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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
THE PROCUREMENT FRAMEWORK
AGREEMENT 2023/2024
AND
THE PRODUCTS AND COMMODITIES SALES
FRAMEWORK AGREEMENT 2023/2024**

(1) The Procurement Framework Agreement 2023/2024

Reference is made to the announcement of the Company dated 29 December 2020 in relation to the Procurement Framework Agreement 2021.

As the Procurement Framework Agreement 2021 and the annual caps thereunder will expire and cease to have effect on 1 January 2023, the Company has entered into the Procurement Framework Agreement 2023/2024 with CR Holdings on 30 December 2022 for a term commencing on 1 January 2023 and ending on 31 December 2024.

(2) The Products and Commodities Sales Framework Agreement 2023/2024

Reference is made to the announcement of the Company dated 29 December 2020 in relation to the Products and Commodities Sales Framework Agreement 2021.

As the Products and Commodities Sales Framework Agreement 2021 and the annual caps thereunder will expire and cease to have effect on 1 January 2023, the Company has entered into the Products and Commodities Sales Framework Agreement 2023/2024 with CR Holdings on 30 December 2022 for a term commencing on 1 January 2023 and ending on 31 December 2024.

As at the date of this announcement, CR Holdings, being a controlling shareholder of the Company, indirectly holds approximately 53.05% interest in the Company. Accordingly, CR Holdings is a connected person of the Company and the transactions contemplated under the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 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 transactions contemplated under each of the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 exceed 0.1% but are less than 5%, each of the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 and the transactions and proposed annual caps contemplated thereunder are only subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(1) THE PROCUREMENT FRAMEWORK AGREEMENT 2023/2024

Reference is made to the announcement of the Company dated 29 December 2020 in relation to the Procurement Framework Agreement 2021.

As the Procurement Framework Agreement 2021 and the annual caps thereunder will expire and cease to have effect on 1 January 2023, the Company has entered into the Procurement Framework Agreement 2023/2024 with CR Holdings on 30 December 2022 for a term commencing on 1 January 2023 and ending on 31 December 2024.

Principal Terms

The principal terms of the Procurement Framework Agreement 2023/2024 are set out as follows:

(1) Date

30 December 2022

(2) Parties

(a) CR Holdings; and

(b) The Company

(3) Term

From 1 January 2023 to 31 December 2024. Subject to compliance with the Listing Rules and other applicable laws and regulations, CR Holdings and the Company may renew the term of the Procurement Framework Agreement 2023/2024.

(4) Scope

Pursuant to the Procurement Framework Agreement 2023/2024, the Group may from time to time purchase from CR Holdings Group various types of supplies and products (including raw materials, ingredients, apparel and software products, but excluding the procurement of utilities by the Group from CR Holdings Group in the Group's ordinary and usual course of business) as well as services (including logistics services, supply chain management services, and Internet-based service platforms, namely "CR Life" (華潤通) services and "CR Mall" (華潤匯) services, but excluding property leasing services and construction, decoration and furniture services, and IT technical support services).

(5) Pricing Basis and Pricing Policies

If government-prescribed price is applicable to any particular supplies, products or services under the Procurement Framework Agreement 2023/2024, such supplies, products or services shall be supplied at the applicable government-prescribed price. If government-prescribed price is not available but a government-guided price standard is available, the price will fall within the range of the government-guided price. Where such pricing standard is not available, the price shall be determined through arm's length basis by the parties with reference to the then prevailing market price and taking into account the quantity and quality of the supplies, products and services as well as other terms such as payment terms.

In respect of the procurement of supply chain management services, the services fees charged are determined by arm's length negotiation between the Group and CR Holdings Group and/or the hospitals that are managed by CR Holdings Group, with reference to the logistics and delivery costs and the amount of products and consumables involved in the supply chain services, which may vary in different provinces and localities.

When the Group procures relevant supplies, products and services in its ordinary and usual course of business, it selects suppliers and determines the relevant procurement terms through negotiations based on the categories and scale of the procurement. As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Holdings Group, the Group will obtain quote from other independent suppliers for procurement of similar supplies, products and services and consider assessment criteria (including the price, quality, suitability, payment terms, and time required for the provision and delivery of the supplies, products and services) before it enters into any new procurement arrangement with CR Holdings, and such quotes, together with the offer from CR Holdings, will be reviewed and passed by the Group's internal approval procedures. The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

Historical Amounts

Set out below are the approximate historical amounts of the relevant procurement by the Group from CR Holdings Group and/or hospitals managed by CR Holdings Group during each of the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022:

