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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**

Reference is made to the prospectus of the Company dated 17 October 2016 in relation to, among other things, the Sales Framework Agreement 2016.

On 12 May 2017, the Company entered into the Sales Framework Agreement 2017 with CR Healthcare for a term commencing on 12 May 2017 and ending on 31 December 2018.

As at the date of this announcement, CRH, being a controlling shareholder of the Company, holds 100% interest in CR Healthcare. Accordingly, CR Healthcare is a connected person of the Company and the transactions contemplated under the Sales Framework Agreement 2017 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 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 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Sales Framework Agreement 2017 are only subject to reporting, announcement and annual review requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the prospectus of the Company dated 17 October 2016 in relation to, among other things, the Sales Framework Agreement 2016.

The Company entered into the Sales Framework Agreement 2016 on 11 October 2016 with CR Healthcare, pursuant to which the Group agreed to supply medical and pharmaceutical products and consumables to the hospitals that are managed by CR Healthcare and/or its associates.

On 12 May 2017, the Company and CR Healthcare agreed to revise the Sales Framework Agreement 2016 and entered into the Sales Framework Agreement 2017 with CR Healthcare for a term commencing on 12 May 2017 and ending on 31 December 2018. With effect from 12 May 2017, the Sales Framework Agreement 2016 has ceased to take effect.

## **THE SALES FRAMEWORK AGREEMENT 2017**

### **Principal Terms**

The principal terms of the Sales Framework Agreement 2017 are set out as follows:

**(1) *Date***

12 May 2017

**(2) *Parties***

(a) CR Healthcare; and

(b) The Company

**(3) *Term***

From 12 May 2017 to 31 December 2018

**(4) Scope**

Pursuant to the Sales Framework Agreement 2017, the Group may from time to time supply medical and pharmaceutical products and consumables, including prescription medicines and over-the-counter (OTC) drugs to CR Healthcare, its associates and/or the hospitals that are managed by CR Healthcare and/or its associates.

**(5) Pricing basis**

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.

**Annual Caps and Basis of Determination**

The proposed annual amounts receivable by the Group from CR Healthcare, its associates and/or hospitals managed by CR Healthcare and/or its associates for the Group's sales of medical and pharmaceutical products and consumables during the term of the Sales Framework Agreement 2017 are as follows:

	For the years ending 31 December			
	2017		2018	
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Sales of medical and pharmaceutical products and consumables	1,100	1,240	1,300	1,465

In determining the proposed annual caps for the transactions contemplated under the Sales Framework Agreement 2017, the Company has considered, among others, the following key factors:

- (a) historical amounts of the sales of medical and pharmaceutical products by the Group to CR Healthcare and/or its associates; and
- (b) the expected increase in the demand for the Group's medical and pharmaceutical products and consumables, taking into account the overall growing market demand for medical and pharmaceutical products and consumables in the PRC and the substantial growth in transaction volume between the Group and CR Healthcare and its associates. Following the acquisition of 35.7% interest in CR Phoenix Healthcare by CR Healthcare on 31 October 2016, CR Phoenix Healthcare has become an associate of CR Healthcare. As CR Phoenix Healthcare is principally engaged in the provision of general hospital services and hospital management services in Beijing, it is expected that there will be a rise in transaction volume between the Group and CR Healthcare and its associates (which now include CR Phoenix Healthcare). With the deepening national pharmaceutical reform in the PRC and driven by factors such as the aging population, rise in healthcare awareness and popularization of general hospital services in the PRC, it is expected that the market demand for medical and pharmaceutical products and consumables in the PRC will continue to grow.

## **REASONS AND BENEFITS OF THE TRANSACTIONS**

CR Healthcare and/or its associates are engaged in hospital investment and operation management. It is necessary for CR Healthcare, its associates and the hospitals managed by CR Healthcare and/or its associates to procure suitable medical and pharmaceutical products and consumables in their ordinary and usual course of business.

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 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.

All Directors (including the independent non-executive Directors) consider that the Sales Framework Agreement 2017 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, CRH, being a controlling shareholder of the Company, holds 100% interest in CR Healthcare. Accordingly, CR Healthcare is a connected person of the Company and the transactions contemplated under the Sales Framework Agreement 2017 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 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 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Sales Framework Agreement 2017 are only subject to reporting, announcement and annual review requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Sales Framework Agreement 2017 and the transactions (including the relevant annual caps) contemplated thereunder, and none of the Directors has abstained from voting on the relevant Board resolutions approving the Sales Framework Agreement 2017.

## **INFORMATION OF THE PARTIES**

### **CR Healthcare**

CR Healthcare is principally engaged in hospital investment and operation management.

### **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 Healthcare”	China Resources Healthcare Group Limited (華潤醫療集團有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CRH;
“CR Phoenix Healthcare”	China Resources Phoenix Healthcare Holdings Company Limited (華潤鳳凰醫療控股有限公司) (formerly known as Phoenix Healthcare Group Co. Ltd (鳳凰醫療集團有限公司)), the shares of which are listed on the Stock Exchange (stock code: 1515);
“CRH”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales Framework Agreement 2016”	the hospital sales framework agreement dated 11 October 2016 entered into between the Company and CR Healthcare;
“Sales Framework Agreement 2017”	the sales framework agreement dated 12 May 2017 entered into between the Company and CR Healthcare; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

*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\$1.1271 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.*

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

United Kingdom, 12 May 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.*