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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)**

## **DISCLOSEABLE TRANSACTION PROPOSED ACQUISITION OF INTEREST IN KPC**

The Board is pleased to announce that, on 6 May 2022, CR Sanjiu entered into the Share Purchase Agreement with the Vendors, pursuant to which CR Sanjiu has agreed to conditionally purchase, and the Vendors have agreed to conditionally sell, an aggregate of 212,311,616 shares of KPC (representing 28% interest in KPC as of the date of this announcement) for a proposed cash consideration of RMB2,902 million (equivalent to approximately HK\$3,441 million). Upon Completion, CR Sanjiu will hold 28% equity interest in KPC and will become the largest shareholder of KPC and KPC will be accounted for as a non-wholly-owned subsidiary of the Company.

As one of the relevant percentage ratio(s) under the Listing Rules in respect of the Proposed Acquisition contemplated under the Share Purchase Agreement exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

**As Completion of the Proposed Acquisition is subject to the fulfilment of the conditions precedent stated in the Share Purchase Agreement, the Proposed Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## **BACKGROUND**

The Board is pleased to announce that, on 6 May 2022, CR Sanjiu entered into the Share Purchase Agreement with the Vendors, pursuant to which CR Sanjiu has agreed to conditionally purchase, and the Vendors have agreed to conditionally sell, an aggregate of 212,311,616 shares of KPC (representing 28% interest in KPC as at the date of this announcement) for a proposed cash consideration of RMB2,902 million (equivalent to approximately HK\$3,441 million).

## **THE PROPOSED ACQUISITION**

A summary of the principal terms of the Share Purchase Agreement are set out as follows:

**(1) Date**

6 May 2022

**(2) Parties**

- (a) CR Sanjiu (a non-wholly-owned subsidiary of the Company), as the purchaser;
- (b) Holley Pharmaceutical, as one of the Vendors; and
- (c) Holley Group, as one of the Vendors.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

**(3) Subject Matter**

Pursuant to the Share Purchase Agreement, CR Sanjiu has agreed to conditionally purchase, and the Vendors have agreed to conditionally sell, an aggregate of 212,311,616 shares of KPC (representing 28% interest in KPC as of the date of this announcement), of which (i) Holley Pharmaceutical shall transfer to CR Sanjiu 208,976,160 shares of KPC (representing 27.56% interest in KPC as of the date of this announcement) and (ii) Holley Group shall transfer to CR Sanjiu 3,335,456 shares of KPC (representing 0.44% interest in KPC as of the date of this announcement), for a proposed cash consideration of RMB2,902 million (equivalent to approximately HK\$3,441 million).

Upon Completion, CR Sanjiu will hold 28% equity interest in KPC and will become the largest shareholder of KPC and KPC will be accounted for as a non-wholly-owned subsidiary of the Company.

**(4) Consideration**

The total consideration for the Proposed Acquisition is proposed to be RMB2,902 million (equivalent to approximately HK\$3,441 million) (i.e., RMB13.67 per share of KPC (equivalent to approximately HK\$16.21 per share of KPC), of which (i) RMB2,856 million (equivalent to approximately HK\$3,386 million) shall be payable to Holley Pharmaceutical and (ii) RMB45.6 million (equivalent to approximately HK\$54.1 million) shall be payable to Holley Group.

The consideration for the Proposed Acquisition was determined after arm's length negotiation among the parties. Such consideration shall not be less than the lowest trading price for significant transactions of KPC quoted on the Shanghai Stock Exchange as of the date of the Share Purchase Agreement (being RMB9.69 per share), and the appraised value of total equity interest of KPC according to an asset appraisal report to be issued by an independent valuer engaged by CR Sanjiu will be taken into consideration. The final consideration payable by CR Sanjiu for the Proposed Acquisition shall be confirmed by the SASAC and the Company's ultimate controlling shareholder, China Resources Company Limited.

Payment of the consideration for the Proposed Acquisition shall be made in cash in three instalments:

- (i) First instalment: 35% of the total consideration for the Proposed Acquisition (i.e., RMB1,015.7 million (equivalent to approximately HK\$1,204.3 million)) shall be made by CR Sanjiu within 15 days after the Shanghai Stock Exchange has issued its confirmation in respect of the Proposed Acquisition contemplated under the Share Purchase Agreement;

- (ii) Second instalment: 55% of the total consideration for the Proposed Acquisition (i.e., RMB1,596.1 million (equivalent to approximately HK\$1,892.5 million)) shall be made by CR Sanjiu within 15 days upon completion of the registration of share transfer with the Shanghai Branch of the China Securities and Clearing Corporation Limited; and
- (iii) Third instalment: 10% of the total consideration for the Proposed Acquisition (i.e., RMB290.2 million (equivalent to approximately HK\$344.1 million)) shall be made by CR Sanjiu within 15 days after three months commencing from the Registration Date.

