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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 FRAMEWORK AGREEMENT – ENERGY PURCHASE TRANSACTIONS

THE FRAMEWORK AGREEMENT

On 22 June 2021, 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 (i) CR Sanjiu Chenzhou will provide the Land for CR Gas Chenzhou to construct an energy station; and (ii) CR Sanjiu Chenzhou will purchase from CR Gas Chenzhou heating, cooling and steam energy and some of electricity for use at the Southern China manufacturing centre of CR Sanjiu Chenzhou.

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

On 22 June 2021, 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 (i) CR Sanjiu will provide the Land for CR Gas Chenzhou to construct an energy station; and (ii) CR Sanjiu Chenzhou will purchase from CR Gas Chenzhou heating, cooling and steam energy and some of electricity for use at the Southern China manufacturing centre of CR Sanjiu Chenzhou.

THE FRAMEWORK AGREEMENT

Principal Terms

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

(1) *Date*

22 June 2021

(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 Framework Agreement will become effective on the date of the Framework Agreement for a term of three years until 21 June 2024.

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, 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 their respective holding companies' approvals as stated above, 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 heating, cooling and steam energy and some of 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 heating, cooling and steam energy and some of electricity for use at the Southern China manufacturing centre of CR Sanjiu Chenzhou.

Subject to extension of the term of the Framework Agreement, the parties expect the energy supply to last for about 20 years, commencing on Commencement Date. It is expected that CR Gas Chenzhou's energy station will commence operation in or about June 2022, after which the Energy Purchase Transactions contemplated under the Framework Agreement will commence, subject to adjustments by the parties in writing.

(5) Pricing Basis

For the three years commencing from the Commencement Date, the prices payable by CR Sanjiu Chenzhou in respect of its purchase of heating, cooling and steam energy and some of electricity under the Framework Agreement are as follows:

- *Steam:* RMB271.3 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 determined at arm's length basis with reference to the prices of other form of energy and steam produced by biomass boilers at its own manufacturing facilities.
- *Electricity:* The price of the national electricity grid of Hunan province of the PRC minus RMB0.02 per kwh.
- *Energy for cooling:* RMB0.35 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:* RMB0.55 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.

Pursuant to the Framework Agreement, no adjustment to the prices set out above will be permitted during the trial-run period, being the first three years from the Commencement Date. Thereafter, prices can be adjusted should there be any changes to the factors determining the prices set out above. The Board is of the view that such pricing adjustment is in line with market practice and is on normal commercial terms.

The parties agree that the prices for the Energy Purchase Transactions pursuant to the Framework Agreement shall be in line with 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

Generally, CR Gas Group has provided to the Group utilities with open market and transparent pricing (including industrial natural gas) in the past for the Group's use in its business on terms that are no less favourable to the Group than to independent third parties. However, as the energy station in Chenzhou will be newly established by CR Gas Chenzhou and the parties have not conducted the same scope of the Energy Purchase Transactions previously, there is no comparable historical amounts in respect of the Energy Purchase Transactions contemplated under the Framework Agreement.

Annual Caps and Basis of Determination

The Directors expect that the Energy Purchase Transactions contemplated under the Framework Agreement will commence in or about June 2022 upon the commencement of operation of the energy station to be constructed by CR Gas Chenzhou.

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 2022 and 2023 and the period commencing from 1 January 2024 and ending on the expiry date of the Framework Agreement (i.e. on 21 June 2024) are as follows:

	For the years ending				For the period ending	
	31 December				on the expiry date	
	2022		2023		(i.e. on 21 June 2024)	
<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	
<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	
Energy Purchase Transactions	33	40	65	78	33	40

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: the expected size and scale of the operation of the Southern China manufacturing centre of CR Sanjiu Chenzhou, the expected demand for energy for heating and cooling, steam and electricity for its operation, as well as the demand for such utilities in comparable manufacturing centres operated by CR Sanjiu and its subsidiaries.

PRICING POLICIES AND INTERNAL CONTROL MEASURES

The prices of the energy 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 are 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 Chengzhou 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 but not limited to the capability, types of energy products and pricing terms offered by the suppliers, the expected operation need and energy demand of the 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 expected operation need of the Southern China manufacturing centre of CR Sanjiu Chenzhou as well as the availability of relevant pipeline gas suppliers in the proximity of such manufacturing centre.

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, among other things, 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 in all material respects.

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 will operate 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 to be 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 refueling 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, kitchen and bathroom electrical appliances sales and after-sales services. It is an indirect wholly-owned subsidiary of CR Gas.

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;
“Commencement Date”	the day that the energy station to be constructed by CR Gas Chenzhou pursuant to the Framework Agreement commences operation;

“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”	郴州華潤燃氣有限公司 (Chenzhou China Resources Gas Company Limited*), 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”	華潤三九醫藥股份有限公司 (China Resources Sanjiu Medical & Pharmaceutical Company Limited*), 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”	華潤三九(郴州)製藥有限公司 (China Resources Sanjiu (Chenzhou) Pharmaceutical Company Limited*), 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;

“Director(s)”	the director(s) of the Company;
“Energy Purchase Transactions”	the proposed purchase of heating, cooling and steam energy and some of electricity by CR Sanjiu Chenzhou from CR Gas Chenzhou contemplated under the Framework Agreement;
“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;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“kwh”	kilowatt-hour;
“Land”	the land located in the Zhangchongpian area of the Economic and Technological Development Zone of Chenzhou city (郴州市經濟技術開發區長沖片區), 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 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\$1.2. 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

Wang Chuncheng

Chairman

Xi'an, 22 June 2021

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. Hou Bo and Mr. Qing Mei Ping Cuo 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.