

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



創美·CH'MEI

**Charmacy Pharmaceutical Co., Ltd.**  
**創美藥業股份有限公司**

*(A joint stock limited liability company incorporated in the People's Republic of China)*  
**(Stock Code: 2289)**

**RENEWAL OF CONTINUING CONNECTED  
TRANSACTIONS IN RELATION TO  
FRAMEWORK SALES AGREEMENT AND  
FRAMEWORK PURCHASE AGREEMENT**

References are made to the announcement of the Company dated 11 April 2022 and the circular of the Company dated 19 May 2022 in relation to the Existing Framework Agreements.

The Existing Framework Agreements will expire on 31 December 2024 and it is expected that the Group will continue to enter into similar transactions contemplated under the Existing Framework Agreements from time to time thereafter. Accordingly, on 8 November 2024 (after trading hour), the Company and Jiangyao have entered into the New Framework Sales Agreement and the New Framework Purchase Agreement, pursuant to which each of the Group and Jiangyao conditionally agreed to provide medicines, medical devices, healthcare products and food for which it acted as a Primary Distributor to each other.

**IMPLICATION UNDER THE LISTING RULES**

As at the date of this announcement, Jiangyao is a controlling shareholder of the Company, interested in 51,470,000 H Shares, representing approximately 47.66% of the total issued share capital of the Company. Pursuant to the Listing Rules, Jiangyao is a connected person of the Company. Accordingly, the New Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Moreover, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the New Framework Sales Agreement and the New Framework Purchase Agreement should be aggregated.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the New Framework Sales Agreement and the New Framework Purchase Agreement, both on its own and when aggregated, are expected to be higher than 5%, the New Framework Agreements and the Annual Caps are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on, among other things, whether or not the terms of the New Framework Agreements and the Annual Caps are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group. Kingsway Capital Limited has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders regarding the New Framework Agreements and the Annual Caps.

### **GENERAL**

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the New Framework Agreements and the Annual Caps. As Jiangyao is a connected person, Jiangyao and its associates will abstain from voting on the resolutions to approve the New Framework Agreements and the Annual Caps at the EGM.

Mr. Yan Jingbin, Ms. Fu Zheng and Mr. Xu Fei are considered to have material interests by virtue of their employment and senior management in Jiangyao Group. In addition, pursuant to the board level irrevocable undertaking dated 13 September 2022 executed by Mr. Yao Chuanglong, Ms. Zheng Yuyan and Ms. Zhang Hanzi, they have irrevocably and unconditionally undertaken to exercise their voting rights at the Board level strictly consistent with those of the Directors nominated or recommended by Jiangyao Group, in respect of the matters concerning the daily operations and the material decisions of the Company and they would abstain from matters which the Directors related to Jiangyao are required to abstain. Accordingly, the Abstained Directors have abstained from voting on the Board resolutions to approve the New Framework Agreements and the Annual Caps.

A circular containing, among other things, (i) further information on the New Framework Agreements and the Annual Caps, (ii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of the EGM is expected to be published on or before 29 November 2024.

References are made to the announcement of the Company dated 11 April 2022 and the circular of the Company dated 19 May 2022 in relation to the Existing Framework Agreements.

The Existing Framework Agreements will expire on 31 December 2024 and it is expected that the Group will continue to enter into similar transactions contemplated under the Existing Framework Agreements with Jiangyao Group from time to time thereafter. Accordingly, on 8 November 2024 (after trading hour), the Company and Jiangyao have entered into the New Framework Sales Agreement and the New Framework Purchase Agreement, pursuant to which each of the Group and Jiangyao conditionally agreed to provide medicines, medical devices, healthcare products and food for which it acts as a

Primary Distributor to each other.

