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If you have sold or transferred all your shares in China Resources Pharmaceutical Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED ADOPTION OF SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the Extraordinary General Meeting of the China Resources Pharmaceutical Group Limited to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Tuesday, 12 December 2017 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Shareholders are advised to complete and return the accompanying proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

Hong Kong, 23 November 2017

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, excluding, for the purposes of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3320)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, and a controlling shareholder of the Company
“Directors”	the directors of the Company
“Exercise Price”	the exercise price for the exercise of the Share Options pursuant to the Share Option Scheme
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Tuesday, 12 December 2017 at 10:00 a.m. or any adjournment thereof
“Grant Date”	the date on which the Board approves the grant of Share Options to the Incentive Targets pursuant to the terms of the Share Option Scheme

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Incentive Target(s)”	the incentive target(s) who are eligible to be granted with the Share Options under the Share Option Scheme
“Latest Practicable Date”	17 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Remuneration Committee”	the remuneration committee of the Company
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Scheme Rules”	the rules governing the Share Option Scheme, a summary of the principal terms of which is set out in Appendix I to this circular
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Share Option(s)”	option(s) to acquire Share(s) at a pre-determined Exercise Price during the Validity Period pursuant to the terms and conditions under the Share Option Scheme
“Share Option Scheme”	the proposed share option incentive scheme to be adopted by the Company at the EGM

DEFINITIONS

“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning as ascribed to it under the Listing Rules
“Validity Period”	the validity period of the Share Option Scheme

LETTER FROM THE BOARD



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)

Directors:

Chairman and non-executive Director

FU Yuning

Executive Directors

WANG Chuncheng

SONG Qing

LI Guohui

Non-executive Directors

CHEN Rong

YU Zhongliang

WANG Chenyang

WANG Jing

Independent non-executive Directors

SHING Mo Han Yvonne

KWOK Kin Fun

FU Tingmei

ZHANG Kejian

Registered Office:

41/F,

China Resources Building,

26 Harbour Road,

Wanchai,

Hong Kong

Hong Kong, 23 November 2017

To the Shareholders,

Dear Sir or Madam,

PROPOSED ADOPTION OF SHARE OPTION SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 24 August 2017 in relation to the proposed adoption of the Share Option Scheme; and (ii) the announcement dated 7 August 2017 in relation to the appointment of Mdm. SHING Mo Han Yvonne (“**Mdm. SHING**”) as an independent non-executive Director. The purpose of this circular is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the EGM in relation to (i) the proposed adoption of the Share Option Scheme; and (ii) the proposed re-election of Mdm. SHING as an independent non-executive Director.

LETTER FROM THE BOARD

B. PROPOSED ADOPTION OF THE SHARE OPTION SCHEME

On 24 August 2017, the Board has resolved to propose the adoption of the Share Option Scheme for the approval by the Shareholders. A summary of the principal terms of the Share Option Scheme is set out in Appendix I to this circular.

The purpose of the Share Option Scheme is to effectively retain and attract exceptional talents through a further optimized remuneration structure, align the interests of the employees and Shareholders, and effectively motivate both the management team and key employees, thereby fostering the long-term development of the Company and maximizing the interests of the Shareholders.

As of the Latest Practicable Date, the Company had a total of 6,284,506,461 Shares in issue. Assuming that there is no change in the total number of Shares in issue between the period from the Latest Practicable Date up to the date on which the Share Option Scheme is approved at the EGM, the maximum number of Shares which may be issued pursuant to the Share Option Scheme will be 628,450,646 Shares, representing 10% of the total number of Shares in issue as at the date of EGM. Pursuant to Chapter 17 of the Listing Rules, the Company may seek approval by its Shareholders at general meeting for refreshing the 10% limit under the Share Option Scheme; however, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed must not exceed 10% of the relevant class of securities in issue as at the date of approval of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as refreshed. The Company will send a circular to its Shareholders containing the information required under Chapter 17 of the Listing Rules as appropriate.

Pursuant to the terms of the Share Option Scheme, the value of the share option granted to an Incentive Target shall not exceed 40% of the overall remuneration level thereof at the time of grant. During the Validity Period, the maximum vesting gain of the Share Options (which is calculated by deducting the Exercise Price from the market price at the time of the exercise) granted to an Incentive Target shall not, in principle, exceed 50% to his/her overall remuneration level at the time of grant. The aforementioned overall remuneration level refers to the individual Incentive Target's remuneration pursuant to the employment contracts entered into with the Company and/or member of the Group (including salaries, pensions and bonuses, as appropriate). No Share Option can be exercised or the vesting gain (which is calculated by deducting the Exercise Price from the market price at the time of the exercise) will need to be returned to the Company if it will result in such maximum proportion being exceeded, and any such Share Option that is not exercised where such maximum proportion is exceeded will lapse forthwith and will be cancelled and excluded from the available unissued options under the 10% limit under the Share Option Scheme as approved by the Shareholders at the Extraordinary General Meeting.

