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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 ENTRUSTED CONSTRUCTION AGREEMENT WITH SHENZHEN RUNZHI

The Board is pleased to announce that, on 5 February 2024, CR Boya Bio-pharmaceutical, a non-wholly-owned subsidiary of the Company, entered into the Entrusted Construction Agreement with Shenzhen Runzhi, pursuant to which CR Boya Bio-pharmaceutical has entrusted Shenzhen Runzhi to undertake the Services for the construction of the Intelligent Factory (Phase I) for blood product business of CR Boya Bio-pharmaceutical for a total Fee of RMB29,462,393.54 (equivalent to HK\$32,427,783.45).

As at the date of this announcement, CR Holdings, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, indirectly holds 59.55% interest in CR Land, and Shenzhen Runzhi is a wholly-owned subsidiary of CR Land. Accordingly, the Entrusted Construction Agreement and the transactions contemplated thereunder constitute connected transaction 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 exceed 0.1% but are all less than 5%, the Entrusted Construction Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under the Listing Rules and are subject to the 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 5 February 2024, CR Boya Bio-pharmaceutical, a non-wholly-owned subsidiary of the Company, entered into the Entrusted Construction Agreement with Shenzhen Runzhi, pursuant to which CR Boya Bio-pharmaceutical has entrusted Shenzhen Runzhi to undertake the Services for the construction of the Intelligent Factory (Phase I) for blood product business of CR Boya Bio-pharmaceutical for a total fee of RMB29,462,393.54 (equivalent to HK\$32,427,783.45).

THE ENTRUSTED CONSTRUCTION AGREEMENT

The principal terms of the Entrusted Construction Agreement are set out as follows:

(1) Date

5 February 2024

(2) Parties

(a) CR Boya Bio-pharmaceutical, a non-wholly-owned subsidiary of the Company;
and

(b) Shenzhen Runzhi

(3) Scope of the Services pursuant to the Entrusted Construction Agreement

Pursuant to the Entrusted Construction Agreement, Shenzhen Runzhi has been entrusted by CR Boya Bio-pharmaceutical to undertake services for the construction of the Intelligent Factory (Phase I) for blood product business of CR Boya Bio-pharmaceutical, including, without limitation, (i) project planning and design management; (ii) approval and construction permit applications; (iii) bidding management, contract management, construction management, cost management, and progress management; (iv) safety and environment management and quality management; (v) completion management and settlement management; (vi) property title registration; (vii) information management; and (viii) post-completion management during the defect liability period after construction acceptance (collectively, the “**Services**”).

Shenzhen Runzhi shall provide the Services commencing from the execution of Entrusted Construction Agreement until three years after the completion acceptance for the construction of the Intelligent Factory (Phase I) is duly obtained and delivered to CR Boya Bio-pharmaceutical.

The Intelligent Factory (Phase I) is located in Fuzhou High-tech Industrial Development Zone, Fuzhou City, Jiangxi Province, the PRC. It is expected that the Intelligent Factory (Phase I) will comprise of a fully functional blood product research and development and production base, with a building area of over 53 thousand square meters and a construction area of over 109 thousand square meters, upon completion. It is currently targeted that the construction of the Intelligent Factory (Phase I) will be completed by or around the end of 2025, and the operation of the production facilities in the Intelligent Factory (Phase I) will commence in around third quarter of 2027. The construction shall comply with the applicable laws, regulations, industry procedures and standards of the PRC and of the region in which the Intelligent Factory (Phase I) is located and the relevant GMP standards.

(4) Consideration

In consideration of the Services to be provided by Shenzhen Runzhi during its term of Services, the total Fee for the entrustment of Shenzhen Runzhi payable by CR Boya Bio-pharmaceutical pursuant to the Entrusted Construction Agreement shall be RMB29,462,393.54 (equivalent to HK\$32,427,783.45) (the “**Fee**”), representing a fee rate of 3% of the total investment cost to be incurred for the construction of the Intelligent Factory (Phase I) (which is currently expected to be approximately RMB982 million (equivalent to approximately HK\$1,080 million). In addition to such Fee, CR Boya Bio-pharmaceutical may, at its discretion, pay incentive fees to Shenzhen Runzhi (including incentives concerning cost control, project progress, safety and quality) for its Services pursuant to the Entrusted Construction Agreement.

The Fee will be payable in cash upon completion of the milestone events and presentation of relevant evidence and written invoice in the following manner:

	Percentage of the total Fee payable by CR Boya Bio-pharmaceutical (%)
Upon signing of the Entrusted Construction Agreement	10%
Upon approval of the construction drawings	5%
Upon entry of the general contractor for the construction	10%
Upon completion of the foundation work (including support works, pile foundation and bearing platform)	10%
Upon topping out of the main structure (i.e. the production center and the warehousing center)	10%
Upon completion of equipment foundation and ground construction work	10%
Upon completion of interior decoration	10%
Upon completion of the fire safety acceptance	5%
Upon obtaining completion acceptance report	10%
Upon obtaining registration certificate and fulfillment of the conditions for trial production	5%
Upon completion of transfer of project files and review and submission of project settlement documentation	7%
Upon obtaining property title certificate(s)	5%
Upon expiry of three years after filing of completion acceptance and completion of all maintenance of any quality defects	3%
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Total:	100%
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The Fee payable by CR Boya Bio-pharmaceutical pursuant to the Entrusted Construction Agreement is determined between the parties on arm's length basis, having considered a variety of factors, including, without limitation, the scope of Services, nature, scope and scale of the construction, expected quality of work, and time and resources required for the Services.

