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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**

### **PROGRESS UPDATE**

## **COMPLETION OF THE PROPOSED INTERNAL REORGANIZATION INVOLVING CR ZIZHU**

Reference is made to the announcement dated 23 February 2024 and the announcement dated 22 March 2024 (the “**Announcement**”) made by China Resources Pharmaceutical Group Limited (the “**Company**”) in relation to the proposed internal reorganization of China Resources Zizhu Pharmaceutical Co., Ltd (華潤紫竹藥業有限公司) (“**CR Zizhu**”) (the “**Proposed Internal Reorganization**”). Unless otherwise defined herein or the context requires, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

### **ADDITIONAL INFORMATION ABOUT THE APPRAISAL**

As disclosed in the Announcement, an asset appraisal of CR Zizhu (the “**Appraisal**”) was conducted by the Independent Valuer, Pan-China Appraisal Co., Ltd, and the Appraisal Report was issued on 21 December 2023. According to the Appraisal Report, the appraised value of the total equity interest of CR Zizhu amounted to RMB3,115.4531 million, which was valued based on income approach with a valuation base date of 31 August 2023 (the “**Valuation Base Date**”). As the Appraisal Report was prepared based on income approach, it was regarded as profit forecast as defined under Rule 14.61 of the Listing Rules. Pursuant to Rule 14.60A of the Listing Rules, KPMG was engaged by the Company to report on the calculations of the discounted future cash flows on which the valuation in the Appraisal Report was based.

The details of all the principal assumptions adopted for the Appraisal Report have been disclosed in the paragraph headed “Profit Forecast under Rules 14.60A and 14.61 of the Listing Rules – Principal Assumptions of the Appraisal” in the Announcement.

The Board would like to provide additional information in relation to the key inputs underlying the Appraisal.

According to the Appraisal Report, under the methodology adopted for the Appraisal, the appraised value of the total equity interest of CR Zizhu as at the Valuation Base Date is the sum of the appraised values of (A) free cash flow; (B) net non-operating assets/liabilities and surplus assets (if any); (C) long-term equity investments, less (D) interest-bearing debts (if any).

**(A) Free cash flow**

The free cash flow was projected based on the net cash flow forecast and a discount rate for the Relevant Period (as defined below), based on the Independent Valuer’s analysis of CR Zizhu’s expected income, having taken into account the resources owned or controlled by CR Zizhu that are not reflected in the balance sheet, such as contract execution, customer base, sales network, possible projects, qualifications, human resources, research and development capabilities, etc.) and the contribution of such resources to CR Zizhu’s net cashflow. The Independent Valuer was of the view that it is highly likely that CR Zizhu will continue to operate after year 2028, and therefore, the forecasted term of operation of CR Zizhu is perpetual for the purpose of the Appraisal, and the net cash flow forecast of CR Zizhu was prepared for the period from September 2023 to December 2028 (“**Relevant Period**”).

Set forth below is the free cash flow forecast for the Relevant Period prepared by the Independent Valuer in the Appraisal Report:

Unit: RMB in ten thousands

Item	From September to December						Perpetual period
	2023	2024	2025	2026	2027	2028	
Operating income	35,451.07	114,070.50	128,758.79	139,156.90	149,818.66	160,810.88	160,810.88
Total profit	1,511.19	22,753.72	24,565.26	25,672.77	26,996.06	27,629.55	27,629.55
Net profit	1,269.08	20,154.72	21,754.37	22,716.09	23,879.46	24,442.76	24,442.76
Free cash flow	-9,868.93	11,240.42	19,744.30	24,270.84	24,940.78	22,407.38	24,633.34

Weighted average cost of capital (WACC) model was adopted to determine the discount rate used in the Appraisal, which was calculated with reference to various factors, including the capital structure of CR Zizhu, the equity systematic risk coefficient, the 10-year annualized yield of treasury bond in the PRC market, the equity systematic risk coefficient of comparable listed companies in the Shanghai Stock Exchange and Shenzhen Stock Exchange, and the average return of the PRC stock markets. The discount rate for the Relevant Period was assessed at 10.90%, while the terminal growth rate was nil.