LETTER FROM THE BOARD

The Directors, however, consider that it would not be appropriate to state the value of all Share Options that can be granted under the Share Option Scheme as if they had been granted on the Latest Practicable Date on the basis that there are a number of variables which are crucial for the calculation of the value of the Share Options (including the Exercise Price, exercise period, performance targets and other variables). The Directors believe that any calculation of the value of the Share Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

The implementation of the Share Option Scheme is conditional upon the satisfaction of the following conditions:

- (1) approval being granted by the SASAC in respect of the adoption of the Share Option Scheme;
- (2) passing of the ordinary resolution for the approval of the proposed adoption of the Share Option Scheme and the authorisation of the Board (and/or the duly authorised person(s)) to grant the Share Options and to allot and issue Shares pursuant to the exercise of the Share Options pursuant to the Share Option Scheme; and
- (3) approval being granted by the Listing Committee for the listing and trading of the Shares that may be issued upon the exercise of the Share Options granted under the Share Option Scheme.

An ordinary resolution will be proposed at the EGM to approve the proposed adoption of the Share Option Scheme. To the best of the Directors' knowledge and information having made all reasonable enquiries, no Shareholder is materially interested in the Share Option Scheme, and accordingly, no Shareholder shall be required to abstain from voting in respect of the abovementioned resolution.

None of the Directors is a trustee of the Share Option Scheme or has a direct or indirect interest in the trustee of the Share Option Scheme (if any).

Other than the proposed Share Option Scheme, the Company has not adopted or proposed to adopt any other share option schemes as of the Latest Practicable Date.

As of the Latest Practicable Date, the Company had obtained the approval from the SASAC in respect of the adoption of the Share Option Scheme.

The Company will apply to the Listing Committee for the listing and trading of any Shares that may be issued upon the exercise of the Share Options granted under the Share Option Scheme.

LETTER FROM THE BOARD

Pursuant to the terms of the Share Option Scheme, the Board shall be authorised by the Shareholders to oversee the implementation and management of the Share Option Scheme, and the Board may authorise the Remuneration Committee to deal with certain matters relating to the Share Option Scheme in appropriate circumstances.

C. SCHEME RULES FOR INSPECTION

A summary of the principal terms of the Share Option Scheme is set out in Appendix I to this circular. A copy of the Scheme Rules will be available for inspection at 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from the date hereof up to the date of the EGM (both dates inclusive).

D. RE-ELECTION OF DIRECTOR

In accordance with Article 78 of the Articles of Association, the Board may appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Mdm. SHING is eligible and will offer herself for re-election at the EGM. Biographical details of Mdm. SHING as required by Rule 13.51(2) of the Listing Rules are set out in Appendix II to this circular to enable the Shareholders to make informed decision on the re-election of Director.

E. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Tuesday, 12 December 2017 at 10:00 a.m., and the relevant notice is set out on pages EGM-1 to EGM-2 of this circular.

At the EGM, (i) an ordinary resolution will be proposed to approve the adoption of the Share Option Scheme and to authorise the Directors to enter into all such transactions, arrangements and agreements, to approve and execute all documents, instruments and agreements and to do all such acts and things as he/she may consider necessary, appropriate or expedient to give full effect to the Share Option Scheme; and (ii) an ordinary resolution will be proposed to approve the re-election of Mdm. SHING as an independent non-executive Director.

The register of members of the Company will be closed from Thursday, 7 December 2017 to Tuesday, 12 December 2017, both days inclusive, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 6 December 2017 for registration.

LETTER FROM THE BOARD

A proxy form for use at the EGM is enclosed with this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the completed proxy form to the registered office of the Company at 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Submission of a proxy form shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish, and in such event, the proxy form will be deemed to be revoked.

F. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

G. RECOMMENDATION

The Board is of the view that the proposed adoption of the Share Option Scheme represents a recognition of the management team and the key employees to the growth of the Group, and further enhance the competitiveness of the remuneration package of the Group, which is expected to be instrumental to retaining talents within the Group. It is expected that the Share Option Scheme will provide incentives for the continuing commitment of such management team and the key employees, thereby fostering the long-term development of the Group and maximizing the interest of the Shareholders.

As at the Latest Practicable Date, CRH, a controlling shareholder of the Company, is under the supervision of the SASAC. Therefore, any share option scheme adopted by the Company shall comply with the applicable regulations and administrative rules promulgated by the SASAC (the “**relevant PRC regulations**”). As advised by the PRC legal adviser of the Company, the Share Option Scheme complies with the relevant PRC regulations.

