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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)**

## **CONTINUING CONNECTED TRANSACTIONS ENERGY PURCHASE TRANSACTIONS**

### **THE FRAMEWORK AGREEMENT**

Reference is made to the announcement dated 22 June 2021 in relation to, among others, the Energy Purchase Transactions pursuant to the Existing Framework Agreement.

As the term of the Existing Framework Agreement will expire on 21 June 2024 and it is contemplated that the parties will continue with the Energy Purchase Transactions upon the expiry of the Existing Framework Agreement, on 21 June 2024, CR Sanjiu Chenzhou, an indirect non-wholly-owned subsidiary of the Company, entered into the Framework Agreement with CR Gas Chenzhou, an indirect wholly-owned subsidiary of CR Gas, pursuant to which CR Gas Chenzhou will supply, and CR Sanjiu Chenzhou will purchase, energy for heating and cooling, steam and electricity for use at the Southern China manufacturing centre of CR Sanjiu Chenzhou, for a term commencing from the date of the Framework Agreement to 31 December 2025.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CR Holdings, the controlling shareholder of the Company, is also a controlling shareholder of CR Gas by holding approximately 61.46% of the issued share capital of CR Gas. CR Gas Chenzhou is an indirect wholly-owned subsidiary of CR Gas. Accordingly, CR Gas and CR Gas Chenzhou are connected persons of the Company and the Energy Purchase Transactions contemplated under the Framework Agreement will constitute continuing connected transactions for the Company 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 Energy Purchase Transactions exceed 0.1% but are all less than 5%, the Energy Purchase Transactions contemplated under the Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement dated 22 June 2021 in relation to, among others, the Energy Purchase Transactions pursuant to the Existing Framework Agreement.

As the term of the Existing Framework Agreement will expire on 21 June 2024 and it is contemplated that the parties will continue with the Energy Purchase Transactions upon the expiry of the Existing Framework Agreement, on 21 June 2024, CR Sanjiu Chenzhou, an indirect non-wholly-owned subsidiary of the Company, entered into the Framework Agreement with CR Gas Chenzhou, an indirect wholly-owned subsidiary of CR Gas, pursuant to which CR Gas Chenzhou will supply, and CR Sanjiu Chenzhou will purchase, energy for heating and cooling, steam and electricity for use at the Southern China manufacturing centre of CR Sanjiu Chenzhou, for a term commencing from the date of the Framework Agreement to 31 December 2025.

## **THE FRAMEWORK AGREEMENT**

### **Principal Terms**

The principal terms of the Framework Agreements are set out as follow:

#### ***(1) Date***

21 June 2024

**(2) Parties**

- (a) CR Sanjiu Chenzhou, a wholly-owned subsidiary of CR Sanjiu; and
- (b) CR Gas Chenzhou, an indirect wholly-owned subsidiary of CR Gas.

**(3) Term**

The term of the Framework Agreement is from the date of the Framework Agreement to 31 December 2025.

Prior to the expiration of the term of the Framework Agreement, the parties shall submit the Energy Supply Transactions under the Framework Agreement and any proposed extension of the Framework Agreement for consideration and approval by their respective holding companies of the parties, being CR Sanjiu (in the case of CR Sanjiu Chenzhou) and CR Gas (in the case of CR Gas Chenzhou), provided that each extension shall not exceed three years or such other duration permitted under the applicable laws and regulations and the relevant extension is subject to the requirements under applicable laws and regulations and the independent shareholders' approval by CR Gas, where applicable. The same extension mechanism applies to each and every extended term of the Framework Agreement. If the parties cannot obtain the above approvals from their respective holding companies (where applicable), the Framework Agreement shall automatically lapse on the expiry date of the Framework Agreement and cease to be in effect.

In the event that the Framework Agreement is not extended in accordance with the terms of the Framework Agreement or that the Framework Agreement is terminated through no fault of CR Gas Chenzhou, subject to compliance with all relevant rules and regulations (including the applicable requirements under the Listing Rules), CR Gas Chenzhou shall transfer to CR Sanjiu Chenzhou the energy station constructed pursuant to the Framework Agreement in accordance with the applicable rules governing the transfer of state-owned assets. In addition, subject to compliance with the applicable approval procedures, CR Sanjiu Chenzhou shall compensate CR Gas Chenzhou based on the expected amounts payable to CR Gas Chenzhou for the remainder of the term for the Energy Purchase Transactions as contemplated by the parties under the Framework Agreement.