Based on the discount rate for the Relevant Period, the appraised value of CR Zizhu's operating assets was RMB2,024,341,000, the calculation of which is set out as follows:

Unit: RMB in ten thousands

Item	From September to December						Perpetual period
	2023	2024	2025	2026	2027	2028	
Free cash flow	-9,868.93	11,240.42	19,744.30	24,270.84	24,940.78	22,407.38	24,633.34
Discount rate	10.90%	10.90%	10.90%	10.90%	10.90%	10.90%	10.90%
Discount period	0.17	0.83	1.83	2.83	3.83	4.83	5.83
Discount factor	0.98	0.92	0.83	0.75	0.67	0.61	-
Discounted value of operating assets	-9,699.74	10,310.85	16,331.16	18,101.88	16,773.06	13,588.04	137,028.85
Total discounted value of operating assets				202,434.10			

**(B) Net non-operating assets/liabilities and surplus assets (if any)**

Non-operating assets and liabilities refer to those assets and liabilities that are not considered in the forecast cashflow or are unrelated to the principal business of CR Zizhu in the income forecast process. When analyzing the non-operating assets, the Independent Valuer assessed the book values of the other receivables, other current assets, deferred income tax assets and other related items, while using replacement cost method and market method were considered to assess the values of the investment properties and fixed assets (i.e. buildings and corresponding land use rights) held by CR Zizhu. Such assessment method did not involve additional or separate assumptions. When analyzing the non-operating liabilities (which mainly consisted of other payables, long-term payables and other related items), the Independent Valuer assessed the book values of such non-operating liabilities. Through analysis of the breakdown of the assets and liabilities of CR Zizhu, the appraised values of non-operating assets and non-operating liabilities of CR Zizhu were RMB1,358,758,500 and RMB1,347,181,200, respectively, as at the Valuation Base Date.

Based on the Independent Valuer's analysis, CR Zizhu had no surplus assets (being those assets that are not required in the continual operations of CR Zizhu).

**(C) Long-term equity investments**

Beijing Hanmi Pharm. Co., Ltd. (北京韓美藥品有限公司) (“**Hanmi Pharm**”), which was not included in the scope of the consolidated financial statements of CR Zizhu, has been added back as a long-term equity investment of CR Zizhu. Beijing Zizhu Building Co., Ltd. (北京市紫竹大廈有限公司) (“**Zizhu Building**”), which was included in the consolidated financial statements of CR Zizhu but was not included in the profit forecast in the consolidated financial statements due to its significant differences in business operations and other companies, has also been added back as a long-term equity investment of CR Zizhu. As at the Valuation Base Date, Hanmi Pharm was principally engaged in research and development, production and sales of pharmaceutical products, and Zizhu Building was principally engaged in property leasing, respectively. Based on the Independent Valuer's appraisal, the appraised value of long-term equity investments was RMB1,083,820,900.

**(D) Interest-bearing debts (if any)**

As at the Valuation Base Date, CR Zizhu did not have any interest-bearing debts.

Based on the Appraisal Report, the appraised value attributable to minority interest held in Beijing Zizhu Pharmaceutical Operations Co., Ltd. (北京紫竹醫藥經營有限公司) (“**Beijing Zizhu**”, in which CR Zizhu held approximately 83.33% interest as of the Valuation Base Date) was RMB4,286,000.

Accordingly, based on the Appraisal by the Independent Valuer using income approach, excluding the appraised value attributable to minority interest in Beijing Zizhu and on the premise of going concern, the appraised value of the total equity interest of CR Zizhu amounted to RMB3,115,453,100, and the audited owners’ equity of CR Zizhu as at the Valuation Base Date was RMB1,152,145,800, representing an appreciation amount of RMB1,963,307,300 or an appreciation rate of 170.40%.

**The Appraisal concerning CR Zizhu and the profit forecast for purpose of Rules 14.60A and 14.61 of the Listing Rules do not in any way represent or provide a complete view of the operational or financial status of the Group. Shareholders and potential investors should not rely solely on such information and should exercise caution when dealing in the securities of the Company.**

## **COMPLETION OF THE PROPOSED INTERNAL REORGANIZATION**

The Board is pleased to announce that the registration of share transfer with the relevant counterpart of the State Administration of Market Regulation has been completed. Accordingly, as of the date of this announcement, the proposed transfer of 100% interest in CR Zizhu from Beijing Pharmaceutical to CR Double Crane pursuant to the terms of the Share Transfer Agreement has been completed.

*Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Accordingly, figures shown as totals in certain formula or tables may not be an arithmetic aggregation of the relevant figures, and any discrepancies between the totals shown and the sum of the amounts are due to rounding.*

*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*

China, 18 April 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.*