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華潤醫藥集團有限公司

ChinaResources PharmaceuticalGroupLimited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3320)

CONTINUING CONNECTED TRANSACTIONS CR LEASING STRATEGIC COOPERATION AGREEMENT 2023/2024

Reference is made to the announcement of the Company dated 29 December 2020 in relation to, among other things, the CR Leasing Strategic Cooperation Agreement 2021. The CR Leasing Strategic Cooperation Agreement 2021 will expire and cease to have effect on 1 January 2023/2024.

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

As at the date of this announcement, CRI, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, indirectly holds 60% interest in CR Leasing. Accordingly, CR Leasing is a connected person of the Company and the Strategic Cooperation Agreement 2023/2024 and the transactions contemplated thereunder constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the aggregate annual caps for the service fees and commissions for the provision of financial services and products by CR Leasing under the Strategic Cooperation Agreement 2023/2024 exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreement 2023/2024 are only subject to reporting, announcement and annual review requirements but are exempted from 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 CR Leasing Strategic Cooperation Agreement 2021. The CR Leasing Strategic Cooperation Agreement 2021 will expire and cease to have effect on 1 January 2023.

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

STRATEGIC COOPERATION AGREEMENT 2023/2024

Principal terms

The principal terms of the CR Leasing Strategic Cooperation Agreement 2023/2024 are set out as follows:

(1) Date

30 December 2022

(2) Parties

- (a) CR Leasing; 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 Leasing and the Company may renew the term of the CR Leasing Strategic Cooperation Agreement 2023/2024.

(4) Scope

The Group may use the financial services and products provided by CR Leasing, including but not limited to financial leasing, leasing and related consultancy and guarantee services, and factoring in relation to the principal business of the Group.

(5) Pricing Basis and Pricing Policies

The services and products will be provided by CR Leasing on normal commercial terms which apply to its other independent customers. Such service fees and commissions are determined and charged by CR Leasing based on the prevailing market rates for financial services and products of similar type, nature and quality at the time of the transaction.

In addition, the Group will also obtain quote from, or compare the amount of principal and interests of service fees and commissions offered by, other independent financial service providers before it decides to purchase the financial products or use the financial services offered by CR Leasing.

Historical amounts

Set out below are the approximate historical amounts of the service fees and commissions for financial services and products provided by CR Leasing for 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 2022	
	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>
Service fees and commissions for the financial services and products provided by CR Leasing	85.8	93.4	52.8	57.5	41.8	45.5

Annual caps and basis of determination

The proposed annual caps for the service fees and commissions payable by the Group for the financial services and products to be provided by CR Leasing under the CR Leasing Strategic Cooperation Agreement 2023/2024 for the years ending 31 December 2023 and 2024 are as follows:

	For the year 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>
Maximum service fees and commissions for the financial services and products to be provided by CR Leasing	250.0	272.1	250.0	272.1

The proposed annual caps for the service fees and commissions for financial products and services under the CR Leasing Strategic Cooperation Agreement 2023/2024 are determined taking into account, among other things, (a) the historical transaction amounts between the Group and CR Leasing; (b) the anticipated need for factoring services in relation to the principal businesses of the Group (such as the supply chain of the Group's pharmaceutical manufacturing segment); (c) the demand for consultancy services in relation to leasing of assets and facilities for the principal businesses of the Group (such as the medical devices, warehouses and other assets and facilities for the Group's pharmaceutical distribution segment); and (d) the anticipated growth in the Group's business.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Strategic Cooperation Agreement 2023/2024 will enable the Group to enhance its overall liquidity, optimise its utilisation of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for generation of better return.

Under the Strategic Cooperation Agreement 2023/2024, the Group is not required to exclusively use the financial services and products provided by CR Leasing. The Board is of the view that the Group will retain the flexibility and discretion in selecting CR Leasing and/or other independent financial institutions or commercial banks taking into consideration its business needs and the fees and quality of services and products offered.

All Directors (including the independent non-executive Directors) considered that the Strategic Cooperation 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, CRI, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, indirectly holds 60% interest in CR Leasing. Accordingly, CR Leasing is a connected person of the Company and the Strategic Cooperation Agreement 2023/2024 and the transactions contemplated thereunder constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 30 December 2022 in relation to continuing connected transactions contemplated under the strategic cooperation agreement entered into with China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司) ("CR Bank") and the strategic cooperation agreement entered into with China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司) ("CR Trust") (collectively, the "Strategic Cooperation Agreements 2023/2024"). As the financial services and/or products where only service fees and commissions will be charged by CR Leasing under the CR Leasing Strategic Cooperation Agreement 2023/2024 and those by CR Bank and CR Trust under the Strategic Cooperation Agreements 2023/2024 are similar in nature, the proposed annual caps for such service fees and commissions for the provision of such financial services and/or products by CR Leasing under the CR Leasing Strategic Cooperation Agreement 2023/2024 and by CR Bank and CR Trust under the Strategic Cooperation Agreements 2023/2024 are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the aggregate annual caps for the service fees and commissions for the provision of financial services and products by CR Leasing under the Strategic Cooperation Agreement 2023/2024 exceed 0.1% but are less than 5%, the Strategic Cooperation Agreement 2023/2024 and the transactions and proposed annual caps contemplated thereunder are only subject to reporting, announcement and annual review requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mdm. Weng Jingwen is a director of the Company and CR Leasing, she had abstained from voting on the relevant board resolutions approving the Strategic Cooperation 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 Strategic Cooperation Agreement 2023/2024 and the transactions (including the relevant annual caps) contemplated thereunder.

INFORMATION OF THE PARTIES

CR Leasing

CR Leasing was established in 2006 in the PRC, and is principally engaged in financial leasing, leasing, factoring and other related consultancy and guarantee services, and is headquartered in Shenzhen, the PRC.

As at the date of this announcement, it is held as to 20% by CR Pharmaceutical Holdings, 20% by CR Pharmaceutical Commercial and 60% by CR Leasing (Hong Kong), and is an indirect non wholly-owned subsidiary of CRI.

The Group

The Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products.

DEFINITIONS

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

“Board” the board of Directors;

“Company” China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability;

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CR Leasing”	China Resources Financial Leasing Co., Ltd. (華潤融資租賃有限公司), a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of CRI as at the date of this announcement;
“CR Leasing (Hong Kong)”	China Resources Leasing (HK) Company Limited, a company incorporated in Hong Kong with limited liability, in which CRI holds 100% indirect interest as at the date of this announcement;
“CR Leasing Strategic Cooperation Agreement 2021”	the strategic cooperation agreement entered into between the Company and CR Leasing on 29 December 2020;
“CR Leasing Strategic Cooperation Agreement 2023/2024”	the strategic cooperation agreement entered into between the Company and CR Leasing on 30 December 2022;
“CR Pharmaceutical Commercial”	China Resources Pharmaceutical Commercial Group Company Limited (華潤醫藥商業集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company;
“CR Pharmaceutical Holdings”	China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company;
“CRI”	China Resources Inc. (華潤股份有限公司), a joint stock limited liability company established in the PRC and a controlling shareholder of the Company;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules.

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.

For ease of reference, the names of the PRC established companies or entities have been included in this announcement in both the Chinese and English languages, and in the event of any inconsistency, the Chinese version shall prevail.

By order of the Board
China Resources Pharmaceutical Group Limited
Han Yuewei
Chairman

Shenzhen, 30 December 2022

As of 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.