The Directors (including the independent non-executive Directors) consider that the proposed adoption of the Share Option Scheme is in the interest of the Company and its Shareholders as a whole. The Board is also pleased to recommend the re-election of Mdm. SHING as an independent non-executive Director whose biographical details are set out in Appendix II to this circular for Shareholders’ consideration. The Board therefore recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

H. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained herein is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

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

The following is a summary of the principal terms of the Share Option Scheme to be adopted by way of ordinary resolution at the EGM, save that this Appendix does not and is not intended to form part of the Share Option Scheme, nor is deemed to form an interpretation affecting the Scheme Rules.

1. PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to effectively retain and attract exceptional talents through a further optimized remuneration structure, align the interests of the employees and Shareholders, and effectively motivate both the management team and key employees, thereby fostering the long-term development of the Company and maximizing the interests of the Shareholders.

2. INCENTIVE TARGETS

There are 199 Incentive Targets under the Share Option Scheme, who are the Directors (excluding non-executive Directors and independent non-executive Directors), senior management (including general managers, deputy general managers, heads of the finance department and those personnel with such functions, board secretaries and other senior management pursuant to the Articles of Association), and other key employees whose management and technical skills may have a direct impact on the results of operation and strategic development of the Group.

The Incentive Targets shall not include (i) those who are not in service or part of the Group, (ii) non-executive Directors, (iii) independent non-executive Directors, (iv) members of the Remuneration Committee, (v) Shareholders or de facto controllers holding or controlling more than 5% interest in the Company on the date of the grant of Share Options pursuant to the terms of the Share Option Scheme, and (vi) any relatives of the above-mentioned persons.

3. LIMIT OF THE SHARE OPTION SCHEME

The total number of new Shares that may be issued upon exercise of the Share Options pursuant to the Share Option Scheme and all other schemes of the Company (if any) shall not, in aggregate, exceed 10% of the Company's total issued shares as of the effective date of the Share Option Scheme (being the date on which the resolution approving the Share Option Scheme is passed at the Extraordinary General Meeting). If the Company conducts any share consolidation or subdivision after the above limit is approved, the maximum number of securities that may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and all other schemes (if any) of the Company under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

The Company may seek approval from the Shareholders at a general meeting of the Company to grant Share Options exceeding the above 10% limit, provided that Share Options in excess of such limit are granted to those Incentive Targets specifically identified by the Company before such approval is obtained.

The total number of new Shares that may be issued in relation to the first grant of the Share Options to the Incentive Targets under the Share Option Scheme shall not exceed 1% of the Company's total issued Shares.

Assuming that the total number of Shares of the Company in issue from the Latest Practicable Date to the date on which the Share Option Scheme is approved at the EGM remains unchanged, the total number of new Shares that may be issued upon exercise of the Share Options pursuant to the Share Option Scheme shall not, in aggregate, exceed 628,450,646 Shares, and the total number of new Shares in relation to the first grant of the Share Options to the Incentive Targets under the Share Option Scheme shall not exceed 62,845,064 Shares.

Unless approved by the Shareholders in the general meeting of the Company, the total number of Shares which are issued and will be issued upon exercise of the Share Options (including both exercised and outstanding Share Options) granted to any one of the Incentive Targets under the Share Option Scheme and any other share option schemes of the Company within any 12-month period must not exceed 1% of the total issued Shares from time to time. Where further grant of Share Options to an Incentive Target would result in the Shares issued and to be issued upon exercise of the Share Options granted and to be granted to such Incentive Target (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total issued Shares, such further grant must be separately approved by the Shareholders in general meeting of the Company with such Incentive Target and his/her close associates (or his/her associates if such Incentive Target is a connected person) abstaining from voting, and in such case, the Company will send a circular to the Shareholders disclosing all relevant information necessary under the Listing Rules.

The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes (if any) shall not exceed 30% of the relevant class of securities of the Company in issue from time to time, and no Share Option may be granted under the Share Option Scheme and any other schemes of the Company if this will result in this limit being exceeded.

4. ENTITLEMENT OF THE SHARE OPTIONS

The value of the Share Option granted to an Incentive Target shall not exceed 40% of the overall remuneration level thereof at the time of grant. During the Validity Period, the maximum vesting gain of the Share Options (which is calculated by deducting the Exercise Price from the market price at the time of the exercise) granted to an Incentive Target shall not, in principle, exceed 50% to his/her overall remuneration level at the time of grant.

5. VALIDITY PERIOD, GRANT DATE AND EXERCISE PERIOD

The Share Option Scheme shall be valid for ten (10) years from its effective date, unless otherwise terminated pursuant to the terms therein.