It is expected that CR Sanjiu will satisfy the payment of the consideration for the Proposed Acquisition by its internal resources.

**(5) Conditions precedent**

The Proposed Acquisition by CR Sanjiu under the Share Purchase Agreement is subject to the fulfilment of certain conditions precedent, including:

- (a) the further consideration and approval by the board of directors of CR Sanjiu following the completion of the asset audit, assessment or valuation in respect of the Proposed Acquisition;
- (b) the approval by each of Holley Pharmaceutical and Holley Group in respect of the Proposed Acquisition;
- (c) the approval by each of the company and China Resources Company Limited in respect of the Proposed Acquisition;
- (d) the approval by the SASAC of the Proposed Acquisition;
- (e) the shareholders' approval of the Proposed Acquisition at a general meeting of CR Sanjiu;
- (f) the passing of centralized review of operators by the Anti-Monopoly Bureau of the State Administration for Market Regulation in respect of the Proposed Acquisition; and
- (g) other approvals or permits if so required by applicable laws and regulations.

**(6) Completion**

Completion of the Proposed Acquisition will take place upon the fulfilment of all the conditions precedent stated in the Share Purchase Agreement.

Upon Completion, CR Sanjiu will hold 28% equity interest in KPC and will become the largest shareholder of KPC, and KPC will be accounted for as a non-wholly-owned subsidiary of the Company.

## **(7) Arrangements during transitional period**

On 19 March 2022, KPC declared a dividend of RMB2.7 per ten shares of KPC (inclusive of tax), which will be borne by and distributed to the Vendors in proportion to their respective interest held in KPC. During the transitional period from the date of the Share Purchase Agreement to the Registration Date, unless the Share Purchase Agreement contemplates otherwise or with the prior written consent of CR Sanjiu, KPC shall not declare and make further distribution to its shareholders. Any profit or loss during the transitional period from the date of the Share Purchase Agreement to the Registration Date shall be borne by CR Sanjiu.

## **STRATEGIC COOPERATION WITH HOLLEY PHARMACEUTICAL**

On 6 May 2022, the Company also entered into the Strategic Cooperation Agreement with Holley Pharmaceutical, pursuant to which the parties agree to carry out comprehensive strategic cooperation in the pharmaceutical and "big health" industries in the PRC covering from panax notoginseng series and artemether series to pharmaceutical research and development and pharmaceutical distribution, and leveraging on global experience and overseas trading and cooperation platforms of Holley Group, to expand into the global market and jointly promote the global development of the traditional Chinese medicine industry. Building upon the cooperation with Holley Group, the parties will deepen their strategic cooperation with an aim to realizing a strong collaboration and a mutual beneficial business relationship.

## **INFORMATION OF THE PARTIES**

The Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. CR Sanjiu is a non-wholly-owned subsidiary of the Company, which is indirectly owned as to 63.60% by the Company as at the date of this announcement.

Holley Pharmaceutical is wholly owned by Holley Group, which is an integrated enterprise in the PRC principally engaged in cultivating the "big health" industry (including medical and healthcare services, traditional Chinese medicine and other prescription drugs), energy IoT industry, new materials industry and other innovative services. Holley Group is ultimately beneficially owned by Mr. Wang Licheng. As at the date of this announcement, KPC was owned in aggregate as to approximately 31.42% by Holley Pharmaceutical and Holley Group.

## **INFORMATION OF KPC**

KPC and its subsidiaries are principally engaged in research and development, pharmaceutical production, wholesale and distribution with a focus on innovative natural botanical drugs. Its business scope covers traditional Chinese medicine, chemical medicine and medicinal circulation. The shares of KPC have been listed on the Shanghai Stock Exchange (stock code: 600422) since December 2000. Based in Yunan Province with abundant plant resources, KPC and its subsidiaries have developed a variety of new natural botanical drugs, including the artemether series, panax notoginseng series, Tianma series, and special traditional Chinese medicines and special ethnic drugs. For the year ended 31 December 2021, KPC recorded a revenue of approximately RMB8.25 billion (equivalent to approximately HK\$9.78 billion). With its considerable experience in the PRC pharmaceutical industry, KPC is listed as one of the new key national high-tech companies and one of the Top 100 companies in the Chinese medical industry. The company's brands such as Luotai<sup>®</sup>, Tianxuanqing<sup>®</sup>, Artemedine<sup>®</sup>, Artem<sup>®</sup> and Arco<sup>®</sup>.