**(4) Subject Matter**

*(a) Energy Station Construction*

Pursuant to the Framework Agreement:

1. CR Sanjiu Chenzhou will provide the Land and will be responsible for obtaining all necessary permits and making all relevant filings required for the use of the Land. The land ownership right of the Land is owned and will continue to be owned by CR Sanjiu Chenzhou; and
2. CR Gas Chenzhou will be responsible for the investment, construction and operation of the energy station to be constructed on the Land, upon completion of which will be used by CR Gas Chenzhou for supplying energy for heating and cooling, steam and electricity to the Southern China manufacturing centre of CR Sanjiu Chenzhou. CR Gas Chenzhou will also be responsible for providing all necessary design and technical support for the permits and filings required to be made by CR Sanjiu Chenzhou in respect of the use of the Land. The energy station, upon construction, will be owned and operated by CR Gas Chenzhou.

*(b) Energy Purchase Transactions*

Pursuant to the Framework Agreement, CR Sanjiu Chenzhou will purchase from CR Gas Chenzhou energy for heating and cooling, steam and part of electricity for use at the Southern China manufacturing centre of CR Sanjiu Chenzhou.

## **(5) Pricing Basis**

The prices payable by CR Sanjiu Chenzhou in respect of its purchase of energy for heating and cooling, steam and electricity under the Framework Agreement are as follows:

- *Energy for cooling:* RMB0.34 per kwh, which is calculated based on the price of natural gas announced by Chenzhou Municipal Development and Reform Commission of the PRC for industrial use and costs of operation of the boilers as at the date of the Framework Agreement, the average daily price of the national electricity grid of Hunan province of the PRC as at the date of the Framework Agreement, various coefficients relating to creation of energy for cooling and costs of relevant operations;
- *Energy for heating:* RMB0.66 per kwh, which is calculated based on the price of natural gas announced by Chenzhou Municipal Development and Reform Commission of the PRC for industrial use and costs of operation of the boilers as at the date of the Framework Agreement, a coefficient relating to creation of energy for heating and costs of relevant operations;
- *Steam:* RMB313.07 per tonne, which is calculated based the price of steam produced by natural gas boilers per tonne and the price of steam produced by biomass boilers per tonne. The price of steam produced by natural gas boilers is in turn based on the price of natural gas announced by Chenzhou Municipal Development and Reform Commission of the PRC for industrial use and the costs of operation of the boilers as at the date of the Framework Agreement. As there is no market-guided public price for steam produced by biomass boilers, the price of steam produced by biomass boilers is in turn based on estimated costs plus a reasonable profit margin (with reference to the profit margin of steam produced by natural gas boilers in the transactions contemplated under the Framework Agreement) as at the date of the Framework Agreement; and
- *Electricity:* The price of the national electricity grid of Hunan province of the PRC minus RMB0.02 per kwh.

The parties agree that the prices for the Energy Purchase Transactions pursuant to the Framework Agreement shall be in line with and shall in no event exceed market prices (to the extent such market prices are available), and will be on normal commercial terms.

## **(6) Payment**

CR Gas Chenzhou will be responsible for installation and maintenance of meters to be used for measuring the amount of energy purchased and supplied under the Framework Agreement. Both parties will record and confirm meter readings on a monthly basis.

CR Sanjiu Chenzhou agrees to make monthly payments for the energy purchased under the Framework Agreement in advance based on the estimated amount of energy to be purchased for the next month, and settle the balance for the amount specified in the bill based on the records on the actual volume of energy purchased for such relevant month.