The Grant Date under the Share Option Scheme shall be determined by the Board. After the conditions to the proposed grant stipulated in the Share Option Scheme are satisfied, the Company will, in accordance with the relevant regulations, convene a Board meeting to grant the Share Options to the Incentive Targets and complete the relevant procedures, including registration and announcement. The Grant Date shall fall on a trading day, but shall not fall within the following periods:

- (i) the period commencing from one (1) month immediately preceding the earlier of:
 - (a) the date on which a Board meeting is held (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's annual, half-year, quarterly results or any other interim results (if any) (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to announce, in accordance with the Listing Rules, its annual or half-year, or quarterly or any other interim period⁽¹⁾, and ending on the second trading day after publication of the Company's results; and

- (ii) the period commencing from considering major transactions and significant events or the day when a significant event which is likely to affect the Company's Share price takes place or when inside information has come to the Company's knowledge and ending on the second trading day after the announcement of such transactions, events or inside information.

Note:

- (1) No Share Option may be granted during any period of delay in publishing a results announcement.

The Company will comply with the requirements under paragraph A.3 of Appendix 10 to the Listing Rules regarding the grant of Share Options to Directors under the Share Option Scheme.

The Incentive Targets under each grant of the Share Option Scheme may only exercise the Share Options two (2) years after the Grant Date.

The Share Options may be exercised during the period commencing from the second trading day after the publication of the annual, interim or quarterly (if any) results announcement and ending on 60 days prior to the annual results announcement or 30 days prior to the interim or quarterly (if any) results announcement, provided that no Share Option may be exercised within the following periods:

- (i) the period commencing from considering major transactions and significant events and ending on the second trading day after the announcement of such transactions or events;
- (ii) the period commencing from the day when a significant event which is likely to affect the Company's Share price takes place and ending on the second trading day after the announcement of such event.

Once the conditions to the exercise are satisfied after the two-year restriction period commencing from the Grant Date, the Share Options may be exercised by three (3) years thereafter with the proportion of 30%, 30% and 40% of the Share Options in each year.

Stage	Exercise Arrangement	Proportion of the Share Options that may be exercised
Grant Date	Confirmed by the Board after satisfaction of the conditions to the Share Option Scheme	–
1st exercise period	Commencing from the first trading day after 24 months from the Grant Date and ending on the last trading day after 36 months from the Grant Date	30%
2nd exercise period	Commencing from the first trading day after 36 months from the Grant Date and ending on the last trading day after 48 months from the Grant Date	30%
3rd exercise period	Commencing from the first trading day after 48 months from the Grant Date and ending on the last trading day after 60 months from the Grant Date	40%

Where the Incentive Targets fail to satisfy the conditions or have not exercised the Share Options during the aforesaid exercise periods upon satisfaction of the conditions, the Share Options which are granted but not exercised by the Incentive Targets shall lapse forthwith upon the exercise period and shall be returned to the Company and cancelled without compensation. Upon the occurrence of the aforementioned events and the resultant lapse and cancellation of the Share Options, the issue of new options may only be made with the available unissued options (excluding the cancelled options) within the limit approved by the Shareholders at the Extraordinary General Meeting.

6. CONDITIONS FOR THE GRANT AND EXERCISE OF SHARE OPTIONS

The grant of Share Options to, and the exercise of Share Options by, the Incentive Targets shall be conditional upon satisfaction of the following conditions by the Company and individually by the Incentive Targets.

(a) Company's level:

The performance indicators for granting Share Options in respect of the Company include (a) economic value added (EVA)⁽¹⁾; (b) growth rate of revenue; and (c) operating profit ratio.

Pursuant to the terms of the Share Option Scheme, the initial grant of Share Options under the Share Option Scheme is subject to (a) the EVA in 2016 which is to be assigned by CRH based on the target set by the SASAC; (b) the growth rate of revenue of not less than 9.5% in 2016; and (c) the operating profit ratio of not less than 5.5% in 2016. The abovementioned performance indicators (b) and (c) shall not be lower than 50% level of the benchmark enterprises in the industry. Furthermore, the exercise of the Share Options initially granted by the Company shall be subject to the following exercise arrangement:

Exercise period	Conditions for exercise
1st exercise period	<p>(a) The EVA in 2018 to be assigned by CRH based on the target set by the SASAC;</p> <p>(b) The growth rate of revenue shall not be lower than 8.7% in 2018⁽²⁾; and</p> <p>(c) The operating profit ratio shall not be lower than 5.5% in 2018⁽²⁾.</p>
2nd exercise period	<p>(a) The EVA in 2019 to be assigned by CRH based on the target set by the SASAC;</p> <p>(b) The growth rate of revenue shall not be lower than 8.8% in 2019⁽²⁾; and</p> <p>(c) The operating profit ratio shall not be lower than 5.5% in 2019⁽²⁾.</p>

