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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)



華潤醫療

CR MEDICAL

China Resources Medical Holdings Company Limited

華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

JOINT ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION SUPPLY CHAIN MANAGEMENT SERVICES

CONTINUING CONNECTED TRANSACTION — SUPPLY CHAIN MANAGEMENT SERVICES UNDER THE COOPERATION FRAMEWORK AGREEMENT 2023/2024

Reference is made to the joint announcement of CR Pharmaceutical and CR Medical dated September 17, 2020 in relation to the Cooperation Framework Agreement 2020. As the Cooperation Framework Agreement 2020 and the annual caps thereunder shall expire on December 31, 2022 and cease to have effect on January 1, 2023, CR Pharmaceutical and CR Medical entered into the Cooperation Framework Agreement 2023/2024 on December 29, 2022 for a term of two years commencing from January 1, 2023, pursuant to which CR Medical Group shall provide CR Pharmaceutical Group with Supply Chain Management Services of medical supplies in order to improve the efficiency of supply chain management of medical supplies of CR Pharmaceutical Group and reduce the corresponding costs. CR Medical Group shall receive management service fees from CR Pharmaceutical Group for the abovementioned services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CR Holdings beneficially holds 53.05% equity interests in CR Pharmaceutical and 36.58% equity interests in CR Medical respectively, it is therefore the controlling shareholder of both CR Pharmaceutical and CR Medical, and CR Pharmaceutical and CR Medical are connected persons of each other. Accordingly, the transactions contemplated under the Cooperation Framework Agreement 2023/2024 constitute continuing connected transactions of both CR Pharmaceutical and CR Medical under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Caps under the Cooperation Framework Agreement 2023/2024 for both CR Pharmaceutical and CR Medical are higher than 0.1% but less than 5%, the transactions contemplated under the Cooperation Framework Agreement 2023/2024 and the Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the joint announcement of CR Pharmaceutical and CR Medical dated September 17, 2020 in relation to the Cooperation Framework Agreement 2020. As the Cooperation Framework Agreement 2020 and the annual caps thereunder shall expire on December 31, 2022 and cease to have effect on January 1, 2023, CR Pharmaceutical and CR Medical entered into the Cooperation Framework Agreement 2023/2024 on 29 December, 2022 for a term of two years commencing from January 1, 2023, pursuant to which CR Medical Group shall provide CR Pharmaceutical Group with Supply Chain Management Services of medical supplies in order to improve the efficiency of supply chain management of CR Pharmaceutical Group's medical supplies and reduce the corresponding costs. CR Medical Group shall receive management service fees from CR Pharmaceutical Group for the abovementioned services.

THE COOPERATION FRAMEWORK AGREEMENT 2023/2024

The major terms of the Cooperation Framework Agreement 2023/2024 are set out as follows:

Date: December 29, 2022

Parties: 1. CR Pharmaceutical; and
2. CR Medical (as service provider)

Duration: From January 1, 2023 to December 31, 2024. Subject to compliance with the Listing Rules and other applicable laws and regulations, the Parties may renew the term of the Cooperation Framework Agreement 2023/2024.

Scope of the Supply Chain Management Services:

CR Medical Group shall provide CR Pharmaceutical Group with Supply Chain Management Services of medical supplies which include establishing regional supply chain management platforms in specific regions and streamlining supply chain management procedures, based on the conditions of management, business operation and other relevant factors of CR Pharmaceutical Group. Through systems integration,

the Supply Chain Management Services shall optimise the mechanism and enhance the process of supply chain management of medical supplies in order to assist CR Pharmaceutical Group in improving efficiency and reducing the costs.

Pricing Basis and Pricing Policies:

CR Pharmaceutical Group shall pay management service fees to CR Medical Group for the provision of Supply Chain Management Services. The relevant fee is calculated by multiplying the management service fee rate by the scale of Supply Chain Management Services provided to CR Pharmaceutical Group in specific regions within a specified period of time or in a specific scope.