	For the years ended 31 December				For the nine months ended 30 September	
	2020		2021		2022	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Procurement of supplies and products	89.7	97.6	105.4	114.7	4.3	4.7
Procurement of services	40.0	43.5	13.4	14.5	3.8	4.2

Annual Caps and Basis of Determination

The proposed maximum annual caps for the transactions contemplated under the Procurement Framework Agreement 2023/2024 for each of the years ending 31 December 2023 and 2024 are as follows:

	For the years ending 31 December			
	2023		2024	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Procurement of supplies and products	140.1	152.5	140.1	152.5
Procurement of services	45.9	50.0	45.9	50.0

In determining the proposed annual caps for the transactions contemplated under the Procurement Framework Agreement 2023/2024, the Company has taken into account the scope of services contemplated thereunder and considered, among others, (a) the historical amount of procurement of supplies, products and services by the Group from CR Holdings Group; (b) the enhancement of CR Holdings Group's scope of services (in particular, the supply chain management services); (c) the expected increase in the Group's demand for the relevant supplies, products and services as the Group continue to expand its business, taking into account, among other things, its objective to develop its product mix and enhance its distribution capabilities; and (d) the expected increase in average prices of the relevant supplies, products and services in the future.

Reasons for and Benefits of the Transactions

The Procurement Framework Agreement 2023/2024 will enable the Group to procure raw materials, products and supplies as well as services provided by CR Holdings and/or its subsidiaries to support the Group's business, to ensure a steady source of raw materials, supplies and services which are of reliable quality, and to support the development within the CR Holdings Group on normal commercial terms and on a scale which will not place the Group's resources at risk or affect its relationship with other independent third-party suppliers.

Under the Procurement Framework Agreement 2023/2024, the Group is not required to exclusively procure certain supplies, products and services from CR Holdings Group. The Board is of the view that the Group will retain the flexibility and discretion in selecting CR Holdings Group and/or other independent suppliers based on arm's length negotiation and taking into account the commercial terms and factors of consideration.

The Board (including the independent non-executive Directors) considered that the Procurement Framework Agreement 2023/2024 was negotiated on an arm's length basis and entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and proposed annual caps thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(2) THE PRODUCTS AND COMMODITIES SALES FRAMEWORK AGREEMENT 2023/2024

Reference is made to the announcement of the Company dated 29 December 2020 in relation to the Products and Commodities Sales Framework Agreement 2021.

As the Products and Commodities Sales Framework Agreement 2021 and the annual caps thereunder will expire and cease to have effect on 1 January 2023, the Company has entered into the Products and Commodities Sales Framework Agreement 2023/2024 with CR Holdings on 30 December 2022 for a term commencing on 1 January 2023 and ending on 31 December 2024.

Principal Terms

The principal terms of the Products and Commodities Sales Framework Agreement 2023/2024 are set out as follows:

(1) Date

30 December 2022

(2) Parties

(a) CR Holdings; and

(b) The Company

(3) *Term*

From 1 January 2023 to 31 December 2024. Subject to compliance with the Listing Rules and other applicable laws and regulations, CR Holdings and the Company may renew the term of the Products and Commodities Sales Framework Agreement 2023/2024.

(4) *Scope*

Pursuant to the Products and Commodities Sales Framework Agreement 2023/2024, the Group may from time to time supply products and commodities, which mainly comprise pharmaceutical products, to CR Holdings and/or its subsidiaries that are not hospitals including, among others, supermarkets.

(5) *Pricing Basis and Pricing Policies*

The price of the products and commodities (including pharmaceutical products) supplied under the Products and Commodities Sales Framework Agreement 2023/2024 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 through arm's length negotiations by the parties with reference to the then prevailing market price for the products or commodities in concern and taking into account the quantity sold and other terms such as payment terms.

The Group, similar to other independent third party suppliers, is required to go through the selection and approval procedures by CR Holdings Group 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 Group's products and commodities to, CR Holdings Group. As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Holdings Group, the Group also compare the sales terms that are offered by other independent third party customers to ensure that the transactions are on normal commercial terms or better, and the transactions will be reviewed and passed by the Group's internal approval procedures. The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

Historical Amounts

Set out below are the approximate historical amounts of the relevant sales by the Group to CR Holdings Group during each of the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022:

	For the years ended 31 December				For the nine months ended 30 September	
	2020		2021		2022	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Sales of products and commodities	20.5	22.3	23.2	25.3	5.6	6.1

Annual Caps and Basis of Determination

The proposed maximum annual caps for the transactions contemplated under the Products and Commodities Sales Framework Agreement 2023/2024 for each of the years ending 31 December 2023 and 2024 are as follows:

