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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)

CONNECTED TRANSACTION PROPOSED CAPITAL CONTRIBUTION TO CR LEASING

The Board is pleased to announce that, on 28 December 2017, CR Pharmaceutical Holdings and CR Pharmaceutical Commercial, wholly-owned subsidiaries of the Company, entered into the Capital Contribution Agreement with CR Leasing (Hong Kong) and CR Leasing in respect of the Proposed Capital Contribution in the total amount of approximately RMB889.40 million (equivalent to approximately HK\$1,051.60 million). Upon completion of the Proposed Capital Contribution, each of CR Pharmaceutical Holdings and CR Pharmaceutical Commercial will hold 20% of the enlarged registered capital of CR Leasing, respectively.

As at the date of this announcement, CRC, being a controlling shareholder of the Company, indirectly holds 100% interest in CR Leasing (Hong Kong), which in turn directly holds 100% interest in CR Leasing. Accordingly, each of CR Leasing (Hong Kong) and CR Leasing is a connected person of the Company and the Capital Contribution Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of Listing Rules in respect of the Proposed Capital Contribution exceed 0.1% but are all less than 5%, the Capital Contribution Agreement and the transactions contemplated thereunder are only subject to reporting and announcement requirement, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 28 December 2017, CR Pharmaceutical Holdings and CR Pharmaceutical Commercial, wholly-owned subsidiaries of the Company, entered into the Capital Contribution Agreement with CR Leasing (Hong Kong) and CR Leasing in respect of the Proposed Capital Contribution in the total amount of approximately RMB889.40 million (equivalent to approximately HK\$1,051.60 million). Upon completion of the Proposed Capital Contribution, each of CR Pharmaceutical Holdings and CR Pharmaceutical Commercial will hold 20% of the enlarged registered capital of CR Leasing, respectively.

China International Capital Corporation Limited acted as financial adviser in relation to the Proposed Capital Contribution.

THE CAPITAL CONTRIBUTION AGREEMENT

The principal terms of the Capital Contribution Agreement are set out as follows:

(1) Date

28 December 2017

(2) Parties

- (a) CR Pharmaceutical Holdings, a wholly-owned subsidiary of the Company;
- (b) CR Pharmaceutical Commercial, a wholly-owned subsidiary of the Company;
- (c) CR Leasing (Hong Kong); and
- (d) CR Leasing.

(3) The Proposed Capital Contribution

Pursuant to the Capital Contribution Agreement, each of CR Pharmaceutical Holdings and CR Pharmaceutical Commercial has conditionally agreed to contribute capital in the amount of approximately RMB444.70 million (equivalent to approximately HK\$525.79 million) into the registered capital of CR Leasing (representing 20% of the enlarged registered capital of CR Leasing), respectively.

The total amount for the Proposed Capital Contribution by CR Pharmaceutical Holdings and CR Pharmaceutical Commercial will be approximately RMB889.40 million (equivalent to approximately HK\$1,051.60 million), which was determined after arm's length negotiation between the parties taking into account the net asset value of CR Leasing as of 30 June 2017 and the price-to-book ratio in comparative transactions in the industry.

Each of CR Pharmaceutical Holdings and CR Pharmaceutical Commercial will pay their respective capital contribution in cash at completion of the Proposed Capital Contribution, which will be funded by the internal resources of the Group.

(4) Conditions Precedent and Completion

Completion of the Proposed Capital Contribution is conditional upon the satisfaction (or waiver, if applicable) of the conditions precedent as set out in the Capital Contribution Agreement.

Upon completion of the Proposed Capital Contribution, each of CR Pharmaceutical Holdings and CR Pharmaceutical Commercial will hold 20% of the enlarged registered capital of CR Leasing, respectively, and CR Leasing will be accounted for as an associate in the consolidated financial statements of the Company.

INFORMATION ON 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. Prior to the completion of the Proposed Capital Contribution and as at the date of this announcement, it is an indirect wholly-owned subsidiary of CRC.

