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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 FRAMEWORK LOAN AGREEMENTS 2023

On 3 April 2023, the Company entered into the Framework Loan Agreements 2023 with CRI and CR Holdings, respectively, each for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

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 and CRI is the controlling shareholder of CR Holdings. Accordingly, each of CRI and CR Holdings is a connected person of the Company and the transactions contemplated under each of the Framework Loan Agreements 2023 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the Framework Loan Agreements 2023, together with the CR Leasing Loan Agreement, were made with the China Resources Group and with the Company or the Group acting as the lender thereunder within a 12-month period prior to the date of the Framework Loan Agreements 2023, each of the Framework Loan Agreements 2023 will be aggregated with the CR Leasing Loan Agreement as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable size test percentage ratios exceed 0.1% but are less than 5% in respect of the annual caps for the continuing connected transactions under the Framework Loan Agreements 2023, whether on a standalone basis or on an aggregated basis with reference to the CR Leasing Loan Agreement, the transactions are only subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

On 3 April 2023, the Company entered into the Framework Loan Agreements 2023 with CRI and CR Holdings, respectively, each for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

THE FRAMEWORK LOAN AGREEMENTS 2023

Principal Terms of the Offshore Framework Loan Agreement 2023

Parties:	CR Holdings and the Company
Date:	3 April 2023
Term:	From 1 January 2023 to 31 December 2025, unless extended for a further period subject to compliance with the Listing Rules and other applicable laws and regulations.
Lenders:	The Company or any of its subsidiaries, which has become a party to the Offshore Framework Loan Agreement 2023 by acceding to its terms, but excluding any entity established in the PRC.
Borrowers:	CR Holdings, any listed company within China Resources Group, or any of their respective subsidiaries, which has become a party to the Offshore Framework Loan Agreement 2023 by acceding to its terms, but excluding any entity established in the PRC and any member of the Group. Each borrower may borrow in HKD, RMB or US dollars.

Guarantor(s) for loans made by the Group:	CR Holdings (except where the borrower is CR Holdings) and, in the case of an advance to a subsidiary of a China Resources Group listed company, that China Resources Group listed company.
Maximum outstanding amount of advance:	The maximum aggregate daily outstanding amount (inclusive of the principal and interest) owed to the Group under the Framework Loan Agreements 2023 shall not exceed the amount set out under the section headed “Annual Caps and Basis of Determination” below.
Repayment date:	The repayment date for an advance made under the Offshore Framework Agreement 2023 shall be no later than six months after the date of advance.
Interest rate in respect of HKD advances:	The rate per annum as determined by the relevant lender and the borrower as being the aggregate of (i) the relevant HIBOR for such a HKD advance; and (ii) a margin, which shall not be a negative number and shall not be less than: (a) the higher of (x) the rate at which CR Holdings or a corporate borrower of similar standing is able to borrow in HKD for an amount equal to the relevant advance from a bank or a financial institution for a period equal to or similar to the relevant period; and (y) the deposit rate at which the lender could have obtained from a bank or a financial institution for such relevant amount in HKD and period; less (b) HIBOR for a period equal to or similar to the relevant period and which is the most recently quoted HIBOR as at the time the drawdown undertaking is signed by the relevant lender.

Interest rate in respect of USD advances: The rate per annum as determined by the relevant lender and the borrower as being the aggregate of (i) the relevant SOFR for such a USD advance; and (ii) a margin, which shall not be a negative number and shall not be less than: (a) the higher of (x) the rate at which CR Holdings or a corporate borrower of similar standing is able to borrow in USD for an amount equal to the relevant advance from a bank or a financial institution for a period equal to or similar to the relevant period; and (y) the deposit rate at which the lender could have obtained from a bank or a financial institution for such relevant amount in USD and period; less (b) SOFR for a period equal to or similar to the relevant period and which is the most recently quoted SOFR as at the time the drawdown undertaking is signed by the relevant lender.

Interest rate in respect of RMB advances: The rate per annum as determined by the relevant lender and the borrower with respect to an advance, which must not be a negative number and shall not be less than the higher of (x) the rate at which CR Holdings or a corporate borrower of similar standing is able to borrow in RMB in Hong Kong for an amount equal to the relevant advance from a bank or a financial institution for a period equal to or similar to the relevant period; and (y) the deposit rate in Hong Kong which the lender could have obtained from a bank or a financial institution for such relevant amount in RMB and period.

Guarantee: The guarantors will unconditionally and irrevocably guarantee to the relevant lender the due and punctual performance by the borrower (when the guarantor is CR Holdings) or by the borrower which is the guarantor's subsidiary (when the guarantor is a China Resources Group listed company) of the borrower's obligations to that lender in connection with that lender's advance(s) to the borrower made under the Offshore Framework Loan Agreement 2023. For this purpose, each guarantor which is a China Resources Group listed company will enter into a deed of guarantee before its subsidiary is permitted to borrow under the Offshore Framework Loan Agreement 2023.