## **NEW FRAMEWORK SALES AGREEMENT**

Date	8 November 2024
Parties	The Company, as seller Jiangyao, as purchaser
Effective period	From 1 January 2025 to 31 December 2027
Subject Matter	<p>Any member of the Group may from time to time within the ambit of the New Framework Sales Agreement enter into individual implementation agreements with any members of the Jiangyao Group for the sales of medicines, medical devices, healthcare products and food for which the Group acts as a Primary Distributor.</p> <p>Any such implementation agreements shall not contravene the provisions of the New Framework Sales Agreement.</p>
Pricing basis	The prices of the products shall be agreed and stated in the implementation agreements after arm's length negotiation between the Group and Jiangyao Group based on normal commercial terms after taking into consideration the market conditions at the relevant time, the size of orders and the technical conditions, and the relevant costs and prices offered to Independent Third Party customers, and in any event shall be comparable to those offered by the Group to customers which are Independent Third Parties.
Payment arrangement	Payment arrangements shall be agreed by the parties and stated in the individual implementation agreements, and in any event shall be comparable to those offered by the Group to customers which are Independent Third Parties.
Condition precedent	The New Framework Sales Agreement is conditional upon the Independent Shareholders approving it and the transactions contemplated thereunder and the Annual Caps.

The following table sets out the historical transaction amount of the Existing Framework Sales Agreement for each of the years ended 31 December 2022 and 2023, and for the nine months ended 30 September 2024, the annual caps for each of the three years ending 2024,

and the Annual Caps under the New Framework Sales Agreement:

	Historical transaction amount			Annual caps		
	For the year ended 31 December		For the nine months ended 30 September	For the year ended/ending 31 December		
	2022 <i>(audited)</i> <i>RMB million</i>	2023 <i>(audited)</i> <i>RMB million</i>	2024 <i>(unaudited)</i> <i>RMB million</i>	2022 <i>RMB million</i>	2023 <i>RMB million</i>	2024 <i>RMB million</i>
Existing Framework Sales Agreement	Nil	Nil	20.1	160	200	230

	Annual Caps		
	For the year ending 31 December		
	2025 <i>RMB million</i>	2026 <i>RMB million</i>	2027 <i>RMB million</i>
New Framework Sales Agreement	40	50	65

The Annual Caps were determined after considering, among other things, (i) the historical transaction amount; (ii) the expected demand of medicines, medical devices, healthcare products and food supplied by the Group from Jiangyao Group for which the Group acts as a Primary Distributor; (iii) the expected demand for the direct purchase volume of brand pharmaceutical manufacturers as the Group actively expands the pharmaceutical terminal business; (iv) the Group's previous sales volume growth; (v) the expected increase in such demand attributable to the favourable macroeconomic and market environment; and (vi) a reasonable buffer for an upward adjustments (including due to inflation or otherwise).

## NEW FRAMEWORK PURCHASE AGREEMENT

Date	8 November 2024
Parties	The Company, as purchaser Jiangyao, as seller
Effective period	From 1 January 2025 to 31 December 2027
Subject Matter	Any member of the Group may from time to time within the ambit of the New Framework Purchase Agreement enter into individual implementation

agreements with any members of the Jiangyao Group for the purchase of medicines, medical devices, healthcare products and food for which Jiangyao Group acts as a Primary Distributor.

Any such implementation agreements shall not contravene the provisions of the New Framework Purchase Agreement.

Pricing basis	The prices of the products shall be agreed and stated in the implementation agreements after arm's length negotiation between the Group and Jiangyao Group after taking into consideration the market conditions at the relevant time, the size of orders and the technical conditions, and all other purchases from Independent Third Party suppliers and in any event shall be comparable to those offered to the Group by suppliers which are Independent Third Parties.
Payment arrangement	Payment arrangements shall be agreed by the parties and stated in the individual implementation agreements, and in any event shall be comparable to those offered to the Group by suppliers which are Independent Third Parties.
Condition precedent	The New Framework Purchase Agreement is conditional upon the Independent Shareholders approving it and the transactions contemplated thereunder and the Annual Caps.

