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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 COOPERATION AGREEMENT IN RELATION TO NEW ENERGY PROJECTS

The Board is pleased to announce that, on 15 May 2024, CR Sanjiu entered into the Cooperation Agreement with CR Power in relation to the proposed cooperation on the New Energy Projects for a term commencing from 15 May 2024 to 31 December 2024.

As at the date of this announcement, CR Holdings, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, indirectly holds 62.94% interest in CR Power as at the date of this announcement. Accordingly, CR Power is a connected person of the Company and the Cooperation Agreement and the transactions contemplated thereunder constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the aggregate annual cap for the transactions contemplated under the Cooperation Agreement exceed 0.1% but are less than 5%, the Cooperation Agreement and the transactions and proposed annual cap contemplated thereunder are only subject to reporting, announcement and annual review requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 15 May 2024, CR Sanjiu entered into the Cooperation Agreement with CR Power in relation to the proposed cooperation on the New Energy Projects for a term commencing from 15 May 2024 to 31 December 2024.

THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out as follows:

(1) Date

15 May 2024

(2) Parties

- (a) CR Sanjiu, an indirect non-wholly owned subsidiary of the Company; and
- (b) CR Power

(3) Term

From 15 May 2024 to 31 December 2024. Subject to compliance with the Listing Rules, listing rules of the Shenzhen Stock Exchange and other applicable laws and regulations, the parties may renew the term of the Cooperation Agreement.

(4) Scope of Transactions under the Cooperation Agreement

Pursuant to the Cooperation Agreement, CR Sanjiu and CR Power have agreed to cooperate with each other on new energy power generation project(s) (the “**New Energy Project(s)**”) with a focus on the herb-light complementary (藥光互補) photovoltaic power projects for which development rights are obtained, and other new energy projects, specifically in the following manners:

- (a) CR Power Group will engage CR Sanjiu Group to plan and provide land abandonment management services at the location of the New Energy Projects or its adjacent areas; and

- (b) CR Sanjiu Group will assist CR Power Group to resolve the issue of abandoned land in the New Energy Projects by planting traditional Chinese medicinal (TCM) herbs (which shall include other related works and services, including but not limited to land preparation, seedling breeding, seedling transplanting, field management, pest control, technical support, harvesting and processing the herbs) and provide comprehensive land management services to meet the land requirements for the relevant projects.

During the term of the Cooperation Agreement, the parties may enter into specific contracts in respect of specific management services, fees and other requirements for the relevant New Energy Projects in accordance with the principles set forth in the Cooperation Agreement. The terms of such specific contracts shall be negotiated between the parties on arm's length basis and shall be fair and reasonable in accordance with the principles set forth in the Cooperation Agreement, having regard to the actual conditions of the relevant New Energy Projects.

(5) Pricing Basis and Pricing Policies

The service fees payable by CR Power Group for the specific services under the Cooperation Agreement shall be determined through arm's length negotiation between the parties and on normal commercial terms, with reference to the then prevailing market prices and taking into account various factors, including, but not limited to, (i) the type and nature of the land (such as the climate conditions, soil conditions, size and location of the land); (ii) the servicing costs (such as the labour costs involved in providing the land remediation and management services); (iii) the market conditions where the relevant New Energy Project is located; and (iv) the relevant parties' resources, budgets, experiences, timing requirements, quality assurance requirements and technical requirements.

The actual amount of service fees payable by CR Power Group to CR Sanjiu Group for each transaction under the Cooperation Agreement may vary depending on a wide range of factors as mentioned above, and there is no standard fee rate for each land management service provided by CR Sanjiu Group under the Cooperation Agreement. CR Sanjiu Group shall follow appropriate internal procedures before it enters into any transaction under the Cooperation Agreement with CR Power Group. Further details of such internal policies are set out in the section headed "Internal Control Measures" in this announcement.

Historical Amounts

Set out below are the approximate historical transaction amounts in relation to cooperation on new energy power generation projects between the Group and CR Power Group for the years ended 31 December 2022 and 2023:

	For the year ended	
	31 December	
	2022	2023
	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>
Transaction amounts in relation to cooperation on new energy power generation projects	36.00	63.20

Annual Cap and Basis of Determination

The proposed maximum annual cap for the transactions contemplated under the Cooperation Agreement for the term ending 31 December 2024 shall be RMB200 million.