Certain financial information of CR Leasing for the two financial years ended 31 December 2015 and 31 December 2016 and for the six months ended 30 June 2017 are set out as follows:

	For the year ended 31 December 2015 (Audited)	For the year ended 31 December 2016 (Audited)	For the six months ended 30 June 2017 (Audited)
Profit before taxation for the year	RMB124.71 million (equivalent to approximately HK\$147.45 million)	RMB113.85 million (equivalent to approximately HK\$134.61 million)	RMB56.98 million (equivalent to approximately HK\$67.37 million)
Profit after taxation for the year	RMB97.36 million (equivalent to approximately HK\$115.11 million)	RMB89.12 million (equivalent to approximately HK\$105.37 million)	RMB55.06 million (equivalent to approximately HK\$65.10 million)
	As at 31 December 2015 (Audited)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Audited)
Net asset value	RMB1,030.63 million (equivalent to approximately HK\$1,218.57 million)	RMB1,157.15 million (equivalent to approximately HK\$1,368.16 million)	RMB1,212.21 million (equivalent to approximately HK\$1,433.25 million)

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. CR Pharmaceutical Commercial is principally engaged in the distribution of pharmaceutical products and has established business relationship with over 30,000 hospitals and other medical institutions in the PRC.

Financial leasing business for hospitals and medical institutions has developed rapidly in the PRC. It is expected that the Proposed Capital Contribution will enable the Group to provide hire purchase and factoring services as well as financial leasing services to the hospitals and medical institutions, which are complementary to the Group's pharmaceutical distribution business, thereby strengthening the market share and positioning of the Group in the pharmaceutical distribution business in the PRC and enhancing the overall competitive advantage of the Group.

The Board (including the independent non-executive Directors) considers that the terms of the Capital Contribution Agreement are fair and reasonable and are on normal commercial terms in the ordinary and usual course of business of the Group, and the Proposed Capital Contribution is in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

CR Pharmaceutical Holdings is a wholly-owned subsidiary of the Company, and is an investment holding company.

CR Pharmaceutical Commercial is a wholly-owned subsidiary of the Company, and is principally engaged in trading of pharmaceutical products.

CR Leasing (Hong Kong)

CR Leasing (Hong Kong) is an investment holding company, and is an indirect wholly-owned subsidiary of CRC. Prior to the completion of the Proposed Capital Contribution and as at the date of this announcement, CR Leasing (Hong Kong) directly holds 100% interest in CR Leasing.

CR Leasing

For details of CR Leasing, please refer to the section headed “Information on CR Leasing” above.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CRC, being a controlling shareholder of the Company, indirectly holds 100% interest in CR Leasing (Hong Kong), which in turn directly holds 100% interest in CR Leasing. Accordingly, each of CR Leasing (Hong Kong) and CR Leasing is a connected person of the Company and the Capital Contribution Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of Listing Rules in respect of the Proposed Capital Contribution exceed 0.1% but are all less than 5%, the Capital Contribution Agreement and the transactions contemplated thereunder are only subject to reporting and announcement requirement, but are exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Capital Contribution Agreement and the transactions contemplated thereunder and had abstained from voting at the relevant Board resolutions.

DEFINITIONS

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

“Board”	the board of Directors;
“Capital Contribution Agreement”	the capital contribution agreement dated 28 December 2017 entered into among CR Pharmaceutical Holdings, CR Pharmaceutical Commercial, CR Leasing (Hong Kong) and CR Leasing in respect of the Proposed Capital Contribution;
“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. (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 (Hong Kong)”	China Resources Leasing (HK) Company Limited (華潤租賃(香港)有限公司) a limited liability company incorporated in Hong Kong, in which CRC holds 100% indirect interest as at the date of this announcement;
“CR Pharmaceutical Commercial”	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;

“CR Pharmaceutical Holdings”	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;
“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;
“Proposed Capital Contribution”	the proposed capital contribution by CR Pharmaceutical Holdings and CR Pharmaceutical Commercial pursuant to the Capital Contribution Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“subsidiary”	has the meaning ascribed thereto under the Listing Rules.

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\$1.18235. 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
Executive Director

Hong Kong, 28 December 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, Mdm. SHING Mo Han Yvonne, Mr. KWOK Kin Fun, Mr. FU Tingmei and Mr. ZHANG Kejian as independent non-executive Directors.