and other assets and facilities for the Group’s pharmaceutical distribution segment); and (d) the anticipated growth in the Group’s business.

INTERNAL CONTROL MEASURES

The Group shall also obtain quotations from other independent financial services providers or compare the service fees and commissions of other independent financial services providers for providing financial services and products before deciding to use the financial services and products provided by CR Leasing.

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (but not limited to) regular reporting of the transaction volume to the Group’s finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company’s auditors and the independent non-executive Directors will conduct review of the transactions contemplated under the Strategic Cooperation Agreement 2020 and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the Strategic Cooperation Agreement 2020, on normal commercial terms, in the interest of the Company and its shareholders as a whole, and in accordance with the relevant pricing policies.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Strategic Cooperation Agreement 2020 will enable the Group to enhance its overall liquidity, optimise its utilisation 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 Agreement 2020, the Group is not required to exclusively use the financial services and products provided by CR Leasing. The Board is of the view that the Group will retain the flexibility and discretion in selecting 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 the Strategic Cooperation Agreement 2020 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, CRI, being a controlling shareholder of the Company, indirectly holds 60% interest in CR Leasing. Accordingly, CR Leasing is a connected person of the Company and the Strategic Cooperation Agreement 2020 and the transactions contemplated thereunder constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the aggregate annual caps for the service fees and commissions for the provision of financial services and products by CR Leasing under the Strategic Cooperation Agreement 2020 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreement 2020 are only subject to reporting, announcement and annual review requirements but are exempted from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As Mdm. WENG Jingwen is a director of the Company and CR Leasing, she had abstained from voting on the relevant board resolutions approving the Strategic Cooperation Agreement 2020 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 Agreement 2020 and the transactions (including the relevant annual caps) contemplated thereunder.
INFORMATION OF THE PARTIES

CR Leasing

CR Leasing was established in 2006 in the PRC, and is principally engaged in financial leasing, leasing, factoring and other related consultancy and guarantee services, and is headquartered in Shenzhen, the PRC.

As at the date of this announcement, it is held as to 20% by CR Pharmaceutical Holdings, 20% by CR Pharmaceutical Commercial and 60% by CR Leasing (Hong Kong), and is an indirect non wholly-owned subsidiary of CRI.

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;

“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 Leasing” China Resources Leasing Co., Ltd. (华润租赁有限公司), a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of CRI as at the date of this announcement;
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>“CR Leasing (Hong Kong)”</td>
<td>China Resources Leasing (HK) Company Limited, a company incorporated in Hong Kong with limited liability, in which CRI holds 100% indirect interest as at the date of this announcement;</td>
</tr>
<tr>
<td>“CR Leasing Strategic Cooperation Agreement 2017”</td>
<td>the strategic cooperation agreement entered into between the Company and CR Leasing on 12 May 2017;</td>
</tr>
<tr>
<td>“CR Leasing Strategic Cooperation Agreement 2020”</td>
<td>the strategic cooperation agreement entered into between the Company and CR Leasing on 9 December 2019;</td>
</tr>
<tr>
<td>“CR Pharmaceutical Commercial”</td>
<td>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;</td>
</tr>
<tr>
<td>“CR Pharmaceutical Holdings”</td>
<td>China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company;</td>
</tr>
<tr>
<td>“CRI”</td>
<td>China Resources Inc. (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;</td>
</tr>
<tr>
<td>“Director(s)”</td>
<td>the director(s) of the Company;</td>
</tr>
<tr>
<td>“Group”</td>
<td>the Company and its subsidiaries;</td>
</tr>
<tr>
<td>“HKS”</td>
<td>Hong Kong dollars, the lawful currency of Hong Kong;</td>
</tr>
<tr>
<td>“Hong Kong”</td>
<td>the Hong Kong Special Administrative Region of the PRC;</td>
</tr>
<tr>
<td>“Listing Rules”</td>
<td>The Rules Governing the Listing of Securities on the Stock Exchange;</td>
</tr>
</tbody>
</table>
“RMB”  Renminbi, the lawful currency of the PRC;

“Stock Exchange”  The Stock Exchange of Hong Kong Limited;

“Supplemental Agreement to the CR Leasing Strategic Cooperation Agreement 2017”  the supplemental agreement to the CR Leasing Strategic Cooperation Agreement 2017 entered into between the Company and CR Leasing on 7 May 2018; and

“subsidiary(ies)”  has the meaning ascribed thereto under the Listing Rules.

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$1.11356. No representation is made that any amount in HK$ 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
Chairman

Beijing, 9 December 2019

As of the date of this announcement, the Board comprises Mr. WANG Chuncheng as chairman and non-executive Director, Mr. HAN Yuewei, Mr. LI Xiangming and Mdm. WENG Jingwen as executive Directors, Mr. YU Zhongliang, Mdm. GUO Wei, Mr. WANG Shouye and Mr. LYU Ruizhi as non-executive Directors and Mdm. SHING Mo Han Yvonne, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian as independent non-executive Directors.