Early repayment: Either the lender or the borrower may, by giving ten business days' written notice, require the repayment or prepayment of an advance (together with accrued interest, as the case may be).

Basis of lending: All advances will be made at the sole discretion of the lender.

No security over the assets of the borrower will be provided.

All advances will become immediately repayable on demand upon the occurrence of an acceleration event, which includes non-payment by the borrower; breaches of the agreement by the borrower which have not been rectified in the specified period; cross-default in a material amount; enforcement of security; insolvency; dissolution; repudiation; CR Holdings ceasing directly or indirectly to be the single largest shareholder of the relevant borrower; or on the occurrence of a material adverse change as stated in the Offshore Framework Loan Agreement 2023 in respect of the relevant borrower.

Principal Terms of the Onshore Framework Loan Agreement 2023

Parties: CRI and the Company

Date: 3 April 2023

Term: From 1 January 2023 to 31 December 2025, unless extended for a further period subject to compliance with the Listing Rules and other applicable laws and regulations.

Lenders: Any subsidiary of the Company established in the PRC, which has become a party to the Onshore Framework Loan Agreement 2023 by acceding to its terms.

Borrowers:	CRI, any subsidiary of CRI established in the PRC, or a China Resources Group listed company, which has become a party to the Onshore Framework Loan Agreement 2023 by acceding to its terms, but excluding CR Bank, CR Trust and any subsidiary of the Company. Each borrower may borrow in RMB.
Guarantor:	CRI (except where the borrower is CRI)
Maximum outstanding amount of advance:	The maximum aggregate daily outstanding amount (inclusive of the principal and interest) owed to the Group under the Framework Loan Agreements 2023 shall not exceed the amounts set out under the section headed “Annual Caps and Basis of Determination” below.
Repayment date:	The repayment date for an advance will be specified in the drawdown undertaking and shall be no later than six months after the date of advance.
Interest rate:	The rate per annum as determined by the relevant lender and the borrower. The interest rate shall be no less than the higher of (x) the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB in an amount equal to the relevant advance from a bank or a financial institution for the relevant period and (y) the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period.
Guarantee:	Except in cases where the borrower is CRI, CRI will unconditionally and irrevocably guarantee to the relevant lenders the due and punctual performance of all borrowers’ obligations under the Onshore Framework Loan Agreement 2023.

Best endeavours: If an advance is to be made pursuant to the Onshore Framework Loan Agreement 2023 to a borrower which is a subsidiary of a China Resources Group listed company, prior to making that advance, such China Resources Group listed company shall sign a deed of undertaking and undertake that if CRI makes a payment to a lender in connection with the Onshore Framework Loan Agreement 2023 due to a breach by the China Resources Group listed company's subsidiary as borrower, the China Resources Group listed company will use its best endeavours to procure that such borrower shall have sufficient funds to, and does, promptly reimburse CRI. This may include such China Resources Group listed company making payments by way of gift or capital contribution or shareholder loan to its subsidiary as a borrower (to the extent permitted by the PRC law).

Early repayment: Either the lender or the borrower may, by giving ten business days' written notice, require the repayment or prepayment of an advance (together with accrued interest, as the case may be).

Basis of lending: All advances will be made at the sole discretion of the lender.

No security over the assets of the borrower will be provided.

All advances will become immediately repayable on demand upon the occurrence of an acceleration event, which includes non-payment by the borrower; breaches of the agreement by the borrower which have not been rectified in the specified period; cross-default in a material amount; enforcement of security; insolvency; dissolution; repudiation; CRI ceasing directly or indirectly to be the single largest shareholder of the relevant borrower; or on the occurrence of a material adverse change as stated in the Onshore Framework Loan Agreement 2023 in respect of the relevant borrower.

Historical Amounts

On 20 April 2022, CR Pharmaceutical Holdings, a wholly-owned subsidiary of the Company (as lender) and CR Leasing (as borrower) entered into a loan agreement the (“**CR Leasing Loan Agreement**”) in respect of the loan in the maximum principal amount of HK\$1.2 billion (or its RMB equivalent) for a term of three years from 20 April 2022 to 19 April 2025. Save as disclosed above, the Group has not historically entered into other loan transactions with CR Holdings, CRI or any CR China Resources Group listed company and its subsidiaries similar to the transactions contemplated under the Framework Loan Agreements 2023.

