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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

On September 17, 2020, CR Pharmaceutical and CR Medical entered into the Cooperation Framework Agreement and pursuant to which CR Medical Group shall provide CR Pharmaceutical Group Supply Chain Management Services of medical supplies in relation to establishment of regional platforms and streamlining of supply chain management procedures 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

At the date of this announcement, CR Holdings beneficially holds 53.05% of equity interests in CR Pharmaceutical and 36.58% equity interests in CR Medical, 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 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 set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the Cooperation Framework Agreement for both CR Pharmaceutical and CR Medical are higher than 0.1% but less than 5%, the Cooperation Framework Agreement and the annual caps of the transactions contemplated thereunder 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.

On September 17, 2020, CR Pharmaceutical and CR Medical entered into a Cooperation Framework Agreement pursuant to which CR Medical Group shall provide CR Pharmaceutical Group with Supply Chain Management Services of medical supplies which include establishing regional supply chain platforms and streamlining supply chain management procedures in order to improve the efficiency of supply chain management of CR Pharmaceutical Group's medical supplies and to reduce the corresponding costs. CR Medical Group shall receive management service fees from CR Pharmaceutical Group for the abovementioned services.

COOPERATION FRAMEWORK AGREEMENT

The major terms of the Cooperation Framework Agreement are as follows:

Date: September 17, 2020

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

Duration: The term of the Cooperation Framework Agreement shall commence from the date of the agreement and expiring on December 31, 2022. Subject to compliance with the Listing Rules, the Parties may then renew the Cooperation Framework Agreement.

Supply Chain Management Services:

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

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 medical supplies supply chain management of the specific region or entity of CR Pharmaceutical Group within a specified period of time in a specific scope.

The Parties shall determine the abovementioned scale of medical supplies supply chain management based on the following factors including (1) the scope of cooperation in specific regions or 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 rate, the Parties shall determine specific fee rates via arm's length negotiation between the Parties and on normal and 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 expected variety of medical supplies and specifications and the number of brands involved, the expected medical material supply management complexity and specific requirements (i.e. the 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, 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.

Annual caps:

The annual caps in respect of transactions contemplated under the Cooperation Framework Agreement are set out below:

	For the year ending December 31,		
	2020	2021	2022
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual caps	30,000,000	50,000,000	70,000,000

The annual caps in respect of management service fees under the Cooperation Framework Agreement are determined based on the following factors: (a) the expected regions of cooperation between the Parties and the service scope; (b) the expected quantity of medical supplies during each of the specific year; and (c) the expected increase of the level of cooperation between the Parties in the next two years.

As of the date of this announcement, CR Medical Group has not provided any Supply Chain Management Services to CR Pharmaceutical Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION FRAMEWORK AGREEMENT

The Parties believe that the entering into of the Cooperation Framework Agreement shall establish long-term, stable and satisfactory business support and strategic cooperation relationship between the Parties. The Cooperation Framework Agreement 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 management service fees income 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 was entered into on normal commercial terms in the ordinary and usual course of business of the Parties and the terms as well as the annual caps of the continuing connected transactions contemplated thereunder 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 material interest in the Cooperation Framework Agreement. In order to observe good corporate governance measures, Mr. Wang Chuncheng, Mr. Yu Zhongliang and Mdm. Guo Wei, the non-executive directors of CR Pharmaceutical, Mr. Song Qing, Mr. Cheng Libing and Ms. Ren Yuan, the executive directors of CR Medical, and Mr. Wang Yan, the non-executive director of CR Medical have abstained from voting on the corresponding board resolutions, given that they serve as senior management in CR Holdings.

INFORMATION OF THE PARTIES

CR Pharmaceutical Group is principally engaged in the research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products.

CR Medical Group is principally engaged in the provision of general hospital services, hospital management services and supply chain business in the PRC, with its headquarters located in Beijing.

LISTING RULES IMPLICATIONS

At the date of this announcement, CR Holdings beneficially holds 53.05% of equity interests in CR Pharmaceutical and 36.58% equity interests in CR Medical, 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 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 set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the continuing connected transactions under the Cooperation Framework Agreement for both CR Pharmaceutical and CR Medical are higher than 0.1% but less than 5%, the Cooperation Framework Agreement and the proposed annual caps for the transactions contemplated thereunder 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:

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Cooperation Framework Agreement”	the cooperation framework agreement entered into between CR Pharmaceutical and CR Medical on September 17, 2020 pursuant to which CR Medical Group shall provide Supply Chain Management Services;
“CR Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability;
“CR Medical”	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1515). 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 shares of which are listed on the Main Board of the Stock Exchange (stock code: 3320). 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 of Hong Kong Limited;
“Parties”	parties to the Cooperation Framework Agreement, i.e. CR Pharmaceutical and CR Medical;
“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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
“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, further details have been set out in the section headed “Cooperation Framework Agreement — Supply Chain Management Services” to this announcement; and
“%”	per cent.

By order of the board of
**China Resources Pharmaceutical
Group Limited**
WANG Chuncheng
*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*

Beijing and Hong Kong, September 17, 2020

As of the date of this announcement, the board of China Resources Pharmaceutical Group Limited comprises Mr. WANG Chuncheng as chairman and non-executive director, Mr. HAN Yuewei, Mr. LI Xiangming and Mdm. WENG Jingwen as executive directors, Mr. YU Zhongliang, Mdm. GUO Wei, Mr. WANG Shouye and Mr. LYU Ruizhi 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 China Resources Medical Holdings Company Limited comprises Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Ms. CHIU Kam Hing Kathy and Mr. LEE Kar Chung Felix as independent non-executive directors; Mr. WANG Yan as non-executive director; Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Ms. FU Yanjun as executive directors.