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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)

**MAJOR TRANSACTION
IN RELATION TO
THE PROPOSED ACQUISITION OF
A CONTROLLING STAKE IN
BOYA BIO-PHARMACEUTICAL GROUP**

Reference is made to the announcement of the Company dated 28 September 2020 in relation to, among other things, the proposed acquisition of a controlling stake in the Target Company.

The Board is pleased to announce that CR Pharmaceutical Holdings, the Vendor and the Target Company entered into the Transaction Documents, upon which becoming effective and at completion, the controlling shareholder of the Target Company will be changed to CR Pharmaceutical Holdings. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Transaction Documents exceeds 25% but is less than 100%, the transactions contemplated under the relevant Transaction Documents constitute a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirement under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder nor any of their close associates has material interest in the transactions contemplated under the relevant Transaction Documents. Accordingly, no Shareholder is required to abstain from voting pursuant to the Listing Rules if the Company were to convene a general meeting for the approval of the transactions contemplated under the relevant Transaction Documents. The approval of the transactions contemplated under the relevant Transaction Documents will be given by CRH (Pharmaceutical) by way of written Shareholders' approval in lieu of holding a general meeting. Therefore, the Company will not convene a general meeting for the approval of the transactions contemplated under the relevant Transaction Documents pursuant to Rule 14.44 of the Listing Rules.

The transactions contemplated under the Transaction Documents are subject to the fulfilment of the conditions precedent stated in the Transaction Documents and may or may not proceed. Accordingly, Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated 28 September 2020 in relation to, among other things, the proposed acquisition of a controlling stake in the Target Company. The Board is pleased to announce that CR Pharmaceutical Holdings entered into the Transaction Documents, upon which becoming effective and at completion, the controlling shareholder of the Target Company will be changed to CR Pharmaceutical Holdings.

PRINCIPAL TERMS

Date of Transaction Documents

30 September 2020

Target Company

Boya Bio-pharmaceutical Group Co., Ltd

SUBJECT MATTER

Upon the Transaction Documents becoming effective and at completion, the controlling shareholder of the Target Company will be changed to CR Pharmaceutical Holdings:

1. Pursuant to the Share Transfer Agreement, CR Pharmaceutical Holdings intends to acquire 69,331,978 non-restricted tradable shares of the Target Company (representing 16.00% of the total share capital of the Target Company) held by the Vendors by way of cash.
2. Pursuant to the Voting Rights Entrustment Agreement, the Vendor intends to entrust the voting rights of all the remaining shares of the Target Company held by it to CR Pharmaceutical Holdings. Upon the aforesaid share transfer and voting rights entrustment, CR Pharmaceutical Holdings will own 29.17% of the voting rights in the total share capital of the Target Company.

3. Pursuant to the Share Subscription Agreement, CR Pharmaceutical Holdings intends to subscribe by way of cash for 86,664,972 shares (20% of the total share capital prior to the issuance, while the final subscription volume shall be subject to the documents approved by the China Securities Regulatory Commission for registration) to be issued by the Target Company to CR Pharmaceutical Holdings. The shares to be subscribed by CR Pharmaceutical Holdings shall not be transferred within 36 months from the date of completion of the equity registration.

Upon completion of the aforesaid transaction, the total share capital of the Target Company is expected to be changed to 519,989,835 shares, whereas CR Pharmaceutical Holdings will hold 155,996,950 shares of the Target Company (representing 30.00% of the total share capital of the Target Company). Meanwhile, it has the voting rights corresponding to 57,049,640 shares of the Target Company (representing 10.97% of the total share capital of the Target Company), holding the voting rights corresponding to 213,046,590 shares of the Target Company (representing 40.97% of the total share capital of the Target Company) in aggregate, and the controlling shareholder of the Target Company will be changed to CR Pharmaceutical Holdings.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the existing Shareholders, the Target Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

CONDITIONS PRECEDENT

As at the disclosure date of this announcement, the transaction is subject to the approval of the SASAC and the passing of centralized review of operators by the Anti-Monopoly Bureau of the State Administration for Market Regulation, the compliance confirmation of the SZSE and the application for registration of share transfer with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited; the issuance of shares to specific targets by of the Target Company shall be considered and approved at the general meeting of the Target Company, reviewed by the SZSE and registered and issued by the CSRC.

CONSIDERATION

The total consideration under the Transaction Documents is expected to be approximately RMB5.358 billion.

Pursuant to the Share Transfer Agreement, CR Pharmaceutical Holdings intends to acquire 69,331,978 non-restricted tradable shares of the Target Company held by the Vendor at a price of RMB38 per share by way of transfer by agreement. The consideration was determined after arm's length negotiations between the parties with reference to the closing price of the shares of the listed company in the secondary market on one trading day prior to the signing date of the Share Transfer Agreement.

Pursuant to the Share Subscription Agreement, the issue price of the shares of the Target Company shall be RMB31.43 per share and the price benchmark date shall be on 1 October 2020. The issue price of the shares issued by the Target Company to CR Pharmaceutical Holdings, is 80% of the average trading price of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date. Average trading price of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date = total trading amount of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date/total trading volume of the shares of the Target Company for the 20 trading days preceding the pricing benchmark date. During the period from the pricing benchmark date to the issue date, the issue price will be adjusted accordingly if there occurs any ex-right or ex-dividend event (such as distribution of dividend, bonus issue and conversion of capital reserve into share capital) between the pricing benchmark date and the issue date.