For completeness and Shareholder’s reference, on 30 December 2022, the Company also entered into strategic cooperation agreements (the “**Strategic Cooperation Agreements 2023/2024**”) with CR Bank, CR Trust and CR Leasing, respectively, pursuant to which (among other things) the Group may use financial services and products provided by CR Bank, CR Trust and/or CR Leasing for a term commencing from 1 January 2023 to 31 December 2024. Set out below are the approximate historical amounts of service fees and commissions for financial services and products provided by CR Bank, CR Trust and/or CR Leasing under the respective Strategic Cooperation Agreements 2023/2024 for the year ended 31 December 2021 and 2022:

	For the year ended 31 December 2021		For the year ended 31 December 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>
Service fees and commissions for the financial services and products provided by CR Bank	0.8	0.9	0	0
Service fees and commissions for the financial services and products provided by CR Trust	0	0	0	0
Service fees and commissions for the financial services and products provided by CR Leasing	52.8	60.2	52.4	59.8

Annual Caps and Basis of Determination

The proposed annual caps for the maximum aggregate daily outstanding amount (inclusive of the principal and interest) owed to the Group under the Framework Loan Agreements 2023 for each of the three years ending 31 December 2025 are as follows:

	For the year ending 31 December					
	2023		2024		2025	
	<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>
Maximum daily outstanding principal amount and interest in relation to the advances made or committed by the Group ^(note)	789	900	789	900	789	900

Note: Such maximum daily amount is applicable for each day during the relevant year, and such maximum daily amount is calculated on an individual basis as outstanding at the end of each day during the relevant year.

The proposed annual caps for the maximum aggregate daily outstanding amount (inclusive of the principal and interest) owed to the Group have been determined taking into account, among other things, (a) risk assessment of the maximum exposure at any time which the Group is prepared to assume under the Framework Loan Agreements 2023; (b) its estimated short-term surplus cash resources; and (c) the potential use of such surplus cash and the expected returns; and (d) the working capital needs of the Group.

Internal Control Measures

The Group will establish an internal assessment mechanism, whereby its finance administration department will check the prevailing deposit and lending rates where applicable, the relevant mark up of HIBOR for the relevant HKD advance or the relevant One-year Loan Prime Rate (LPR) for the relevant RMB advances, the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant currency, amount and period, for the purposes of ascertaining the margin and/or the interest rate and will conduct risk assessment taking into account (among other things) the cash and bank balances available to the Company and/or the relevant subsidiary of the Company and their short-term working capital needs prior to making an advance under the Framework Loan Agreements 2023.

Furthermore, the financial management department will be responsible for regularly checking the daily outstanding principal and interest amount owed to the Group under the Framework Loan Agreements 2023 and the CR Leasing Loan Agreement to ensure the relevant annual caps contemplated thereunder will not be exceeded. The Group has implemented internal guidelines that where the actual amount is expected to exceed a prescribed threshold of the relevant annual caps, the relevant staff shall report to the relevant business unit in order for the Company to conduct necessary assessment and to ensure compliance with the applicable requirements under Chapter 14A of the Listing Rules.

The Group has also implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (but not limited to) regular reporting of the transaction amount to the Group's finance department for monitoring the annual caps of the relevant transactions. In addition, the Company's auditors and the independent non-executive Directors will conduct annual review of the Framework Loan Agreements 2023 and provide annual confirmations in accordance with the Listing Rules.

Financial Conditions of the Guarantors

All advances to any member of the China Resources Group will be guaranteed by (i) CRI; (ii) CR Holdings; or (iii) a China Resources Group listed company, depending on the identity of the borrower pursuant to the terms of the relevant Framework Loan Agreements 2023. Both CRI and CR Holdings are regarded as borrowers of credible standing in their own markets. CRI is a bond issuer in PRC and its principal long-term credit rating is AAA according to an independent rating agency, China Lianhe Credit Rating Co., Ltd.

Base on information provided to the Company, certain audited financial information of CRI and CR Holdings are set out as follows:

	CR Holdings		CRI	
	As at 31 December		As at 31 December	
	2021	2020	2021	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>RMB</i>	<i>RMB</i>
	<i>(billion)</i>	<i>(billion)</i>	<i>(billion)</i>	<i>(billion)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	2,240	1,974	2,060	1,830
Cash and bank balances	218	189	202	181
Equity attributable to the shareholders of the company	453	395	337	308

	For the year ended		For the year ended	
	31 December		31 December	
	2021	2022	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>RMB</i>	<i>RMB</i>
	<i>(billion)</i>	<i>(billion)</i>	<i>(billion)</i>	<i>(billion)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Profit attributable to the shareholders of the company	41	34	30	31
Cash flow from operating activities	59	93	53	92

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Framework Loan Agreements 2023 provide the Group with greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries to other companies within China Resources Group companies, including CRI and CR Holdings. The proposed annual caps for the maximum daily outstanding amount (inclusive of principal and interest) owed to the Group under the Framework Loan Agreement 2023 have been determined after assessing the maximum amount of exposure at any time which the Group is prepared to assume under the Framework Loan Agreements 2023 in the context of its estimated temporary surplus cash resources as well as the historical amount lent by the Group as set out in this announcement.