The following table sets out the historical transaction amount of the Existing Framework Purchase Agreement for each of the years ended 31 December 2022 and 2023, and for the nine months ended 30 September 2024, the annual caps for each of the three years ending 2024, and the Annual Caps under the New Framework Purchase Agreement:

	Historical transaction amount			Annual caps		
	For the year ended 31 December		For the nine months ended 30 September	For the year ended/ending 31 December		
	2022 <i>(audited)</i>	2023 <i>(audited)</i>	2024 <i>(unaudited)</i>	2022	2023	2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing Framework Purchase Agreement	21.5	61.0	123.0	160	240	320

	Annual Caps		
	For the year ending 31 December		
	2025	2026	2027
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New Framework	180	220	270
Purchase Agreement			

The Annual Caps were determined after considering, among other things, (i) the historical transaction amount; (ii) the expected sales of medicines, medical devices, healthcare products and food supplied by Jiangyao Group of which Jiangyao Group acts as a Primary Distributor; (iii) the expected increase in the sales volume of the Group leveraging on the resource advantages of the Group's three-dimensional marketing network and the efficient distribution mechanism of the third-party logistics; (iv) the historical business growth of the Group; (v) the potential business growth of the Group attributable to the macroeconomic and market environment; and (vi) a reasonable buffer for an upward adjustments (including due to inflation or otherwise).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENTS**

Jiangyao is a mixed-ownership state-controlled enterprise in Jiangxi Province. It has distribution channels consisting of more than 700 franchise pharmacies over seven provinces in the PRC, namely Jiangxi, Shandong, Henan, Sichuan, Hebei, Jiangsu and Guangdong. Leveraging its advantages in policies, resources and brand as a state-controlled enterprise, Jiangyao strives to build a modern pharmaceutical business platform covering all channels, all classes, the whole industry chain and the nationwide market. To do this, it has been building a pharmaceutical business platform focusing on sales by providing specialised solutions for individual pharmacies, small or medium-sized franchise pharmacies and clinics (non-bidding markets) in China's counties and towns; meanwhile, it has been comprehensively expanding strategic business areas such as pharmaceutical production, modern intelligent logistics, third-party entrusted distribution, "internet plus finance" and "internet plus retail".

The Directors are of the view that (i) the New Framework Sales Agreement enables the Group to obtain stable customers, to expand the Group's sales coverage and achieve better business performance; and (ii) the New Framework Purchase Agreement enables the Group to secure a stable source of the relevant products and on-sell them in the ordinary course of business of the Group, so as to enrich the Group's product portfolio.

The Board (excluding the independent non-executive Directors, who will provide their opinions after receiving the advice from the independent financial adviser) is of the view that the transactions contemplated under New Framework Agreements are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

In order to ensure the terms of the New Framework Agreements are on normal commercial

terms and fair and reasonable to the Company and the Shareholders and are no less favourable to the Group than terms offered to or by the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the finance department of the Company will closely monitor the transactions under the New Framework Agreements to ensure that the transactions amount will not exceed the Annual Caps;
- (ii) the sales department of the Group shall price the products with its costs as a benchmark, upon which the Group shall determine the final prices for sales to Jiangyao Group by comparing against quotations or prices offered by the Group to at least two customers which are Independent Third Party customers recorded in the internal database of the Group which contains information of selling prices of all previous sales transactions of the Group. The final prices must be finally approved by the head of product management department of the Company. This internal control procedure applies to and shall be complied with in each sales of the Group;
- (iii) the procurement department of the Group shall decide whether to accept the procurement prices offered by Jiangyao Group by comparing the quotations or prices offered by the Jiangyao Group to the quotations of at least two Independent Third Party suppliers obtained by the personnel of product management Department of the Company. The manager of the procurement department together with the head of product management department of the Company will jointly approve the final procurement prices. This internal control procedure applies to and shall be complied with in each procurement of the Group. As the types of products to be procured from Jiangyao Group within the Framework Purchases Agreement is relative generic in nature, the Company considers that it can obtain the prices of similar type of products from other Independent Third Party suppliers for comparison to ensure that the procurement prices from Jiangyao Group are on normal commercial terms;
- (iv) the finance department of the Company will conduct monthly random checks to review and assess whether the transactions contemplated under the New Framework Agreements are conducted on normal commercial terms or better, in accordance with the terms set out in the New Framework Agreements and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole. In particular, the finance department will check whether the pricing basis has been properly followed;
- (v) the Company's external auditor will conduct an annual review of the transactions entered into under the New Framework Agreements to ensure that the transactions amount is within the Annual Caps and the transactions are conducted in accordance with the terms set out in the New Framework Agreements; and
- (vi) the independent non-executive Directors will conduct an annual review of the status of the transactions entered into pursuant to the New Framework Agreements to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