### **Historical Amounts**

The historical amounts under the Existing Framework Agreement for the financial years ended 31 December 2022 and 2023 and for the period from 1 January to 20 June 2024 are set out as follows:

	<b>For the year ended</b>		<b>For the period</b>
	<b>31 December</b>		<b>from 1 January</b>
	<b>2022</b>	<b>2023</b>	<b>to 20 June</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Energy Purchase Transactions	15	10	11

### **Annual Caps and Basis of Determination**

Pursuant to the Framework Agreement, the proposed annual amounts payable by the Group to CR Gas Group in respect of the Energy Purchase Transactions during the term of the Framework Agreement for the years ending 31 December 2024 and 2025 are as follows:

	<b>For the year ending 31 December</b>	
	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>
Energy Purchase Transactions	25	65

The proposed annual caps above are the aggregate amount of the maximum consideration of purchases under the Energy Purchase Transactions contemplated under the Framework Agreement, calculated based on the prices per unit of energy to be sold and purchased under the Framework Agreement as set out in the section headed “The Framework Agreement – (5) Pricing Basis” multiplied by the estimated amount of energy to be purchased and supplied during each relevant period under the Framework Agreement.

In determining the proposed annual caps in respect of the Energy Purchase Transactions contemplated under the Framework Agreement, the Company has considered, among others, the following key factors: (i) the historical amounts paid by the Group to CR Gas Group (and the trend thereof) in respect of the Energy Purchase Transactions under the Existing Framework Agreement; (ii) the expected size and scale of the operation of the Southern China manufacturing centre of CR Sanjiu Chenzhou; (iii) the expected demand for energy for heating and cooling, steam and electricity for its operation; (iv) the demand for such utilities in comparable manufacturing centres operated by CR Sanjiu and its subsidiaries; and (v) a buffer for any increase in the government-prescribed or market-guided price for the energy for heating and cooling, steam and electricity.

## **PRICING POLICIES AND INTERNAL CONTROL MEASURES**

The prices of the energy, steam and electricity supplied by CR Gas Chenzhou under the Framework Agreement are determined in accordance with the applicable prescribed price or market-guided price of the relevant energy fixed by the relevant PRC regulators, to the extent such prescribed or market-guided prices are available. If there is no such prescribed or market-guided price, the price will be determined based on the then prevailing market price and arm’s length negotiation between the parties.

CR Gas Chenzhou is a pipeline gas supplier in the area where CR Sanjiu Chenzhou is located. The project is equipped with a harmless treatment system for medicine slag. CR Gas Chenzhou is responsible for the harmless treatment of medicine slag and bears its treatment costs. Generally, the Group will consider a number of factors in selecting energy suppliers, including without limitation, the capability, the types of energy products, the pricing terms offered by the suppliers, the expected operation need and energy demand of manufacturing centres of the Group, and the geographical proximity of the suppliers. With respect to the Energy Purchase Transactions, the Group has considered the types of energy products required by, and the expected operation need and energy demand of, the Southern China manufacturing centre of CR Sanjiu Chenzhou as well as the availability of the relevant pipeline gas suppliers in the proximity of such manufacturing centre.

The Group has implemented stringent internal policies and procedures on procurement, which set forth, among others, the selection and approval procedures of all of the Group's suppliers. Depending on the type and scale of the transaction involved, the Group is required to follow specific internal procurement policies and procedures and selection and approval processes in order to select suppliers or service providers for the Group.

As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Gas Group, the Group will, to the extent reasonably practicable, obtain quotations from at least two independent third parties which can provide the relevant energy, steam and electricity required by the CR Sanjiu Group (where available); and evaluate the quotations obtained from each participating service provider (where available) with reference to the pricing policies set for the specific transaction, and consider various assessment criteria including, without limitation, (a) the competitiveness of the fee quotation (such as the fees and payment terms), (b) the suitability of the relevant energy products offered by the potential suppliers to the Group, (c) the quality of the potential suppliers (such as the quality of services based on market reputation and/or past dealings with the Group, time required for the provision of the products), and (d) business needs of the Group in its ordinary and usual course of business. Where other independent third-party suppliers are available, the Group will formulate a review report on the procurement results, and obtain internal approval for the procurement amount in accordance with the procurement results; and notify the relevant parties of the procurement results, and complete internal filing of the procurement documents.



The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including, without limitation, the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the Framework Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the Framework Agreement, on normal commercial terms, in the interest of the Company and its shareholders as a whole, and in accordance with the relevant pricing policies.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT**

The CR Gas Group is principally engaged in the downstream gas distribution in the PRC and has been providing the Group with utilities with open market and transparent pricing for its business operations on terms no less favourable to the Group than other independent third parties.

