

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023/2024

Reference is made to the announcement of the Company dated 29 December 2020 in relation to, among other things, the Sales Framework Agreement 2021. The Sales Framework Agreement 2021 will expire and cease to have effect on 1 January 2023.

On 30 December 2022, the Company has entered into the Sales Framework Agreement 2023/2024 with CR Health 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 holding 53.05% interest in the Company, holds 100% interest in CR Health. Accordingly, CR Health is a connected person of the Company and the transactions contemplated under the 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 sale of medical and pharmaceutical products and consumables to CR Health, its associates and/or the hospitals managed by CR Health and/ or its associates exceed 0.1% but are less than 5%, the 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.

BACKGROUND

Reference is made to the announcement of the Company dated 29 December 2020 in relation to, among other things, the Sales Framework Agreement 2021. The Sales Framework Agreement 2021 will expire and cease to have effect on 1 January 2023.

On 30 December 2022, the Company has entered into the Sales Framework Agreement 2023/2024 with CR Health for a term commencing on 1 January 2023 and ending on 31 December 2024.

THE SALES FRAMEWORK AGREEMENT 2023/2024

Principal Terms

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

(1) Date

30 December 2022

(2) Parties

(a) CR Health; 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 Health and the Company may renew the term of the Sales Framework Agreement 2023/2024.

(4) Scope

Pursuant to the Sales Framework Agreement 2023/2024, the Group may from time to time supply medical and pharmaceutical products and consumables, including but not limited to prescription medicines and over-the-counter (OTC) drugs to CR Health, its associates and/or the hospitals that are managed by CR Health and/or its associates.

(5) Pricing Basis and Pricing Policies

The price of the medical and pharmaceutical products and consumables supplied under the Sales Framework Agreement 2023/2024 shall be determined in accordance with the applicable prescribed price or guided price of that product fixed by the relevant 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.

In accordance with the relevant guiding opinions and implementation notice issued by the relevant PRC regulators in 2015, the procurement of pharmaceutical products by public hospitals and medical institutions in the PRC is subject to a centralized tendering process.

Accordingly, the Group's sale of medical and pharmaceutical products and consumables to CR Health, its associates and/or the hospitals managed by CR Health and/or its associates is also subject to such centralized tendering system in the PRC and, the Group, similar to other independent third party suppliers, is required to go through the selection and approval procedures adopted by CR Health and its associates as well as the commercial negotiation process in order to become their suppliers. The parties also negotiate the terms of sales based on the business needs of, and the suitability of the medical and pharmaceutical products and consumables to, CR Health, its associates and/or the hospitals managed by CR Health and/or its associates in the ordinary and usual course of business.

The centralized tendering process generally operates as follows:

- (i) Public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of medical and pharmaceutical products and consumables (except for decoction pieces) required in their ordinary course of business to the centralized procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant products and consumables;
- (ii) The relevant governmental authority will then determine the selling price of a particular medical and pharmaceutical product or consumable in the relevant province or region by taking into consideration mainly the bidding prices and quality of the product or consumable offered by different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price; and
- (iii) Due to the nature and operation of the above-mentioned centralized tendering process, the selling price for the same type of product or consumable may vary across different provinces and regions.

After completion of the above-mentioned centralized tendering process and commercial negotiation, the Group will supply its medical and pharmaceutical products and consumables to, CR Health, its associates and/or the hospitals managed by CR Health and/or its associates on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of products and consumables.

Historical Amounts

Set out below are the approximate historical amounts of the relevant sales by the Group to CR Health and/or its associates and/or hospitals that are managed by CR Health and/or its associates for the year 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>
Relevant sales to CR Health and/or its associates and/or hospitals that are managed by CR Health and/or its associate	716.7	780.1	713.7	776.9	748.3	814.5

Annual Caps and Basis of Determination

The proposed maximum annual amounts receivable by the Group from CR Health, its associates and/or hospitals managed by CR Health and/or its associates for the Group's sales of medical and pharmaceutical products and consumables during the term of the 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 and medical and pharmaceutical products and consumables	1,500	1,632.8	1,500	1,632.8

In determining the proposed annual caps for the transactions contemplated under the Sales Framework Agreement 2023/2024, 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 Health 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, despite the drop in transaction volume between the Group and CR Health, its associates and/or hospitals managed by them in 2021 due to the COVID-19 pandemic, the overall growing market demand for medical and pharmaceutical products and consumables in the PRC and the expected substantial growth in transaction volume between the Group and CR Health, its associates and/or hospitals managed by CR Health and/or its associates. 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 FOR AND BENEFITS OF THE TRANSACTIONS

CR Health and/or its associates are engaged in hospital investment and operation management. It is necessary for CR Health, its associates and the hospitals managed by CR Health 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 Health 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 Health, its associates and/or the hospitals managed by CR Health and/or its associates in the ordinary and usual course of business.

The Board (including the independent non-executive Directors) considered that the 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 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, CR Holdings, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, holds 100% interest in CR Health. Accordingly, CR Health is a connected person of the Company and the transactions contemplated under the 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 sale of medical and pharmaceutical products and consumables to CR Health, its associates and/or the hospitals managed by CR Health and/or its associates exceed 0.1% but are less than 5%, the 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.

None of the Directors has any material interest in the Sales Framework Agreement 2023/2024 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 2023/2024.

INFORMATION OF THE PARTIES

CR Health

CR Health 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:

“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 shares 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;
“CR Health”	China Resources Healthcare Group Limited (華潤健康集團有限公司, formerly known as 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 CR Holdings;
“CR Holdings”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability 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 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales Framework Agreement 2021”	the sales framework agreement dated 29 December 2020 entered into between the Company and CR Health;
“Sales Framework Agreement 2023/2024”	the sales framework agreement dated 30 December 2022 entered into between the Company and CR Health; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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.