The Parties shall determine the abovementioned scale of Supply Chain Management Services based on the following factors including (1) the specific cooperation regions or the scope of specific medical institutes; (2) the expected volume of the corresponding annual supply of medical supplies; and (3) the nature of the geographic area where specific management services are provided.

In respect of the management service fee rates for the Supply Chain Management Services, the Parties shall determine specific fee rates via arm's length negotiation between the Parties and on normal commercial terms and with reference to management service fee rates provided to third-party clients of CR Medical Group under similar service scope, service types and conditions, and the specifications of expected medical supplies and the number of brands involved, the expected medical material supply management complexity and the expected quality of the management services (i.e. the expected results of supply management services including timely arrival rate, quality pass rate and cost control effect, etc.).

Separate agreements will be entered into by the Parties in respect of specific Supply Chain Management Services pursuant to the Cooperation Framework Agreement 2023/2024, in which management service fee rates shall be determined on a case-by-case basis taking into account the factors mentioned above. The corresponding payment terms shall also be separately agreed in accordance with the principles laid down in the Cooperation Framework Agreement 2023/2024.

INTERNAL CONTROL MEASURES

When CR Pharmaceutical Group procures relevant services in its ordinary and usual course of business, it selects suppliers and determines the relevant procurement terms through negotiations based on the categories and scale of the procurement. As part of CR Pharmaceutical Group's internal approval and monitoring procedures relating to the transactions with CR Medical Group, CR Pharmaceutical Group will obtain quote from other independent suppliers for procurement of similar services and consider assessment criteria (including the price, quality, suitability, payment terms, and time required for the provision of the services) before it enters into any new procurement arrangement with CR Medical, and such quotes, together with the offer from CR Medical, will be reviewed and passed by CR Pharmaceutical Group's internal approval procedures. CR

Pharmaceutical Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to CR Pharmaceutical Group’s finance department for monitoring the annual caps of the relevant transactions.

CR Medical Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to CR Medical Group’s finance department for monitoring the annual caps of the relevant transactions. In addition, CR Medical’s auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the Cooperation Framework Agreement 2023/2024 and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the Cooperation Framework Agreement 2023/2024, on normal commercial terms, in the interest of CR Medical and its shareholders as a whole, and in accordance with the relevant pricing policies.

Annual Caps and Basis of Determination:

The Annual Caps under the Cooperation Framework Agreement 2023/2024 for the two years ending December 31, 2024 are set out below:

	For the year ending December 31,	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Annual Caps	74,000,000	84,000,000

The Annual Caps under the Cooperation Framework Agreement 2023/2024 are determined based on the following factors: (a) the expected volume of the annual supply of medical supplies of CR Pharmaceutical Group; and (b) the expected increase in the level of cooperation between the Parties in the next two years.

Since the drug procurement arrangements in connection with the supply chain management cooperation in the specific geographical regions between the Parties are determined according to the outcome of bidding procedures as required by the applicable laws and regulations, as at the date of this announcement, CR Medical Group has not provided any Supply Chain Management Services to CR Pharmaceutical Group pursuant to the Cooperation Framework Agreement 2020.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION FRAMEWORK AGREEMENT 2023/2024

The Parties believe that the entering into of the Cooperation Framework Agreement 2023/2024 shall establish long-term, stable and satisfactory business support and strategic cooperation relationship between the Parties. The Cooperation Framework Agreement 2023/2024 is expected to improve the efficiency of the supply chain management of the medical supplies of CR Pharmaceutical Group in the regions or its partner medical institutions, and reduce the associated supply chain management costs. CR Medical Group shall also receive supply chain management service fees from CR Pharmaceutical Group in respect of the Supply Chain Management Services accordingly.

Taking into account the abovementioned factors, the directors (including independent non-executive directors) of CR Pharmaceutical and CR Medical are of the view that, the Cooperation Framework Agreement 2023/2024 was entered into on normal commercial terms, in the ordinary and usual course of business of the Parties, and the terms of as well as the Annual Caps under the Cooperation Framework Agreement 2023/2024 are fair and reasonable and are in the interests of the Parties and their respective shareholders as a whole.