	For the years ending 31 December			
	2023		2024	
	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>	<i>RMB</i> <i>(million)</i>	<i>HK\$</i> <i>(million)</i>
Sales of products and commodities	108.2	117.8	108.2	117.8

In determining the proposed annual caps for the transactions contemplated under the Products and Commodities Sales Framework Agreement 2023/2024, the Company has considered, among others, (a) the historical amount of sales of products and commodities from the Group to CR Holdings Group; (b) the expected increase in the demand for the Group's products and commodities, which mainly comprise pharmaceutical products, taking into account the overall growing market demand for medical and pharmaceutical products and consumables in the PRC and the growth in transaction volume between the Group and CR Holdings Group. With the deepening national pharmaceutical reform in the PRC and driven by factors such as the aging population and rise in healthcare awareness 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 for and Benefits of the Transactions

It is in the ordinary and usual course of business of CR Holdings Group, which include companies that operate supermarkets, to procure products and commodities, including pharmaceutical products for their business. Therefore, it is necessary for CR Holdings Group to ensure steady supplies of products and commodities from the Group and other independent suppliers from time to time. On the other hand, it is in the ordinary and usual course of business of the Group to sell and distribute its pharmaceutical and other healthcare products.

The Group, similar to other independent third party suppliers, is required to go through the selection and approval procedures adopted by CR Holdings Group as well as the commercial negotiation process in order to become their suppliers. Similarly, the Group has established its internal procedures to ensure that the terms (including the selling prices) for its products and commodities offer to the CR Holdings Group are not less favourable to the Group than those offered to or quoted by independent customers. The parties negotiate the terms of sales based on the business needs of, and the suitability of the products and commodities to, CR Holdings Group in the ordinary and usual course of business.

The Board (including the independent non-executive Directors) considered that the Products and Commodities Sales Framework Agreement 2023/2024 was negotiated on an arm's length basis and entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and proposed annual caps thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(3) IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CR Holdings, being a controlling shareholder of the Company, indirectly holds approximately 53.05% interest in the Company. Accordingly, CR Holdings is a connected person of the Company and the transactions contemplated under the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 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 transactions contemplated under each of the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 exceed 0.1% but are less than 5%, each of the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 and the transactions and proposed annual caps contemplated thereunder are only subject to reporting, announcement and annual review requirement but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Han Yuewei and Mr. Lin Guolong are concurrently directors of the Company and senior management members of CR Holdings, they had abstained from voting on the relevant board resolutions approving the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 and the transactions (including the relevant annual caps) contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the Procurement Framework Agreement 2023/2024 and the Products and Commodities Sales Framework Agreement 2023/2024 and the transactions (including the relevant annual caps) contemplated thereunder.

(4) INFORMATION OF THE PARTIES

CR Holdings

CR Holdings is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC, a state-owned enterprise under the supervision of SASAC.

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. The Group's ultimate holding company is CRC.

CRC is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of SASAC. It is the holding company of CR Holdings, and is a conglomerate which holds a variety of businesses in the PRC and Hong Kong including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the share of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 3320);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;

“CRC”	China Resources Company Limited* (中國華潤有限公司), a company established in the PRC with limited liability and a state-owned enterprise under the supervision of SASAC, is the ultimate holding company of the Company;
“CR Holdings”	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;
“CR Holdings Group”	CR Holdings and its subsidiaries and associates;
“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 of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Procurement Framework Agreement 2021”	the procurement framework agreement dated 29 December 2020 entered into between the Company and CR Holdings;
“Products and Commodities Sales Framework Agreement 2021”	the products and commodities sales framework agreement dated 29 December 2020 entered into between the Company and CR Holdings;
“Procurement Framework Agreement 2023/2024”	the procurement framework agreement dated 30 December 2022 entered into between the Company and CR Holdings;
“Products and Commodities Sales Framework Agreement 2023/2024”	the products and commodities sales framework agreement dated 30 December 2022 entered into between the Company and CR Holdings;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and

“SASAC”

State-owned Assets Supervision and Administration Commission of the State Council.

For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.08851. 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

Han Yuewei

Chairman

Shenzhen, 30 December 2022

As at the date of this announcement, the Board comprises Mr. Han Yuewei as chairman and non-executive Director, Mr. Bai Xiaosong, Mr. Tao Ran and Mdm. Weng Jingwen as executive Directors, Mr. Lin Guolong, Mr. Hou Bo and Mdm. Jiao Ruifang as non-executive Directors and Mdm. Shing Mo Han Yvonne, Mr. Kwok Kin Fun, Mr. Fu Tingmei and Mr. Zhang Kejian as independent non-executive Directors.