INFORMATION ON THE PARTIES

CR Pharmaceutical Holdings is one of the largest pharmaceutical groups in China with a complete industrial chain in production and operation, covering pharmaceutical manufacturing, pharmaceutical distribution, pharmaceutical R&D and medical device manufacturing. CR Pharmaceutical Holdings has modern production bases, distribution centers and high-level R&D centers in Beijing, Shanghai, Shenzhen, Sichuan and Shandong, providing pharmaceutical R&D, manufacturing, wholesale, distribution, retail chain and hospital distribution services. It mainly provides products and services to patients and society in the fields of the Chinese patent medicine, instant Chinese herbal medicine, chemical synthetic drugs, biological drugs, natural drugs, pharmaceutical intermediates, nutritional and healthcare products, medical devices, pharmaceutical equipment and pharmaceutical distribution, in which it has a leading position in the PRC in the fields of cardiovascular, large infusion, reproductive health, natural medicine, Chinese patent medicine and medical equipment. CR Pharmaceutical Holdings is an investment holding company and a wholly-owned subsidiary of the Company.

The general business activities of the Vendor are direct investment in high-tech industry and other technological innovation enterprises; entrusted to manage and operate start-up capital of other venture capital companies; investment advisory business; direct investment or participation in the construction of business incubators.

Listed on the SZSE (stock code: 300294), the Target Company is engaged in pharmaceutical product manufacturing business. The Target Company mainly develops, produces, and sells blood products, diabetes drugs, anti-infective chemicals, biochemical drugs, and other products.

According to the audited financial report of the Target Company prepared in accordance with the China Accounting Standards for Business Enterprises, as of 31 December 2019/for the year ended 31 December 2019, the audited operating revenue of the Target Company was approximately RMB2,908,800,000, the audited net profit was approximately RMB442,100,000 and the audited total assets were RMB5,256,700,000. As of 31 December 2018/for the year ended 31 December 2018, the audited operating revenue of the Target Company was approximately RMB2,451,300,000, the audited net profit was approximately RMB485,100,000 and the audited total assets were RMB5,073,200,000.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION

The blood product industry is characterized by its rapid growth, strong profitability, scarcity of raw materials, rigid demand, stable competitive landscape and high barriers to entry, hence a business with very stable and long-term growth cash flow. Entering the blood product industry is of strategic significance. The transactions can effectively promote the further development of CR Pharmaceutical towards biomedicine, help expand the business scale of the Company, integrate high-quality resources, give full play to the synergy effect, further improve the performance and enhance the overall competitiveness, so as to expand and strengthen the pharmaceutical and healthcare industry and achieve a leapfrog development of the Company's business.

IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Transaction Documents exceeds 25% but is less than 100%, the transactions contemplated under the relevant Transaction Documents constitute a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirement under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder nor any of their close associates has material interest in the transactions contemplated under the relevant Transaction Documents. Accordingly, no Shareholder is required to abstain from voting pursuant to the Listing Rules if the Company were to convene a general meeting for the approval of the transactions contemplated under the relevant Transaction Documents. Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the transactions contemplated under the relevant Transaction Documents may be given by way of written Shareholders' approval in lieu of holding a general meeting, in case of the following circumstances: (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of in the transactions contemplated under the relevant Transaction Documents; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who in total hold more than 50% of the issued share capital of the Company and has obtained the right to attend and vote at the general meeting to approve the transactions contemplated under the relevant Transaction Documents.

The approval of the transactions contemplated under the relevant Transaction Documents will be given by CRH (Pharmaceutical) by way of written Shareholders' approval in lieu of holding a general meeting. As at the date of this announcement, CRH (Pharmaceutical) holds 3,333,185,612 issued Shares of the Company, representing approximately 53.05% of the issued Shares of the Company. Therefore, the Company will not convene a general meeting for the approval of the transactions contemplated under the relevant Transaction Documents pursuant to Rule 14.44 of the Listing Rules.

The transactions contemplated under the Transaction Documents are subject to the fulfilment of the conditions precedent stated in the Transaction Documents and may or may not proceed. Accordingly, Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

GENERAL

A circular of the Company containing, among other things, the further details of the transactions contemplated under the relevant Transaction Documents, and other information required to be disclosed under the Listing Rules is expected to be despatched to the Shareholders on or before 23 October 2020. If additional time is required for the preparation of the circular, the Company will apply for a waiver from strict compliance with Rule 14.41 (a) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Company” or “CR Pharmaceutical”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability;
“CR (Pharmaceutical)”	CRH (Pharmaceutical) Limited, a company incorporated in the British Virgin Islands, a controlling shareholder of 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 and a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Investment Framework Agreement”	An investment framework agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Vendor;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;

“PRC”	the People’s Republic of China;
“Share Subscription Agreement”	A share subscription agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Target Company;
“Share Transfer Agreement”	A share transfer agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Vendor;
“Shareholder(s)”	shareholder(s) of the Company;
“SZSE”	the Shenzhen Stock Exchange;
“Target Company”	Boya Bio-pharmaceutical Group Co., Ltd (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);
“Transaction Documents”	Investment Framework Agreement, Share Transfer Agreement, Voting Rights Entrustment Agreement, and Share Subscription Agreement;
“Vendor”	Shenzhen Gaotejia Investment Group Co., Ltd. (深圳市高特佳投資集團有限公司), a company incorporated in the PRC;
“Voting Rights Entrustment Agreement”	A voting rights entrustment agreement dated 30 September 2020 entered into between CR Pharmaceutical Holdings and the Vendor; and
“%”	per cent.

For and on behalf of
China Resources Pharmaceutical Group Limited
WANG Chuncheng
Chairman

Shenzhen, 30 September 2020

As at the date of this announcement, the Board 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.