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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
PROVISION OF FINANCIAL ASSISTANCE TO CR LEASING
AND
CONTINUING CONNECTED TRANSACTIONS
STRATEGIC COOPERATION AGREEMENTS 2017**

I. CONNECTED TRANSACTION – PROVISION OF FINANCIAL ASSISTANCE TO CR LEASING

The Board is pleased to announce that, on 7 May 2018, CR Pharmaceutical Holdings, entered into the Loan Agreement with CR Leasing in respect of the Loan in the amount of HK\$3 billion (equivalent to approximately RMB2,424 million) for a term of one year.

As at the date of this announcement, CRC, 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 Loan 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 the Listing Rules in respect of the Loan exceed 0.1% but are all less than 5%, the Loan 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 7 May 2018, CR Pharmaceutical Holdings, entered into the Loan Agreement with CR Leasing in respect of the Loan in the amount of HK\$3 billion (equivalent to approximately RMB2,424 million) for a term of one year.

THE LOAN AGREEMENT

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

- Date : 7 May 2018
- Parties : (a) CR Pharmaceutical Holdings (as lender); and
(b) CR Leasing (as borrower).
- Facility amount : The maximum facility amount is HK\$3 billion (equivalent to approximately RMB2,424 million), CR Leasing may apply for multiple loans within the maximum facility amount.
- Interest rate : The annual interest rate is determined based on the market interest rate. The interest rate of each loan is variable based on the applicable rate offered by the People's Bank of China on the pricing date. Except the first Pricing Date is the advance date, the remaining are the 21st day of the last month of each quarter.
- Availability period : The Loan will be available for drawdown upon satisfaction of certain conditions as set out in the Loan Agreement.
- Term : One-year period commencing from the date of the Loan Agreement.

Purpose	:	Working capital for the ordinary business of CR Leasing and its subsidiaries that are associated with the Group, and other general purposes.
Security	:	No security or guarantee is given in favour of the Company in respect of the Loan.
Repayment	:	CR Leasing shall repay the loans and interests in accordance with each of their terms.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the announcement of the Company dated 28 December 2017, the Group has made the Capital Contribution in the total amount of approximately RMB889.40 million, and upon completion of the Capital Contribution, the Group indirectly holds a total of 40% interest in CR Leasing, and CR Leasing is accounted for as an associate in the consolidated financial statements of the Company, as of the date of this announcement.

The Loan will be intended to be used as the working capital for facilitating the industry and finance integration of CR Leasing and its subsidiaries and the Group, to achieve the business collaboration between medicine and leasing, and other general purpose. It is expected that the provision of financial assistance to CR Leasing will promote further development of CR Leasing's core businesses in hire purchase, factoring services and financial leasing, which will in turn benefit the Group's long-term investment in CR Leasing. The Loan will be funded by the Group's internal fund and external borrowing.

The Directors (including the independent non-executive Directors) consider that the Loan Agreement has been entered into after arm's length's negotiation. The Loan Agreement is not entered into in the ordinary and usual course of business of the Group, however, the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

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.

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 of the date of this announcement, each of CR Leasing (Hong Kong), CR Pharmaceutical Holdings and CR Pharmaceutical Commercial holds 60%, 20% and 20% interest in CR Leasing, respectively.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CRC, 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 Loan 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 the Listing Rules in respect of the Loan exceed 0.1% but are all less than 5%, the Loan 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.

As Mr. LI Guohui is concurrently director of the Company and CR Leasing, he had abstained from voting on the relevant Board resolutions approving the Loan Agreement and the transactions contemplated thereunder. Saved as disclosed above, none of the Directors had any material interest in the Loan Agreement and the transactions contemplated thereunder and had abstained from voting at the relevant Board resolutions.

II. CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENTS 2017

INTRODUCTION

Reference is made to the announcements made by the Company dated 12 May 2017 and 2 June 2017 in relation to the Strategic Cooperation Agreements 2017. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the announcement dated 12 May 2017 (“**Announcement**”).

As disclosed in the Announcement, the annual caps for the year ending 31 December 2018 for the fees and commissions in relation to the provision of financial products and services by CR Bank, CR Trust and CR Leasing under the Strategic Cooperation Agreements 2017 are RMB150 million (equivalent to approximately HK\$186 million), RMB70 million (equivalent to approximately HK\$87 million) and RMB70 million (equivalent to approximately HK\$87 million) respectively.

REVISION OF THE TERM AND THE ANNUAL CAPS FOR THE CR LEASING STRATEGIC COOPERATION AGREEMENT 2017

The Company has decided to and has entered into a supplemental agreement to extend the term of the CR Leasing Strategic Cooperation Agreement from the end of 31 December 2018 to the end of 31 December 2019, with all other terms and conditions remain unchanged.

Revision of the Annual Caps

The Company has decided to revise and proposed the annual caps for the year ending 31 December 2018 and 2019 for the fees and commissions in relation to the provision of financial products and services by CR Leasing as follows:

	For the years ending 31 December			
	2018		2019	
	<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 service fees and commissions for the financial services and products to be provided by CR Leasing	250	309	250	309

The proposed annual caps for the fees and commissions for financial products and services under the CR Leasing Strategic Cooperation Agreement 2017, are determined taking into account, among other things, (a) the amounts of historical transactions 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 distribution business of the Group); (c) the requirement for consultancy services in relation to leasing of assets and facilities in relation to the principal businesses of the Group (such as medical devices, warehouses and other assets and facilities in relation to the Group's pharmaceutical distribution segment); and (d) the anticipated growth of the businesses of the Group.

REASONS AND BENEFITS OF THE CR LEASING STRATEGIC COOPERATION AGREEMENT 2017

The CR Leasing Strategic Cooperation Agreement 2017 enables 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.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRC, being a controlling shareholder of the Company, holds approximately 75.33%, 51% and 60% of interest in CR Bank, CR Trust and CR Leasing, respectively. Accordingly, each of CR Bank, CR Trust and CR Leasing is a connected person of the Company and the transactions contemplated under each of the Strategic Cooperation Agreements 2017 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the financial services and/or products where only service fees and commissions will be charged by CR Bank, CR Trust and CR Leasing 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, CR Trust and CR Leasing under the Strategic Cooperation Agreements 2017 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 aggregate annual caps for the provision of financial products and services by CR Bank, CR Trust and CR Leasing under the Strategic Cooperation Agreements 2017 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements 2017 are only subject to reporting, announcement and annual review requirement but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. LI Guohui is concurrently director of the Company and CR Leasing, he had abstained from voting on the relevant Board resolutions approving the revision of the CR Leasing Strategic Cooperation Agreement 2017 and the transactions contemplated thereunder. Saved as disclosed above, none of the Directors had any material interest in the CR Leasing Strategic Cooperation Agreement 2017 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”	the capital contribution in the total amount of approximately RMB889.40 million by CR Pharmaceutical Holdings and CR Pharmaceutical Commercial pursuant to the Capital Contribution Agreement;
“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 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 60% 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;
“Loan”	the loan in the amount of HK\$3 billion (equivalent to approximately RMB2,424 million) for a term of one year granted by the Company to CR Leasing pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement dated 7 May 2018 entered into between the Company and CR Leasing in respect of the Loan;

“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;
“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\$1.23785. 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

Germany, 7 May 2018

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.