According to the audited annual report of KPC<sup>(Note 1)</sup> prepared in accordance with the PRC generally accepted accounting principles for the years ended 31 December 2020 and 31 December 2021, the net profit before and after taxation of KPC are set out as follows:

	For the year ended 31 December	
	2020	2021
Net profit before taxation	RMB540,486,511.23 (equivalent to approximately HK\$640,860,261.23)	RMB631,288,763.64 (equivalent to approximately HK\$748,525,399.94)
Net profit after taxation	RMB462,182,674.98 (equivalent to approximately HK\$548,014,619.55)	RMB513,214,060.27 (equivalent to approximately HK\$608,523,043.40)

According to the audited annual report of KPC<sup>(Note 1)</sup>, as at 31 December 2021, the audited net asset value of KPC was approximately RMB4,940.3 million (equivalent to approximately HK\$5,857.8 million).

*Note 1: It is expected that a special audit on KPC will be performed following the Proposed Acquisition.*

## **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with the strategic development of the Group and is expected to be conducive to promoting the high quality development of the traditional Chinese medicine industry chain represented by KPC's panax notoginseng series and creating a leading enterprise in the panax notoginseng segment. In addition, leveraging on the branding and operational capability of CR Sanjiu, the Group can further explore and build up the brand of "Kun Chinese Medicine 1381 (昆中药 1381)" nationally, thereby providing products with historical precipitation. The Proposed Acquisition is expected to enhance the core competitiveness of CR Sanjiu and further improve its business scale and profitability, with an aim to further strengthening the Group's overall operational capability and performance.

The Board is of the view that the terms of the Share Purchase Agreement, the Strategic Cooperation Agreement and the transactions contemplated thereunder are on normal commercial terms after arm's length basis negotiation, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant percentage ratio(s) under the Listing Rules in respect of the Proposed Acquisition contemplated under the Share Purchase Agreement exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Strategic Cooperation Agreement provides a framework of cooperation between the Company and Holley Pharmaceutical, the terms thereunder do not constitute any notifiable transaction under Chapter 14 of the Listing Rules at the date of this announcement. If any of the transactions under the Strategic Cooperation Agreement materialises and constitutes notifiable transaction(s) and/or connected transaction(s) under Chapter 14 and/or Chapter 14A of the Listing Rules, the Company will comply with the applicable requirements under the Listing Rules and further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.

**As Completion of the Proposed Acquisition is subject to the fulfilment of the conditions precedent stated in the Share Purchase Agreement, the Proposed Acquisition may or may not proceed. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

"Board"	the board of Directors of the Company;
"Company"	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the share of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 3320);
"Completion"	the completion of the Proposed Acquisition pursuant to the terms and conditions of the Share Purchase Agreement;
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules;
"CR Sanjiu"	China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000999), and a non-wholly-owned subsidiary 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;

"Holley Group"	Holley Group Company Limited (華立集團股份有限公司), a company established in the PRC with limited liability and the parent company of Holley Pharmaceutical;
"Holley Pharmaceutical"	Holley Pharmaceutical Group Co., Ltd. (華立醫藥集團有限公司), a company established in the PRC with limited liability;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"KPC"	KPC Pharmaceuticals, Inc (昆藥集團股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600422);
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"PRC"	the People's Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
"Proposed Acquisition"	the proposed acquisition by CR Sanjiu of an aggregate of 212,311,616 shares of KPC (representing 28% interest in KPC as of the date of this announcement) pursuant to the terms and conditions of the Share Purchase Agreement;
"Registration Date"	the date on which the registration of share transfer contemplated under the Share Purchase Agreement with the Shanghai Branch of the China Securities and Clearing Corporation Limited is completed;
"RMB"	Renminbi Yuan, the lawful currency of the PRC;
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) of the PRC;
"Share Purchase Agreement"	the sale and purchase agreement dated 6 May 2022 entered into between CR Sanjiu, Holley Pharmaceutical and Holley Group in respect of the Proposed Acquisition;

"Strategic Cooperation Agreement"	the strategic cooperation agreement dated 6 May 2022 entered into between the Company and Holley Group in respect of certain areas of strategic cooperation between the parties as set forth therein;
"Shareholder(s)"	the shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"Vendors"	collectively, Holley Pharmaceutical and Holley Group, and each a Vendor.

*For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.18571. 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 versions shall prevail.*

By Order of the Board  
**China Resources Pharmaceutical Group Limited**  
**Han Yuewei**  
Chairman

Shenzhen, 10 May 2022

*As of the date of this announcement, the Board comprises Mr. Han Yuewei as chairman and non-executive Director, Mr. Bai Xiaosong, Mdm. Weng Jingwen and Mr. Tao Ran as executive Directors, Mr. Lin Guolong, Mr. Tan Ying, 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.*