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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 – SALES FRAMEWORK AGREEMENT 2017 AND STRATEGIC COOPERATION AGREEMENTS 2017

Reference is made to the announcements made by China Resources Pharmaceutical Group Limited (the “**Company**”) dated 12 May 2017 in relation to the Sales Framework Agreement 2017 and Strategic Cooperation Agreements 2017 (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board would like to provide additional information to the shareholders of the Company regarding the pricing policies and internal control measures in relation to the transactions contemplated under the Sales Framework Agreement 2017 and Strategic Cooperation Agreements 2017.

PRICING POLICIES

Sales Framework Agreement 2017

Pursuant to the Sales Framework Agreement 2017, the price of the medical and pharmaceutical products and consumables supplied under the Sales Framework Agreement 2017 shall be determined in accordance with the applicable prescribed price or guided price of that product fixed by the PRC regulators, if applicable. If there is no such prescribed price or guided price for the particular product, the price shall be determined based on the then prevailing market price and arm’s length negotiation between the parties.

In accordance with the relevant guiding opinions and implementation notice issued by the PRC regulators in 2015, the procurement of pharmaceutical products by public hospitals and medical institutions in the PRC is subject to a centralised tendering process.

The centralised tendering process generally operates as follows:

- (i) Public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of medical and pharmaceutical products and consumables (except for decoction pieces) required in their ordinary course of business to the centralised procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant products and consumables.
- (ii) The relevant governmental authority will then determine the selling price of a particular medical and pharmaceutical product or consumable in the relevant province or region by taking into consideration mainly the bidding prices and quality of the product or consumable offered by different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price.
- (iii) Due to the nature and operation of the above tendering process, the selling price for the same type of product or consumable may vary across different provinces and regions.

Accordingly, the Group's sale of medical and pharmaceutical products and consumables to CR Healthcare, its associates and/or the hospitals managed by CR Healthcare and/or its associates is also subject to such centralised tendering system in the PRC and, the Group, similar to other independent third party suppliers, is required to go through the selection and approval procedures adopted by CR Healthcare and its associates as well as the commercial negotiation process in order to become their suppliers. The parties also negotiate the terms of sales based on the business needs of, and the suitability of the medical and pharmaceutical products and consumables to, CR Healthcare, its associates and/or the hospitals managed by CR Healthcare and/or its associates in the ordinary and usual course of business.

After completion of the above-mentioned centralised tendering process and commercial negotiation, the Group will supply its medical and pharmaceutical products and consumables to, CR Healthcare, its associates and/or the hospitals managed by CR Healthcare and/or its associates on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of products and consumables.

Strategic Cooperation Agreements 2017

(a) Deposits with CR Bank

The deposit rates for RMB-denominated deposits were historically set by the People's Bank of China (the "PBOC") whilst the PBOC has gradually liberalised 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 2017, the deposit rates in relation to the deposits placed by CR Bank 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.

(b) Financial products and services from CR Bank, CR Trust and CR Leasing

The pricing terms of the financial services and products provided by CR Bank, CR Trust and/or CR Leasing vary from the type and nature of the financial services and products.

To the best knowledge and information of the Company, the principal amount and interest in relation to financial products provided by CR Bank and CR Trust and the service fees and commissions payable by the Group for other financial products and services provided by CR Bank, CR Trust and CR Leasing are normally determined by CR Bank, CR Trust and CR Leasing (as the case may be) by taking into account various factors:

- (i) in relation to the financial products to be provided by CR Bank and 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;
- (ii) in relation to the financial services to be provided by CR Bank, CR Trust and/or CR Leasing 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, CR Trust and/or CR Leasing based on the prevailing market rates for the similar type, nature and quality of financial services at the time of the transaction.

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. 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, CR Trust and/or CR Leasing.

INTERNAL CONTROL MEASURES

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.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the Sales Framework Agreement 2017 and the Strategic Cooperation Agreements 2017 and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the Sales Framework Agreement 2017 and the Strategic Cooperation Agreements 2017, on normal commercial terms, in the interest of the Company and its shareholders as a whole, and in accordance with the relevant pricing policies.

Save as disclosed above, all other information set out in the Announcements remains unchanged.

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

Hong Kong, 2 June 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.