CR Sanjiu Chenzhou operates its Southern China manufacturing centre of CR Sanjiu Chenzhou for production of pharmaceutical products in its ordinary and usual course of business. The parties negotiate the terms of the energy supply and purchase based on the business needs of CR Sanjiu Chenzhou and the suitability of the types of energy to be supplied to the Southern China manufacturing centre operated by CR Sanjiu Chenzhou in the ordinary and usual course of business.

The Board (including the independent non-executive Directors) consider that the Framework Agreement was negotiated on an arm's length basis based on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Framework Agreement and the Energy Purchase Transactions and proposed annual caps contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CR Holdings, the controlling shareholder of the Company, is also a controlling shareholder of CR Gas by holding approximately 61.46% of the issued share capital of CR Gas. CR Gas Chenzhou is an indirect wholly-owned subsidiary of CR Gas. Accordingly, CR Gas and CR Gas Chenzhou are connected persons of the Company and the Energy Purchase Transactions contemplated under the Framework Agreement will constitute continuing connected transactions for the Company 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 Energy Purchase Transactions exceed 0.1% but are all less than 5%, the Energy Purchase Transactions contemplated under the Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' requirement under Chapter 14A of the Listing Rules.

None of the Directors attending the relevant Board meeting has any material interest in the Framework Agreement and the transactions (including the relevant annual caps) contemplated thereunder, and none of the Directors present at the Board meeting has abstained from voting on the relevant Board resolutions approving the Framework Agreement.

## **INFORMATION OF THE PARTIES**

### **CR Gas Chenzhou**

CR Gas Chenzhou is principally engaged in the production, distribution and sales of pipeline gas; gas vehicle refuelling services; design and installation services of pipeline gas facilities; sales and maintenance of gas facilities and appliances; pipeline gas business consulting services; decentralized energy project development, management and services, design installation, construction of decentralized energy system engineering; car charging pile construction and electricity sales business; and kitchen and bathroom electrical appliances sales and after-sales services.

CR Gas Chenzhou is an indirect wholly-owned subsidiary of CR Gas. CR Gas is indirectly owned by CR Holdings as to approximately 61.46%. CR Holdings' holding company and ultimate beneficial owner is CRC, a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC.

### **CR Sanjiu Chenzhou**

CR Sanjiu Chenzhou is principally engaged in the manufacture and distribution of pharmaceutical products. CR Sanjiu Chenzhou is a wholly-owned subsidiary of CR Sanjiu. CR Sanjiu is an indirect non-wholly-owned subsidiary of the Company owned as to approximately 63.00% by the Company as of the date of this announcement.

### **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.

## **DEFINITIONS**

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

“Board”	the board of Directors;
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 3320);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;

“CR Gas”	China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1193);
“CR Gas Chenzhou”	Chenzhou China Resources Gas Company Limited (郴州華潤燃氣有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of CR Gas;
“CR Gas Group”	CR Gas and its subsidiaries;
“CR Sanjiu”	China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000999) and an indirect non-wholly-owned subsidiary of the Company;
“CR Sanjiu Chenzhou”	China Resources Sanjiu (Chenzhou) Pharmaceutical Company Limited (華潤三九(郴州)製藥有限公司), a company incorporated in the PRC with limited liability and an indirect 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;
“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;
“Energy Purchase Transactions”	the proposed purchase of energy for heating and cooling, steam and some of electricity by CR Sanjiu Chenzhou from CR Gas Chenzhou contemplated under the Framework Agreement;

“Existing Framework Agreement”	the framework agreement dated 22 June 2021 entered into between CR Sanjiu Chenzhou and CR Gas Chenzhou in respect of, among others, the Energy Purchase Transactions;
“Framework Agreement”	the framework agreement dated 21 June 2024 entered into between CR Sanjiu Chenzhou and CR Gas Chenzhou in respect of, among others, the Energy Purchase Transactions;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“kwh”	kilowatt-hour;
“Land”	the land located in the Zhangchong Industrial park of the Economic and Technological Development Zone of Chenzhou city (郴州市經濟技術開發區長沖工業園區域), Hunan province of the PRC with a site area of approximately 19,000 square meters;
“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” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi Yuan, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“subsidiary”	has the meaning ascribed thereto under the Listing Rules.

*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*

PRC, 21 June 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, Ms. Guo Wei, Mr. Sun Yongqiang, Mr. Guo Chuan 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.*