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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)

**CONNECTED TRANSACTION
PROPOSED ACQUISITION OF ADDITIONAL INTEREST
IN CR JIANGZHONG**

The Board is pleased to announce that, on 24 December 2023, CR Pharmaceutical Holdings and Jiangxi SASAC Capital Holdings (as purchasers), among others, entered into the Share Transfer Agreement with the Vendor, pursuant to which the Vendor has agreed to sell a total of 14.4412% interest in CR Jiangzhong, of which CR Pharmaceutical Holdings has agreed to purchase 9.2138% interest in CR Jiangzhong (representing registered capital of RMB23,259,459 in CR Jiangzhong) and Jiangxi SASAC Capital Holdings has agreed to purchase 5.2274% interest in CR Jiangzhong (representing registered capital of RMB13,196,172 in CR Jiangzhong), respectively, by way of non-public agreement transfer in Jiangxi Equity Exchange.

As at the date of this announcement, each of Jiangxi SASAC Capital Holdings and Xinhai Ruida holds approximately 29.1251% and approximately 14.4412% interest in CR Jiangzhong, respectively. Accordingly, each of Jiangxi SASAC Capital Holdings, Xinhai Ruida and Yi Fang Group is a connected person of the Company, and the Share Transfer Agreement and the transactions contemplated thereunder constitute connected transaction 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 exceed 0.1% but are all less than 5%, the Share Transfer Agreement and the transactions contemplated thereunder are only subject to reporting and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 24 December 2023, CR Pharmaceutical Holdings and Jiangxi SASAC Capital Holdings (as purchasers), among others, entered into the Share Transfer Agreement with the Vendor, pursuant to which the Vendor has agreed to sell a total of 14.4412% interest in CR Jiangzhong, of which CR Pharmaceutical Holdings has agreed to purchase 9.2138% interest in CR Jiangzhong (representing registered capital of RMB23,259,459 in CR Jiangzhong) and Jiangxi SASAC Capital Holdings has agreed to purchase 5.2274% interest in CR Jiangzhong (representing registered capital of RMB13,196,172 in CR Jiangzhong), respectively, by way of non-public agreement transfer in Jiangxi Equity Exchange.

THE PROPOSED ACQUISITION

A summary of the principal terms of the Share Transfer Agreement are set out as follows:

(1) Date

24 December 2023

(2) Parties

- (a) CR Pharmaceutical Holdings (a wholly-owned subsidiary of the Company), as a purchaser;
- (b) Jiangxi SASAC Capital Holdings, as a purchaser;
- (c) Xinhai Ruida, as the vendor;
- (d) Yi Fang Group; and
- (e) CR Jiangzhong (a non-wholly-owned subsidiary of the Company), as the target company.

For further details of the parties to the Share Transfer Agreement, please refer to the sections headed “Information of the Parties” and “Information about CR Jiangzhong” below.

(3) Subject Matter

Pursuant to the Share Transfer Agreement, the Vendor has agreed to sell a total of 14.4412% interest in CR Jiangzhong, of which CR Pharmaceutical Holdings has agreed to purchase 9.2138% interest in CR Jiangzhong (representing registered capital of RMB23,259,459 in CR Jiangzhong) and Jiangxi SASAC Capital Holdings has agreed to purchase 5.2274% interest in CR Jiangzhong (representing registered capital of RMB13,196,172 in CR Jiangzhong), respectively, by way of non-public agreement transfer in Jiangxi Equity Exchange.

As at the date of this announcement, CR Jiangzhong is owned as to (i) approximately 51.3356% by CR Pharmaceutical Holdings and is accounted for as a non-wholly-owned subsidiary of the Company; and (ii) approximately 29.1251% by Jiangxi SASAC Capital Holdings.

Upon completion of the Proposed Acquisition, (i) CR Pharmaceutical Holdings will hold approximately 60.5494% interest in CR Jiangzhong and CR Jiangzhong will continue to be accounted for as a non-wholly-owned subsidiary of the Company; and (ii) Jiangxi SASAC Capital Holdings will hold approximately 34.3525% interest in CR Jiangzhong.

(4) Consideration

The total consideration for the Proposed Acquisition shall be RMB810,060,000 (equivalent to approximately HK\$891.56 million) (the “**Consideration**”), of which (i) RMB516,835,313.38 (equivalent to approximately HK\$568.83 million) shall be paid by CR Pharmaceutical Holdings for its proposed acquisition of 9.2138% interest in CR Jiangzhong; and (ii) RMB293,224,686.62 (equivalent to approximately HK\$322.73 million) shall be paid by Jiangxi SASAC Capital Holdings for its proposed acquisition of 5.2274% interest in CR Jiangzhong.

The Consideration was determined after arm's length negotiation among the parties, taking into account the appraised value of the total equity interest of CR Jiangzhong according to an asset appraisal report issued by an independent valuer engaged by CR Pharmaceutical Holdings (the "**Appraisal Report**"), as of the valuation date (31 August 2023) based on the asset-based approach.

Full payment of the consideration for their respective proposed acquisition of CR Jiangzhong shall be made by each of CR Pharmaceutical Holdings and Jiangxi SASAC Capital Holdings to a designated account in Jiangxi Equity Exchange within three business days after the effective date of the Share Transfer Agreement.