Exercise period	Conditions for exercise
3rd exercise period	<p>(a) The EVA in 2020 to be assigned by CRH based on the target set by the SASAC;</p> <p>(b) The growth rate of revenue shall not be lower than 9.0% in 2020⁽²⁾; and</p> <p>(c) The operating profit ratio shall not be lower than 5.6% in 2020⁽²⁾.</p>

Notes:

- (1) EVA is a measure of the Company's financial performance based on the residual value of the Company calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis.
- (2) In each case, the growth rate of revenue and operating profit ratio shall not be lower than 75% level of the benchmark enterprises in the industry. All performance indicators shall be calculated based on financial information as set out in the Company's consolidated financial statements (in terms of Renminbi).

(b) Individual level:

After fulfillment of the overall granting and exercise conditions at the Company's level, the granting of Share Options to, and the exercise of Share Options by, individual Incentive Target are subject to the results of his/her annual performance appraisal as follows:

Results of the annual performance appraisal of the individual Incentive Target		
Incentive Target	Granting arrangement	Exercise arrangement
Excellent	Share Options will be granted to such individual.	The individual is entitled to exercise 100% Share Options granted.
Good	Share Options will be granted to such individual.	The individual is entitled to exercise 90% Share Options granted.

**Results of the annual
performance appraisal
of the individual**

Incentive Target	Granting arrangement	Exercise arrangement
Qualified	Share Options will be granted to such individual.	The individual is entitled to exercise 80% Share Options granted.
Unqualified	No Share Option will be granted to such individual.	The individual is not entitled to any Share Option.

It is contemplated that there will be subsequent grant of the Share Options after the initial grant of the Share Options. The granting and exercise conditions will be further determined by the Remuneration Committee and the Board when appropriate, which will be subject to the approval by the Board and/or the Shareholders.

7. EXERCISE PRICE

The Exercise Price of the Share Options under the Share Option Scheme shall be determined by the Board, but shall not be less than the highest of the followings:

- (i) the closing price of the Shares on the Grant Date (which must be a trading day) as stated on the Stock Exchange's daily quotations sheet; and
- (ii) the average closing price of the Shares for the five (5) trading days immediately preceding the Grant Date as stated on the Stock Exchange's daily quotations sheet on the Grant Date.

The Incentive Targets, subject to the fulfillment of the relevant conditions and within the relevant exercise period, apply with the Company in respect of the exercise of the Share Options granted to him/her and pay the relevant subscription amount within 28 days. The Incentive Targets are not required to pay any option premium at the time of the application for and/or acceptance of the Share Options under the Share Option Scheme.

The Incentive Targets shall raise the funds required to exercise the Share Options on their own, and the Company shall not extend any loan or provide any form of financial assistance in respect of the exercise of Share Options by the Incentive Targets under the Share Option Scheme.

8. RESTRICTIONS ON THE SHARE OPTIONS

The Share Options granted to the Incentive Targets do not carry any rights to vote at general meetings of the Company or to receive any dividend or other rights (including those arising on the winding up of the Company).

Incentive Targets shall not be entitled to any Shareholders' right by virtue of the Share Options granted under the Share Option Scheme, and may only be entitled to any such Shareholders' right after the Shares are duly allotted and issued to the Incentive Targets upon exercise of the Share Options.

9. LAPSE AND CANCELLATION OF THE SHARE OPTIONS

Pursuant to the terms of the Share Option Scheme, there are certain circumstances where the Share Options granted but not yet exercised by the Incentive Targets shall lapse forthwith and shall be retrieved and cancelled by the Company:

- (i) **Audit opinion:** Where the auditors of the Company have provided a qualified opinion or are unable to provide an opinion on the Company's financial and accounting report for the most recent financial year, or the Audit Committee raises a material objection to the results or annual financial report of the Company, all Share Options granted but not yet exercised by the Incentive Targets shall automatically lapse forthwith and shall be retrieved and cancelled by the Company without compensation;
- (ii) **False statement in financial reports or accounting records:** Where there is any false statement in the financial reports and accounting records of the Company, the Incentive Targets who are liable for such false statement shall return to the Company all benefits (being the vesting gain of the Share Options calculated with reference to the market price at the time of the exercise and the Exercise Price) obtained under the Share Option Scheme within 12 months from the date of announcement of such financial reports and accounting records, and the remaining unexercised Share Options granted to such Incentive Targets shall lapse and shall be retrieved and cancelled by the Company without compensation;