In determining the proposed annual caps for the transactions contemplated under the Cooperation Agreement, the Company has taken into account the scope of services contemplated thereunder, the historical transaction amounts in relation to the parties' cooperation on new energy power generation projects of similar nature, the specific plans for developing and undertaking the New Energy Projects (such as the geographical locations where the New Energy Projects are expected to be developed and undertaken), the estimated costs required for the land management services under the Cooperation Agreement as well as the increase in the anticipated needs for land management services for facilitating and supporting the relevant New Energy Projects in light of the favourable government policies in the PRC.

INTERNAL CONTROL MEASURES

The Group, similar to other independent third-party suppliers, is required to go through the selection and approval procedures by CR Power as well as the commercial negotiation process in order to become a service provider of CR Power Group.

As part of the Group's internal approval and monitoring procedures relating to transactions with CR Power Group, the Group will (i) compare the terms that are offered to, or quoted by, other independent third parties (where available), and/or to the extent reasonably practicable, obtain market or industry data on the pricing of transactions of similar nature, scope and scale from time to time through publicly available information (such as the Ministry of Natural Resources of the PRC, where relevant and available), in order to ensure that the transactions entered into with CR Power Group under the Cooperation Agreement are on normal commercial terms or no less favourable to the Group than those offered to independent third parties; and (ii) the transactions will be reviewed and passed by its internal approval procedures.

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.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

It is expected the proposed cooperation with CR Power Group in relation to the New Energy Projects will be conducive to improving the Group's layout in the TCM industry, enhancing the Group's core capabilities in the upstream TCM industry chain, and further strengthening the Group's sustainable development capability and market competitiveness in the TCM industry by mastering its production layout and advantageous resources of local Chinese medicinal herbs, which is in line with the Group's development plan in the TCM industry chain in China.

The Board (including the independent non-executive Directors) considered that the Cooperation Agreement was negotiated on an arm's length basis and entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and proposed annual cap 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, being a controlling shareholder of the Company indirectly holding 53.05% interest in the Company, indirectly holds 62.94% interest in CR Power as at the date of this announcement. Accordingly, CR Power is a connected person of the Company and the Cooperation Agreement and the transactions contemplated thereunder constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the aggregate annual cap for the transactions contemplated under the Cooperation Agreement exceed 0.1% but are less than 5%, the Cooperation Agreement and the transactions and proposed annual cap contemplated thereunder are only subject to reporting, announcement and annual review requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Cooperation Agreement and the transactions (including the relevant annual cap) contemplated thereunder, and none of the Directors has abstained from voting on the relevant Board resolutions approving the Cooperation Agreement and the transactions (including the relevant annual cap) contemplated thereunder.

INFORMATION OF THE PARTIES

CR Power

CR Power Group is principally engaged in the investment, development, operation and management of power plants in the PRC. CR Power is an indirect non-wholly owned subsidiary of CR Holdings, which indirectly holds 62.94% interest in CR Power as at the date of this announcement, and CR Holdings is ultimately beneficially owned by CRC. CRC is beneficially owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The shares of CR Power are listed on the Main Board of the Stock Exchange (stock code: 836).

CR Sanjiu

The core business of CR Sanjiu encompasses research and development, manufacturing and sales of pharmaceutical products and other health-related services. CR Sanjiu is an indirect non-wholly owned subsidiary of the Company owned as to 63.00% by the Company as at the date of this announcement, and the shares of CR Sanjiu are listed on the Shenzhen Stock Exchange (stock code: 000999). The Company is indirectly owned as to 53.05% by CR Holdings, which is ultimately beneficially owned by CRC.

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:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Cooperation Agreement”	the cooperation agreement dated 15 May 2024 entered into between CR Sanjiu and CR Power in relation to the proposed cooperation on the New Energy Projects;
“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;

“CR Power”	China Resources Power Holdings Company Limited (華潤電力控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 836) and an indirect non-wholly owned subsidiary of CR Holdings as at the date of this announcement;
“CR Power Group”	CR Power 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, 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 Group”	CR Sanjiu and its subsidiaries;
“CRC”	China Resources Company Limited (中國華潤有限公司), a company incorporated in the PRC with limited liability;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New Energy Project(s)”	the new energy project(s) contemplated under the Cooperation Agreement, the details of which are set forth in the section headed “The Cooperation Agreement – (4) Scope of Transactions under the Cooperation Agreement” in this announcement;

“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	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 version shall prevail.

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

PRC, 16 May 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, Mdm. Guo Wei, Mr. Sun Yongqiang, 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.