In view of the internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the New Framework Agreements will be conducted on normal commercial terms or better and within the Annual Caps, and not prejudicial to the interest of the Company and its Shareholders.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Jiangyao is a controlling shareholder of the Company, interested in 51,470,000 H Shares, representing approximately 47.66% of the total issued share capital of the Company. Pursuant to the Listing Rules, Jiangyao is a connected person of the Company. Accordingly, the New Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Moreover, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the New Framework Sales Agreement and the New Framework Purchase Agreement should be aggregated.

As one or more of the applicable percentage ratios in respect of the Annual Caps for the New Framework Sales Agreement and the New Framework Purchase Agreement, both on its own and when aggregated, are expected to be higher than 5%, the New Framework Agreements and the Annual Caps are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

## **INFORMATION OF THE PARTIES**

The Company is a joint-stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the pharmaceutical distribution business. It mainly distributes western medicine, Chinese patent medicine and healthcare products to downstream distributors and retail terminals, as well as provides consultation service on pharmaceutical products.

Jiangyao is a company incorporated in the PRC with limited liability. It is principally engaged in the wholesale and retail of medicines and the sales of food, disinfection equipment and Class III medical devices. It is a Jiangxi provincial state-owned enterprise, owned as to (i) 30.50% by Jiangxi State Capital Operation Holding Group Co., Ltd.\* (江西省國有資本運營控股集團有限公司) and its subsidiary Jiangxi State Holding Capital Co., Ltd.\* (江西國控資本有限公司), which is ultimately controlled by State-owned Assets Supervision and Administration Commission of Jiangxi Province\* (江西省國有資產監督管理委員會) and (ii) 69.50% by seventeen minority shareholders. Based on the information available to the Company and to the best knowledge of the Directors, none of the seventeen minority shareholders individually controlled more than 20% shareholding of Jiangyao.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on, among other things,



whether or not the terms of the New Framework Agreements and the Annual Caps are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group. Kingsway Capital Limited has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders regarding the New Framework Agreements and the Annual Caps.

## **GENERAL**

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the New Framework Agreements and the Annual Caps. As Jiangyao is a connected person, Jiangyao and its associates will abstain from voting on the resolutions to approve the New Framework Agreements and the Annual Caps at the EGM.

Mr. Yan Jingbin, Ms. Fu Zheng and Mr. Xu Fei are considered to have material interests by virtue of their employment and senior management in Jiangyao Group. In addition, pursuant to the board level irrevocable undertaking dated 13 September 2022 executed by Mr. Yao Chuanglong, Ms. Zheng Yuyan and Ms. Zhang Hanzi, they have irrevocably and unconditionally undertaken to exercise their voting rights at the Board level strictly consistent with those of the Directors nominated or recommended by Jiangyao Group, in respect of the matters concerning the daily operations and the material decisions of the Company and they would abstain from matters which the Directors related to Jiangyao are required to abstain. Accordingly, the Abstained Directors have abstained from voting on the Board resolutions to approve the New Framework Agreements and the Annual Caps.