(iii) *Changes of individual circumstances of the Incentive Targets:*

- (a) Where any of the following events occurs, all Share Options which are granted to but are not yet exercised by the Incentive Targets and those which are yet to be authorised to be exercised shall lapse on the date of occurrence of such events and shall be retrieved and cancelled by the Company without compensation:
- (1) the Incentive Targets are publicly censured or declared as an ineligible candidate by the Hong Kong Stock Exchange or other stock exchanges;
 - (2) the Incentive Targets are removed from offices due to criminal penalty or the Company's major disciplinary penalty for contravention of the provisions of laws and regulations, the Articles of Association, or other regulations of the Company;
 - (3) the Incentive Targets are removed from offices due to contravention of the provisions of applicable laws and regulations, administrative regulations, or the Articles of Association, causing substantial economic losses to the Company;
 - (4) the Incentive Targets are removed from offices due to behaviours in material breach of the Articles of Association or other rules and regulations of the Company;
 - (5) other circumstances identified by the Remuneration Committee.

During the Validity Period of the Share Option Scheme, where a demerit record or any other sanction is imposed by the Company on any of the Incentive Targets due to his/her dereliction of duties or malfeasance impairing the interests and reputation of the Company (other than the circumstances of dismissal as set out in sub-paragraphs (3), (4), and (5) above), such Incentive Target shall not be allowed to exercise any Share Options granted to him/her (including Share Options which are exercisable but have not been exercised), and all Share Options granted which are not exercised shall lapse and shall be retrieved and cancelled by the Company without compensation.

- (b) Where any of the following events occurs, all Share Options which are granted to but are not yet exercised by the Incentive Targets and those which are yet to be authorised to be exercised shall lapse on the date of occurrence of such events, and shall be retrieved and cancelled by the Company without compensation:
- (1) the Incentive Targets terminate or rescind the labour contract or employment contract with the Company;

- (2) the Incentive Targets are dismissed by the Company due to reasons such as failing the performance appraisal;
 - (3) other circumstances as identified by the Remuneration Committee.
- (c) Where any of the following events occurs, all Share Options which are granted to but are not yet exercised by the Incentive Targets (including those that have not yet been approved by the Board but the exercise conditions thereof concerning the Company's financial results for the corresponding year have been fulfilled) shall be exercised by the Incentive Targets or by their respective legal successor(s) within six months upon the approval by the Board while all other Share Options shall lapse and be retrieved and cancelled by the Company without compensation:
- (1) the Incentive Targets die or lose the ability to work;
 - (2) the Incentive Targets retire;
 - (3) the Incentive Targets cease to serve in the Company due to the arrangement of deployment from the Company;
 - (4) the Incentive Targets are appointed to other positions which are not eligible under the Share Option Scheme;
 - (5) other circumstances as identified by the Remuneration Committee.

The Remuneration Committee shall formulate specific administrative measures to determine the treatment of the above circumstances and other relevant circumstances.

Other than the above, under the Share Option Scheme, there are no other circumstances under which the Share Options will lapse or will be cancelled. Upon the occurrence of the aforementioned events and the resultant lapse and cancellation of the Share Options, the issue of new options may only be made with the available unissued options (excluding the cancelled options) within the limit approved by the Shareholders at the Extraordinary General Meeting.

10. ADJUSTMENTS**(i) Method of adjusting the number of Shares subject to the Share Options**

If, during the Validity Period, any subdivision or consolidation of Shares or rights issue of the Company takes place, an adjustment to the number of Shares subject to the Share Options granted under the Share Option Scheme shall be made accordingly. The methods of adjustment are set out below:

1. Subdivision of Shares

$$Q = Q_0 \times n$$

Where:

“Q₀” represents the amount of Shares subject to the Share Options before the adjustment;

“n” represents the ratio of the subdivision of Shares (representing the number of new Shares that one existing Share is sub-divided into);

“Q” represents the adjusted number of Shares subject to the Share Options.

2. Consolidation of Shares

$$Q = Q_0 \div n$$

Where:

“Q₀” represents the amount of Shares subject to the Share Options before the adjustment;

“n” represents the ratio of the consolidation of Shares (representing the number of existing Shares that are consolidated into one new Share);

“Q” represents the adjusted number of Shares subject to the Share Options.

3. Rights issue

$$Q = Q_0 \times [P_1 \times (1 + n)] / [P_1 + (P_2 \times n)]$$

Where:

“Q₀” represents the amount of Share Options before the adjustment;

“P₁” represents the closing price as at the record date;

“P₂” represents the rights issue price;

“n” represents the ratio of the rights issue (representing the number of new Shares for each Share held);

“Q” represents the adjusted number of Share Options.

(ii) Methods of adjusting the Exercise Price

If, during the Validity Period, subdivision or consolidation of Shares or rights issue of the Company takes place, an adjustment to the Exercise Price shall be made accordingly. The methods of adjustment are set out below:

1. Subdivision of Shares

$$P = P_0 \div n$$

Where:

“P₀” represents the Exercise Price before the adjustment;

“n” represents the ratio of the subdivision of Shares (representing the number of new Shares that one existing Share is sub-divided into);

“P” represents the adjusted Exercise Price.