CR Pharmaceutical Holdings satisfied the payment of the consideration for its proposed acquisition of CR Jiangzhong by its internal resources. The total consideration for the aforementioned Proposed Acquisition has been completed and transferred to the designated account of Jiangxi Equity Exchange on 25 December 2023.

(5) Corporate governance

Upon completion of the Proposed Acquisition, it is contemplated that the composition of the board of directors, the supervisory board and senior management of CR Jiangzhong will be as follows:

- (a) the board of directors of CR Jiangzhong (the "**Board of CR Jiangzhong**") will consist of 12 members, of which seven directors will be appointed by CR Pharmaceutical Holdings, four directors will be appointed by Jiangxi SASAC Capital Holdings, and one director will be elected by employees as employee representative. The chairperson of the CR Jiangzhong Board ("**Chairperson**") will be undertaken by any one of the directors appointed by CR Pharmaceutical Holdings, and will be elected by the CR Jiangzhong Board;

- (b) the supervisory board of CR Jiangzhong will consist of seven members, of which three supervisors will be appointed by CR Pharmaceutical Holdings, two supervisors will be appointed by Jiangxi SASAC Capital Holdings, and two supervisors will be elected by employees as employee representatives. The chairperson of the supervisory board will be undertaken by any of the supervisors appointed by Jiangxi SASAC Capital Holdings; and
- (c) the general manager and financial officer of CR Jiangzhong shall be jointly nominated by CR Pharmaceutical Holdings and Jiangxi SASAC Capital Holdings after their amicable discussion, and will be appointed or removed by the CR Jiangzhong Board. The secretary to the CR Jiangzhong Board shall be nominated by the Chairperson and the vice general manager and other senior management members shall be nominated by the general manager of CR Jiangzhong, respectively, and will be appointed or removed by the CR Jiangzhong Board.

(6) Completion

The Share Transfer Agreement shall take effect upon occurrence of the following events (whichever is the latest): (i) the respective legal representative, the general partner and/ or the authorized person of each party to the Share Transfer Agreement have duly signed and sealed the Share Transfer Agreement; and (ii) the internal approval for the Proposed Acquisition has been duly obtained by each of CR Pharmaceutical Holdings, Jiangxi SASAC Capital Holdings and Xinhai Ruida. The above-mentioned was completed on 24 December 2023 and the Share Transfer Agreement became effective on the same day.

Completion date of the Proposed Acquisition shall be the date on which the change of industrial and commercial registration for the Proposed Acquisition is duly completed. The change of industrial and commercial registration was completed on 25 December 2023, and the Proposed Acquisition was officially completed on the same day.

INFORMATION OF THE PARTIES

The Group and CR Pharmaceutical Holdings

The Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. CR Pharmaceutical Holdings is a wholly-owned subsidiary of the Company. The Company is indirectly owned as to 53.05% by CR Holdings, which is ultimately beneficially owned by CRC.

Jiangxi SASAC Capital Holdings

Jiangxi SASAC Capital Holdings is a company principally engaged in managing and operating state-owned assets and equity, capital operation, consultancy for enterprise restructuring, investment advisory and financial consulting, asset management and agency, as well as other businesses authorized by the Provincial SASAC. It is ultimately beneficially owned by Jiangxi SASAC.

As at the date of this announcement, Jiangxi SASAC Capital Holdings holds approximately 29.1251% interest in CR Jiangzhong (which is a subsidiary of the Company), and is therefore a substantial shareholder of CR Jiangzhong and a connected person of the Company.

Xinhai Ruida and Yi Fang Group

Xinhai Ruida is a limited partnership established to hold the interest in CR Jiangzhong. Xinhai Ruida is owned as to 50.486% by China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) and as to 49.3878% as limited partners. Cinda Capital Management Co., Ltd. (信達資本管理有限公司) is the general partner of Xinhai Ruida, which holds 0.1262% interest in Xinhai Ruida.

Yi Fang Group is a company principally engaged in project investment, property leasing, property management, hotel management, corporate management consulting services, operation of advertising businesses, economic information consulting, domestic general trade, import and export of goods, and import and export of technology. It is ultimately beneficially owned by Sun Xishuang (孫喜雙).

As at the date of this announcement, Xinhai Ruida holds approximately 14.4412% interest in CR Jiangzhong (which is a subsidiary of the Company), and therefore each of Xinhai Ruida and Yi Fang Group is a substantial shareholder of CR Jiangzhong and a connected person of the Company.

INFORMATION ABOUT CR JIANGZHONG

As at the date of this announcement, (i) CR Jiangzhong is owned as to approximately 51.3356% by CR Pharmaceutical Holdings and is accounted for as a non-wholly-owned subsidiary of the Company; (ii) CR Jiangzhong is a controlling shareholder of Jiangzhong Pharmaceutical, holding approximately 43.07% interest in Jiangzhong Pharmaceutical; and (iii) the Company controls, through CR Jiangzhong, an effective interest of approximately 22.11% of Jiangzhong Pharmaceutical, which is accounted for as a subsidiary of the Company. Jiangzhong Pharmaceutical is a company listed on the Shanghai Stock Exchange (stock code: 600750), and is principally engaged in manufacturing, research and development and sales of OTC medicine and healthcare products and has maintained a variety of reputable brands of traditional Chinese medicine and healthcare products in the PRC market.