The Board (including independent non-executive Directors) consider the Framework Loan Agreements 2023 were negotiated on an arm's length basis and are on normal commercial terms, 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 holds approximately 53.05% interest in the Company and CRI is the controlling shareholder of CR Holdings. Accordingly, each of CRI and CR Holdings is connected person of the Company and the transactions contemplated under the Framework Loan Agreements 2023 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the Framework Loan Agreements 2023, together with the CR Leasing Loan Agreement, were made with the China Resources Group and with the Company or the Group acting as the lender thereunder within a 12-month period prior to the date of the Framework Loan Agreements 2023, each of the Framework Loan Agreements 2023 will be aggregated with the CR Leasing Loan Agreement as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable size test percentage ratios exceed 0.1% but are less than 5% in respect of the annual caps for the continuing connected transactions under the Framework Loan Agreements 2023 whether on a standalone basis or on an aggregated basis with reference to the CR Leasing Loan Agreement, the transactions are only subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement of the Listing Rules.

As Mr. Han Yuewei, Mr. Lin Guolong and Mdm. Guo Wei are concurrently the non-executive Directors of the Company and senior management members of CR Holdings, they have abstained from voting on the board resolutions approving the Framework Loan Agreements 2023 and the transactions (including the relevant annual caps) contemplated thereunder. Save as disclosed above, none of the Directors had any material interest in the Framework Loan Agreements 2023 and the transactions (including the relevant annual caps) contemplated thereunder.

INFORMATION OF THE PARTIES

CRI

CRI, a borrower and guarantor (except when the borrower is CRI) under the Onshore Framework Loan Agreement 2023, is an intermediate holding company of CR Holdings and is ultimately owned by CRC. CRC is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of SASAC. CRC 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.

CR Holdings

CR Holdings, a borrower and guarantor (except when the borrower is CR Holdings) under the Offshore Framework Loan Agreement 2023, is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC.

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;
“China Resources Group”	CRC, CRI, CR Holdings and their respective subsidiaries;
“China Resources Group listed company (or companies)”	any company (or companies) in the China Resources Group, which is (or are) listed on the Main Board of the Stock Exchange as at the date of this announcement, other than the Company, namely, China Resources Beer (Holdings) Company Limited (stock code: 291); China Resources Gas Group Limited (stock code: 1193); China Resources Land Limited (stock code: 1109); China Resources Mixc Lifestyle Services Limited (stock code: 1209); and China Resources Cement Holdings Limited (stock code: 1313);
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed The Stock Exchange of Hong Kong Limited (stock code: 3320);

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CR Bank”	China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司), a municipal bank headquartered in Zhuhai, in which CRI holds approximately 70.28% equity interest as at the date of this announcement;
“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;
“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, which is an indirect non-wholly-owned subsidiary of CRI as at the date of this announcement;
“CR Leasing Loan Agreement”	the loan agreement dated 20 April 2022 entered into between CR Pharmaceutical Holdings and CR Leasing in respect of the loan in the principal amount of HK\$1.2 billion (or its RMB equivalent);
“CR Pharmaceutical Holdings”	China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“CR Trust”	China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), in which CRI indirectly holds 51% equity interest as at the date of this announcement;

“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;
“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;
“Framework Loan Agreements 2023”	collectively, the Offshore Framework Loan Agreement 2023 and the Onshore Framework Loan Agreement 2023;
“Group”	the Company and its subsidiaries;
“HIBOR”	the Hong Kong Inter-Bank Offered Rate;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Offshore Framework Loan Agreement 2023”	the Framework Loan Agreement and Guarantee for advances in HKD, RMB and US dollars entered into by CR Holdings and the Company on 3 April 2023;
“Onshore Framework Loan Agreement 2023”	the Framework Loan Agreement and Guarantee for advances in RMB entered into by CRI and the Company on 3 April 2023;
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macao and Taiwan;
“RMB”	Renminbi, the lawful currency of PRC;

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“SOFR”	the secured overnight financing rate (SOFR) administered and published by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules; and
“US dollars” or “USD”	US dollars, the lawful currency of the United States of America.

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\$1.14087. 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 inconsistency, the Chinese version shall prevail.

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

Shanghai, 3 April 2023

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, Mdm. Guo Wei, 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.