A circular containing, among other things, (i) further information on the New Framework Agreements and the Annual Caps, (ii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of the EGM is expected to be published on or before 29 November 2024.

## **DEFINITIONS**

“Abstained Directors”	Mr. Yan Jingbin, Ms. Fu Zheng, Mr. Xu Fei, Mr. Yao Chuanglong, Ms. Zheng Yuyan and Ms. Zhang Hanzi, who have abstained from voting on the Board resolutions to approve the New Framework Agreements and the Annual Caps
“Annual Caps”	the proposed maximum annual aggregate transaction values in respect of the transactions contemplated under the New Framework Sales Agreement and/or the New Framework Purchase Agreement for the three years ending 31 December 2027, as the case may be
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Company”	Charmacy Pharmaceutical Co., Ltd. (創美藥業股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Stock Exchange (stock code: 2289)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, if thought fit, to approve the New Framework Agreements and the transactions contemplated thereunder and the Annual Caps by the Independent Shareholders
“Existing Framework Agreements”	the Existing Framework Sales Agreement and the Existing Framework Purchase Agreement
“Existing Framework Purchase Agreement”	The framework agreement dated 11 April 2022 entered into between the Company and Jiangyao for the purchase of medicines, medical devices, healthcare products and food for which Jiangyao Group acted as a Primary Distributor from Jiangyao Group
“Existing Framework Sales Agreement”	the framework agreement dated 11 April 2022 entered into between the Company and Jiangyao for the sales of medicines, medical devices, healthcare products and food for which the Group acted as a Primary Distributor to Jiangyao Group
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee of the Company comprising all the independent non-executive Directors, namely Mr. Li Hanguo, Mr. Wan Chi Wai Anthony and Mr. Guan Jian (also known as Guan Suzhe)
“Independent Shareholders”	the Shareholders other than Jiangyao and its associates, who, if they hold Shares, are required to abstain from voting on the resolutions to approve the New Framework Agreements and the Annual Caps at the EGM

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company, its connected persons and their respective associates
“Jiangyao”	Jiangyao Group Co., Ltd* (江藥集團有限公司) (formerly known as Jiangxi Jiangzhong Yishang Operation Co., Ltd.* (江西江中醫藥商業運營有限責任公司)), a company incorporated in the PRC and a controlling shareholder (as defined under the Listing Rules) of the Company
“Jiangyao Group”	Jiangyao and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemental from time to time
“New Framework Agreements”	the New Framework Sales Agreement and the New Framework Purchase Agreement
“New Framework Purchase Agreement”	the framework agreement dated 8 November 2024 entered into between the Company and Jiangyao for the purchase of medicines, medical devices, healthcare products and food for which Jiangyao Group acts as a Primary Distributor from Jiangyao Group
“New Framework Sales Agreement”	the framework agreement dated 8 November 2024 entered into between the Company and Jiangyao for the sales of medicines, medical devices, healthcare products and food for which the Group acts as a Primary Distributor to Jiangyao Group
“PRC”	The People’s Republic of China which shall, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Primary Distributor”	distributors which purchase products directly from pharmaceutical manufacturers or their pharmaceutical distributor companies (regardless of whether they have an exclusive distribution right or not)
“RMB”	Renminbi, the lawful currency of the PRC
“Shares(s)”	the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

By Order of the Board  
**Charmacy Pharmaceutical Co., Ltd.**  
**Yan Jingbin**  
*Chairman*

Shantou, the PRC, 8 November 2024

*As at the date of this announcement, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Ms. Zhang Hanzi; the non-executive Directors are Mr. Yan Jingbin, Ms. Fu Zheng and Mr. Xu Fei; and the independent non-executive Directors are Mr. Li Hanguo, Mr. Wan Chi Wai Anthony and Mr. Guan Jian (also known as Guan Suzhe).*

*\* For identification purpose only*