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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 PROPERTY LEASING AND PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

On 23 July 2024, the Company entered into the Property Leasing and Property Management Services Framework Agreement with CR Holdings, pursuant to which CR Holdings Group shall provide leased properties and/or various property management services to the Group for a term commencing on 23 July 2024 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 53.40% interest in the Company. Accordingly, CR Holdings is a connected person of the Company and the Property Leasing and Property Management Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under 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 annual caps for the transactions contemplated under the Property Leasing and Property Management Services Framework Agreement exceed 0.1% but are all less than 5%, the Property Leasing and Property Management Services Framework Agreement and the transactions and proposed annual caps contemplated thereunder constitute are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 23 July 2024, the Company entered into the Property Leasing and Property Management Services Framework Agreement with CR Holdings, pursuant to which CR Holdings Group shall provide leased properties and various property management services to the Group for a term commencing on 23 July 2024 and ending on 31 December 2025.

THE PROPERTY LEASING AND PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The principal terms of the Property Leasing and Property Management Services Framework Agreement are set out as follows:

(1) Date

23 July 2024

(2) Parties

- (a) CR Holdings; and
- (b) the Company

(3) Term

From 23 July 2024 to 31 December 2025. Subject to compliance with the Listing Rules and other applicable laws and regulations, CR Holdings and the Company may renew the term of the Property Leasing and Property Management Services Framework Agreement.

(4) Scope

Pursuant to the Property Leasing and Property Management Services Framework Agreement, members of the CR Holdings Group may, from time to time, provide leased properties and/or various property management services (such as property cleaning and security services) to the Group in the Group's ordinary and usual course of business.

(5) Pricing Basis and Pricing Policies

The Group shall pay rentals, utilities and rates (if any) and/or property management service fees to the relevant members of CR Holdings Group, which shall be determined arm's length negotiation between the parties on normal commercial terms, with reference to a number of factors, including (without limitation) (i) the location, type and size of the relevant property; (ii) the quality standards of the relevant property; (iii) the prevailing market rentals or property management service fees offered by third-party lessors or property management service providers for comparable property in similar location or of similar type, size and/or quality; (iv) the estimated servicing costs (including, without limitation, labor costs in connection with the property management services); and (v) any government-prescribed prices, government-guidance prices or standard prices in respect of certain charges (such as utilities and rates, if any) involved in the transactions contemplated under the Property Leasing and Property Management Services Framework Agreement (where applicable).

The actual amount of rentals, utilities and rates (if any) and/or property management service fees payable by the Group for each transaction under the Property Leasing and Property Management Services Framework Agreement may vary depending on a wide range of factors as mentioned above. The Group shall follow its internal procurement policies in respect of selection and approval of property lessor and/or property management service provider before it enters into any transaction under the Property Leasing and Property Management Services Framework Agreement with CR Holdings Group. Further details of such internal procurement policies are set out in the section headed "Internal Control Measures" in this announcement.

The relevant members of CR Holdings Group and the Group shall enter into separate agreements in respect of the specific lease and/or property management service with reference to the abovementioned pricing principles as set forth in the Property Leasing and Property Management Services Framework Agreement.

Historical Amounts

Set out below are the approximate historical amounts of the relevant rentals and property management service fees paid by the Group to CR Holdings Group for the year ended 31 December 2022 and 31 December 2023:

	For the year ended 31 December	
	2022	2023
	(RMB)	(RMB)
	(million)	(million)
Rentals and property management service fees paid by the Group to CR Holdings Group	17 (equivalent to HK\$19 million)	17 (equivalent to HK\$19 million)

Annual Caps and Basis of Determination

The proposed maximum annual amounts payable by the Group to CR Holdings Group under the Property Leasing and Property Management Services Framework Agreement for each of the years ending 31 December 2024 and 2025 are as follows:

	For the year ending	
	31 December	
	2024	2025
	(RMB)	(RMB)
	(million)	(million)
Rentals and property management service fees payable by the Group to CR Holdings Group	120 (equivalent to HK\$131 million)	160 (equivalent to HK\$175 million)