2. Consolidation of Shares

$$P = P_0 \times n$$

Where:

“P₀” represents the Exercise Price before the adjustment;

“n” represents the ratio of the consolidation of Shares (representing the number of existing Shares that are consolidated into one new Share);

“P” represents the adjusted Exercise Price.

3. Rights issue

$$P = P_0 \times [P_1 + (P_2 \times n)] / [P_1 \times (1 + n)]$$

Where:

“P₀” represents the Exercise Price before the adjustment;

“P₁” represents the closing price as at the record date;

“P₂” represents the rights issue price;

“n” represents the ratio of the rights issue (representing the number of new Shares for each Share held);

“P” represents the adjusted Exercise Price.

(iii) Procedures for Adjustment

The general meeting of the Company shall authorize the Board to determine the adjustment of the Exercise Price and the number of Share Options if any of the aforesaid circumstances occurs. The Company shall engage legal advisors for professional advice to the Board as to whether the aforesaid adjustments comply with the provisions of the applicable laws and regulations, the administrative measures, the Articles of Association, and the Share Option Scheme. If the amount of Share Options, the Exercise Price or other term(s) needs to be adjusted for any other reason, such adjustment shall be reviewed by the Board and approved at the general meeting of the Company before implementation.

If any adjustment is made due to the occurrence of any of the aforesaid circumstances or in compliance with Rule 17.03(13) of the Listing Rules, the share capital shall be issued to each Incentive Target in accordance with the same ratio as his/her previous entitlements, provided that no adjustment shall result in the issue price of Shares becoming lower than the net asset value per Share. With regard to any adjustment made due to the occurrence of any of the aforesaid circumstances or in compliance with Rule 17.03(13) of the Listing Rules, an independent financial adviser or the auditors of the Company shall confirm to the Board in writing that the relevant adjustments comply with the provisions set out in the notes to Rule 17.03(13) of the Listing Rules.

11. TERMINATION

The Board may propose a resolution at the general meeting of the Company for early termination of the Share Option Scheme. If early termination of the Share Option Scheme is approved at the general meeting of the Company, the Company shall cease to grant any Share Option pursuant to the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, the Share Options granted prior to the termination of the Share Option Scheme shall remain valid and shall still be exercisable pursuant to the provisions of the Share Option Scheme.

12. TRANSFERABILITY OF SHARE OPTIONS

The Share Options granted to the Incentive Targets shall not be transferrable and shall not be used as collateral or for debt repayment.

13. AMENDMENT OF THE SHARE OPTION SCHEME

The general meeting of the Company shall be responsible for the review and approval of the Share Option Scheme. The general meeting of the Company shall authorize the Board to oversee the implementation and management of the Share Option Scheme.

The Board may make amendments to the Share Option Scheme in compliance with relevant laws and regulations, except that the amendments to the Share Option Scheme shall be approved by the general meeting of the Company in the following circumstances:

- (i) where certain amendments to the Share Option Scheme shall be approved by the general meeting of the Company, the Securities and Futures Commission, or the Hong Kong Stock Exchange in accordance with the relevant provisions of laws, regulations, related agreements and the requirements of the Hong Kong Stock Exchange;
- (ii) where the amendments relate to the matters set out in Rule 17.03 of the Listing Rules and are to the advantage of the Incentive Targets;
- (iii) the amendments to the provisions of the Share Option Scheme or the terms of the Share Options granted are of a material nature; or
- (iv) the amendments relate to the power of the Board to amend the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme must still comply with the requirements of Chapter 17 of the Listing Rules.

The Board shall submit the amendments to the relevant authority for approval and record. If, due to a change in the total share capital of the Company resulting from issue of new Shares, capitalisation of capital reserves, merger, spin-off, repurchase of Shares or other reasons, the Company makes an adjustment to the number of the Share Option or the Exercise Price of the Share Options to be granted, such adjustment shall be determined by the Board upon re-submission to the SASAC for record. Prior to the convening of the general meeting of the Company for approval of the Share Option Scheme, the Company may amend the Share Option Scheme upon requests from the PRC and/or Hong Kong regulatory authorities. If there is any discrepancy between the terms of the Share Option Scheme and the provisions of the relevant laws, regulations, agreements and relevant requirements and the amendment thereto by the Hong Kong Stock Exchange, the provisions of the relevant laws, regulations, agreements and relevant requirements of the Hong Kong Stock Exchange shall prevail.

The following are the particulars of the Director proposed to be re-elected at the Extraordinary General Meeting.