As part of the Group's internal approval and monitoring procedures relating to transactions with CR Holdings and its associates, the Group has compared the terms offered by other independent third parties and obtained market data on the pricing of transactions of similar nature, scope and scale through publicly available information to the extent reasonably practicable, in order to ensure the transactions contemplated under the Entrusted Construction Agreement are on normal commercial terms, and the transactions contemplated under the Entrusted Construction Agreement are reviewed and passed by the Group's internal approval procedures.

REASONS FOR AND BENEFITS OF THE ENTRUSTED CONSTRUCTION AGREEMENT

The construction of the Intelligent Factory (Phase I) is complex and large-scale in nature. By entrusting Shenzhen Runzhi, which is well experienced in development and management in construction projects of similar nature and/or scale in the PRC, to undertake the Services pursuant to the Entrusted Construction Agreement, it is expected that the Group can leverage on the professional experience and strength of Shenzhen Runzhi to effectively manage and complete the construction of the Intelligent Factory (Phase I) for CR Boya Bio-pharmaceutical, which in turn is expected to enhance the overall efficiency and better control the costs and quality of the construction of the Intelligent Factory (Phase I).

The Board (including the independent non-executive Directors) considered that the terms of the Entrusted Construction 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, CR Holdings, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, indirectly holds 59.55% interest in CR Land, and Shenzhen Runzhi is a wholly-owned subsidiary of CR Land. Accordingly, the Entrusted Construction Agreement and the transactions contemplated thereunder constitute connected transaction 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 exceed 0.1% but are all less than 5%, the Entrusted Construction Agreement and the transactions contemplated thereunder constitute connected transaction for the Company under the Listing Rules and are subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

INFORMATION OF THE PARTIES

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.

CR Boya Bio-pharmaceutical

The Company indirectly holds approximately 29.28% of the total share capital and approximately 40.59% voting rights in the total share capital of CR Boya Bio-pharmaceutical as at the date of this announcement, and therefore, CR Boya Bio-pharmaceutical is a non-wholly-owned subsidiary of the Company. The shares of CR Boya Bio-pharmaceutical are listed on the Shenzhen Stock Exchange (stock code: 300294).

CR Boya Bio-pharmaceutical is principally engaged in research and development, manufacturing and sales of blood products, anti-infective chemicals, biochemical drugs and other products, and is one of the leading blood product manufacturing enterprises in the PRC. It covers nine types and 23 specifications of blood products including human albumin, intravenous human immunoglobulin (pH4) and coagulation factors.

Shenzhen Runzhi

Shenzhen Runzhi is principally engaged in entrusted construction, property development and construction management in the PRC, and is a wholly-owned subsidiary of CR Land. The shares of CR Land are listed on the Main Board of the Stock Exchange (stock code: 1109). CR Land is an indirect non-wholly-owned subsidiary of CR Holdings, which indirectly holds 59.55% interest in CR Land as at the date of this announcement, and CR Holdings is ultimately beneficially owned by CRC and CRC is beneficially owned by the State-owned Assets Supervision and Administrative Commission of the PRC.

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 Boya Bio-pharmaceutical”	China Resources Boya Bio-pharmaceutical Group Company Limited (華潤博雅生物製藥集團股份有限公司), a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300294) and a non-wholly-owned subsidiary of the Company;

“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 Land”	China Resources Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1109) and an indirect non-wholly-owned subsidiary of CR Holdings as at the date of this announcement;
“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;
“Entrusted Construction Agreement”	the entrusted construction agreement for phase I of the intelligent factory for blood product business dated 5 February 2024 entered into between CR Boya Bio-pharmaceutical and Shenzhen Runzhi;
“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;
“Intelligent Factory (Phase I)”	phase I of the intelligent factory for blood product business of CR Boya Bio-pharmaceutical to be constructed in Fuzhou High-tech Industrial Development Zone, Fuzhou City, Jiangxi Province, 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Services”	the entrusted construction services to be provided by Shenzhen Runzhi pursuant to the terms and conditions of the Entrusted Construction Agreement, the details of which are set forth in the section headed “The Entrusted Construction Agreement – (3) Scope of the Services pursuant to the Entrusted Construction Agreement”;
“Shenzhen Runzhi”	Shenzhen Runzhi City Construction Management Co., Ltd. (深圳市潤置城市建設管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CR Land;
“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\$1.10065. 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

Shenzhen, 5 February 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. 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.