In determining the proposed annual caps for the transactions contemplated under the Property Leasing and Property Management Services Framework Agreement, the Company has considered, among others, the following key factors:

- (i) the historical amounts and trend of the rentals, property management service fees and other charges paid by the Group to CR Holdings Group;
- (ii) the expected demand from the Group for leased properties, particularly with respect to the Group's need for leased properties for business premises and offices;
- (iii) the expected increase in demand from the Group for property management services for its leased properties and in view of its other business development; and
- (iv) a buffer to accommodate the potential rising property rental, inflation and other unforeseen factors in the next two years, which may affect the amount of rentals and property management service fees payable by the Group.

INTERNAL CONTROL MEASURES

When the Group procures relevant services in its ordinary and usual course of business, it selects suppliers and service providers and determines the relevant procurement terms through negotiations based on the categories and scale of procurement. As part of the Group's internal approval and monitoring procedures relating to transactions with CR Holdings and its associates, the Group will follow its internal selection and approval procedures in order to select a property lessor and/or property management service provider, including that the Group will:

- (i) form a group of procurement personnel and collate the specific requirements of the relevant transaction;
- (ii) to the extent reasonably practicable, obtain quote from at least two independent third parties (where available) for the transaction;

- (iii) evaluate and compare the terms offered by each participating lessor and/or service provider (including those from the other independent third parties, where available) with reference to the pricing policies and pricing basis, and consider various assessment criteria (including (without limitation) (a) competitiveness of the fee quotation (such as the fees and payment terms), (b) the suitability of the relevant property and/or property management service (as the case may be) offered by the potential lessor and/or service provider, and (c) quality of the potential lessor and/or service provider;
- (iv) formulate a review report on the procurement results, and obtain internal approval for the procurement amount in accordance with the procurement results; and
- (v) notify the relevant parties of the procurement results, and complete internal filing of the procurement documents.

The Group has implemented adequate internal control measures for monitoring all of its continuity 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.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

During its ordinary and usual course of business, the Group has leased properties from other parties for its operations and procured property management services from other parties to maintain orderly operations of its business premises and offices. Historically, the Group leased certain properties from CR Holdings Group and engaged members of CR Holdings Group to provide relevant property management services. CR Holdings and/or its subsidiaries and associates own and lease out properties that are in location or of size and quality that are suitable for the Group's requirements, and offer professional and quality property management services that can facilitate efficient and orderly business operation of the Group. As compared with other independent third parties, CR Holdings Group normally has a better understanding of the Group's property requirements in relation to its business premises and offices.

The Board (including the independent non-executive Directors) considered that the terms of the Property Leasing and Property Management Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Group, 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, CR Holdings, being a controlling shareholder of the Company, indirectly holds approximately 53.40% interest in the Company. Accordingly, CR Holdings is a connected person of the Company and the Property Leasing and Property Management Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under 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 annual caps for the transactions contemplated under the Property Leasing and Property Management Services Framework Agreement exceed 0.1% but are all less than 5%, the Property Leasing and Property Management Services Framework Agreement and the transactions and proposed annual caps contemplated thereunder constitute are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the Property Leasing and Property Management Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder. In order to observe good corporate governance measures, Mr. Han Yuewei, the chairman of the Board and a non-executive Director, has abstained from voting on relevant Board resolutions approving the Property Leasing and Property Management Services Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, given that he serves as senior management in CR Holdings. Save for Mr. Han Yuewei, no other Directors has abstained from voting on such Board resolutions.

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

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:

“associates”	has the meaning ascribed thereto under the Listing Rules;
“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 Holdings Group”	CR Holdings and its subsidiaries and associates (excluding the Group);
“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;
“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;
“Property Leasing and Property Management Services Framework Agreement”	the property leasing and property management services framework agreement dated 23 July 2024 entered into between CR Holdings and the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules.

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\$1.09437. 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

China, 23 July 2024

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. Deng Rong as executive Directors, Mdm. Guo Wei, Mr. Sun Yongqiang, Mr. Guo Chuan 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.