According to the audited financial statements of CR Jiangzhong prepared in accordance with PRC generally accepted accounting principles for the years ended 31 December 2021 and 31 December 2022, the net profit before and after taxation of CR Jiangzhong are set out as follows:

	For the year ended 31 December	
	2021	2022
Net profit before taxation	RMB707,073,921.46 (equivalent to HK\$778,212,628.70)	RMB811,336,363.16 (equivalent to HK\$892,964,914.66)
Net profit after taxation	RMB601,924,073.6 (equivalent to HK\$662,483,654.64)	RMB703,162,917.24 (equivalent to HK\$773,908,138.34)

According to the unaudited management accounts of CR Jiangzhong, as at 30 June 2023, the total assets and net asset value of CR Jiangzhong amounted to approximately RMB7,537.89 million (equivalent to approximately HK\$8,296.28 million) and approximately RMB5,627.75 million (equivalent to approximately HK\$6,193.96 million), respectively.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is committed to strengthen the development of the Group and leverage on the competitive advantages of its major operating subsidiaries, with a view to bringing greater value to the Company's shareholders. Through the Proposed Acquisition by CR Pharmaceutical Holdings, the Company can effectively strengthen its control over CR Jiangzhong (and through which, its control over Jiangzhong Pharmaceutical) from both shareholding and corporate governance perspectives, which is expected to further support the long-term development of CR Jiangzhong and its subsidiaries.

The Board (including the independent non-executive Directors) considered that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiation, fair and reasonable, and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, each of Jiangxi SASAC Capital Holdings and Xinhai Ruida holds approximately 29.1251% and approximately 14.4412% interest in CR Jiangzhong, respectively. Accordingly, each of Jiangxi SASAC Capital Holdings, Xinhai Ruida and Yi Fang Group is a connected person of the Company, and the Share Transfer Agreement and the transactions contemplated thereunder constitute connected transaction 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 exceed 0.1% but are all less than 5%, the Share Transfer Agreement and the transactions contemplated thereunder are only subject to reporting and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Share Transfer Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the relevant Board resolutions approving the Share Transfer Agreement and the transactions contemplated thereunder.

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”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;

“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 Jiangzhong”	China Resources Jiangzhong Pharmaceutical Group Co., Ltd. (華潤江中製藥集團有限責任公司), a company incorporated in the PRC with limited liability, a controlling shareholder of Jiangzhong Pharmaceutical and a non-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 incorporated in the PRC with limited liability and a wholly subsidiary of the Company, and is one of the purchasers under the Share Transfer Agreement;
“CRC”	China Resources Company Limited (中國華潤有限公司), a company incorporated in the PRC with limited liability and the ultimate 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”	Hong Kong Special Administrative Region of the PRC;
“Jiangzhong Pharmaceutical”	Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司), a company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600750) and a non-wholly-owned subsidiary of CR Jiangzhong;
“Jiangxi Equity Exchange”	Jiangxi Province Equity Exchange Co., Ltd. (江西省產權交易所有限公司);

“Jiangxi SASAC”	State-owned Assets Supervision and Administrative Commission of the People’s Government of Jiangxi Province (江西省人民政府國有資產監督管理委員會);
“Jiangxi SASAC Capital Holdings”	Jiangxi SASAC Capital Holdings Group Co., Ltd. (江西省國有資本運營控股集團有限公司), a company incorporated in the PRC with limited liability, and is one of the purchasers under the Share Transfer Agreement and a connected person of the Company;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Acquisition”	the proposed acquisition of a total of 14.4412% interest in CR Jiangzhong by CR Pharmaceutical Holdings (as to 9.2138% interest) and Jiangxi SASAC Capital Holdings (as to 5.2274% interest) from the Vendor pursuant to the terms and conditions of the Share Transfer Agreement, the details of which are set forth in the section headed “The Proposed Acquisition” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share Transfer Agreement”	the share transfer agreement dated 24 December 2023 entered into among CR Pharmaceutical Holdings, Jiangxi SASAC Capital Holdings, Xinhai Ruida, Yi Fang Group and CR Jiangzhong in respect of the Proposed Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;

“Xinhai Ruida” or the
“Vendor”

Wuhu Xinhai Rui Investment Partnership (Limited Partnership) (蕪湖信海潤達投資合夥企業 (有限合夥)), a limited partnership established in the PRC, and is the vendor under the Share Transfer Agreement;

“Yi Fang Group”

Dalian Yi Fang Group Company Limited (大連一方集團有限公司), a company incorporated in the PRC and a limited partner as to approximately 49.3878% interest in Xinhai Ruida.

For the purpose of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.10061. 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

Beijing, 27 December 2023

As at the date of this announcement, the Board comprises Mr. Han Yuewei as chairman and non-executive Director, Mr. Bai Xiaosong and Mr. Tao Ran 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.