MDM. SHING MO HAN YVONNE, BBS, JP

Aged 62, was appointed as a Justice of Peace of the HKSAR in 2013 and awarded Bronze Bauhinia Star in 2017. Mdm. SHING is currently the chairman of Yinn Advisory Services Limited. Mdm. SHING was a partner of Deloitte China for over 26 years until her retirement in May 2016. She is also a member of the 10th and 11th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Mdm. SHING is a founding member and past president of the Association of Women Accountants Hong Kong and the past chairman of Hong Kong Institute of Certified Public Accountants Taxation Committee. She is now the vice-chairman of Hong Kong General Chamber of Commerce Tax Committee, council member of Association of Women Accountants (Hong Kong), and member of the Society of Chinese Accountants and Auditors. Her professional qualifications include fellow member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators.

Mdm. SHING's current public appointments include treasurer of the Council of the Hong Kong Academy for Performing Arts, member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, member of the Antiquities Advisory Board, member of the Communications Authority, member of the Advisory Committee on Built Heritage Conservation, court member of the Hong Kong Polytechnic University, and advisor and member of the Finance Committee of Our Hong Kong Foundation.

In 2006, Mdm. SHING received the National Hundred Outstanding Women Entrepreneurs Award in Great Hall of the People in Beijing. She also received the Outstanding Alumni Award of Hong Kong Polytechnic University in 2007. Mdm. SHING has been consecutively named from 2001 to 2015 in International Tax Review as one of the World's Leading Tax Advisors in Hong Kong and Mainland.

Mdm. SHING graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and obtained a Professional Diploma in Accountancy and is a 2016/2017 University Fellow of the Hong Kong Polytechnic University.

Mdm. SHING does not hold any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, or any other positions with the Company and other members of the Group.

There is no service contract between the Company and Mdm. SHING. Mdm. SHING will be subject to retirement by rotation and re-election requirements at annual general meeting of the Company pursuant to the Articles of Association. Mdm. SHING is entitled to a director fee of HK\$250,000 per annum in respect of her directorship as determined by the Board with reference to her duties and responsibilities in the Company, the Group's operating results and the comparable market practices.

As at the Latest Practicable Date, Mdm. SHING does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mdm. SHING does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, the Board is not aware of any other matters relating to the aforesaid appointment that need to be brought to the attention of the Shareholders of the Company and any other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of China Resources Pharmaceutical Group Limited (the “**Company**”) will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Tuesday, 12 December 2017 at 10:00 a.m. for the following purposes. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 23 November 2017 (the “**Circular**”).

1. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the Share Option Scheme of the Company (for which the Scheme Rules are produced to this EGM and initialled by the chairman of this EGM for the purpose of identification, and summarised in the Circular) be and is hereby approved and adopted and any Director be and is hereby authorized to enter into all such transactions, arrangements and agreements, to approve and execute all documents, instruments and agreements and to do all such acts and things as he/she may consider necessary, appropriate or expedient to give full effect to the Share Option Scheme, including but not limited to:

- (a) manage, amend and interpret the Share Option Scheme and grant Share Options under the Share Option Scheme;
- (b) authorize the Remuneration Committee to review the list of Incentive Targets under the Share Option Scheme and monitor the implementation of the Share Option Scheme in compliance with the relevant laws and regulations, the Listing Rules and other applicable rules;
- (c) authorize the Board from time to time issue and allot the number of Shares that may fall to be issued upon exercise of the Share Options under the Share Option Scheme;
- (d) apply to the SASAC for the approval of the Share Option Scheme;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (e) apply to the Stock Exchange for listing and trading of any or part of the Shares that may be issued and allotted from time to time upon exercise of the Share Options under the Share Option Scheme as and when appropriate; and
 - (f) all prior acts or measures taken by any Director, member of management and agent for and on behalf of the Company in connection with the Share Option Scheme and/or to give effect to the foregoing resolutions, the execution, performance and delivery of all related documents for and on behalf of the Company and all steps taken which he/she considered necessary, appropriate or expedient be and are hereby confirmed, ratified and approved in all respects.”
2. To re-elect Mdm. SHING Mo Han Yvonne as an independent non-executive Director.

By Order of the Board
China Resources Pharmaceutical Group Limited
LO Chi Lik, Peter
Company Secretary

Hong Kong, 23 November 2017

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notariably certified copy thereof, must be lodged with the registered office of the Company at 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Return of the proxy form will not preclude any member of the Company from attending and voting at the EGM if such member so wishes, and in such event, the proxy form will be deemed to be revoked.
3. The register of members of the Company will be closed from Thursday, 7 December 2017 to Tuesday, 12 December 2017, both days inclusive, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 6 December 2017 for registration.
4. With regard to item no. 1 in this notice, a summary of the principal terms of the Share Option Scheme is set out in Appendix I to the Circular.