No directors of the Parties are considered to have a material interest in the Cooperation Framework Agreement 2023/2024. In order to observe good corporate governance measures, Mr. HAN Yuewei and Mr. LIN Guolong, the non-executive directors of CR Pharmaceutical, Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Mr. SHAN Baojie, the executive directors of CR Medical and Mr. HU Hui, the non-executive director of CR Medical have abstained from voting on the corresponding board resolutions of CR Pharmaceutical and CR Medical, given that they serve as senior management in CR Holdings and/or CR Healthcare.

INFORMATION OF THE PARTIES

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

Headquartered in Beijing, CR Medical Group is mainly engaged in the provision of general healthcare services, hospital management services and group purchasing organization business and other hospital-derived services in the PRC.

CR Holdings is the intermediate holding company of CR Pharmaceutical and CR Medical. CR Holdings is a company incorporated in Hong Kong with limited liability. The holding company and ultimate beneficial owner of CR Holdings is China Resources Company Limited, which is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. China Resources Company Limited 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CR Holdings beneficially holds 53.05% equity interests in CR Pharmaceutical and 36.58% equity interests in CR Medical respectively, it is therefore the controlling shareholder of both CR Pharmaceutical and CR Medical, and CR Pharmaceutical and CR Medical are connected persons of each other. Accordingly, the transactions contemplated under the Cooperation Framework Agreement 2023/2024 constitute continuing connected transactions of both CR Pharmaceutical and CR Medical under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Caps under the Cooperation Framework Agreement 2023/2024 for both CR Pharmaceutical and CR Medical are higher than 0.1% but less than 5%, the Cooperation Framework Agreement 2023/2024 and the Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Annual Caps”	the annual caps for the transactions contemplated under the Cooperation Framework Agreement 2023/2024 for each of the two years ending December 31, 2024;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Cooperation Framework Agreement 2020”	the cooperation framework agreement dated September 17, 2020 entered into between CR Pharmaceutical and CR Medical;
“Cooperation Framework Agreement 2023/2024”	the cooperation framework agreement entered into between CR Pharmaceutical and CR Medical on December 29, 2022 in respect of the Supply Chain Management Services;

“CR Healthcare”	China Resources Healthcare Group Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CR Holdings;
“CR Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of CR Pharmaceutical and CR Medical;
“CR Medical”	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1515). As at the date of this announcement, CR Holdings beneficially holds 36.58% equity interests in it;
“CR Medical Group”	CR Medical, its subsidiaries and the medical institutions owned or managed by it;
“CR Pharmaceutical”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 3320). As at the date of this announcement, CR Holdings beneficially holds 53.05% equity interests in it;
“CR Pharmaceutical Group”	CR Pharmaceutical and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	CR Pharmaceutical and CR Medical, being the parties to the Cooperation Framework Agreement 2023/2024;
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Supply Chain Management Services”

the supply chain management services to be provided by CR Medical Group to CR Pharmaceutical Group under the Cooperation Framework Agreement 2023/2024. Further details have been set out in the section headed “The Cooperation Framework Agreement 2023/2024 — Scope of the Supply Chain Management Services” of this announcement; and

“%”

per cent.

By order of the board of
**China Resources Pharmaceutical
Group Limited**
HAN Yuewei
*Non-executive Director
and Chairman*

By order of the board of
**China Resources Medical
Holdings Company Limited**
CHENG Libing
*Executive Director
and Chief Executive Officer*

Shenzhen and Beijing, December 29, 2022

As at the date of this announcement, the board of directors of CR Pharmaceutical 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.

As at the date of this announcement, the board of directors of CR Medical comprises Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Mr. SHAN Baojie as executive directors; Mr. HU Hui as non-executive director; Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. LEE Kar Chung Felix as independent non-executive directors.