

*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.*



**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)**

## **SUPPLEMENTARY ANNOUNCEMENT ON THE PROPOSED ACQUISITION OF GREEN CROSS HK**

Reference is made to the announcement of China Resources Pharmaceutical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 17 July 2024 (the “**Announcement**”). Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcement. Save as the information disclosed in the Announcement, the Company hereby provides the following information:

Green Cross HK is a holding platform with no actual business and is located in Hong Kong, and its wholly-owned subsidiary, GC China, is located in mainland China. Hong Kong and mainland China share different capital markets. There are therefore differences in the discount rate determination parameters, including the risk-free return rates and risk premiums. In addition, GC China has two relatively independent business segments (i.e., (A) GC China and its four subsidiaries (principally engaged in blood products business) (the “**Blood Products Segment**”) and (B) the remaining subsidiary of GC China (Anhui Gelinke, which is principally engaged in import agency sales business) (the “**Import Agency Sales Segment**”). Therefore, the Appraisal Report separately assessed the value of the two different business segments, each using the income approach, and such value was then aggregated into the value of Green Cross HK’s long-term equity investment. According to the Appraisal Report, the long-term equity investments of Green Cross HK had an appraised value (not book value) of RMB1,442,674,000 as at the Valuation Base Date.

As the long-term equity investment of Green Cross HK is valued using the income approach, it is regarded as a profit forecast within the meaning of Rule 14.61 of the Listing Rules. Pursuant to Rule 14.60A of the Listing Rules, the principal assumptions, including commercial assumptions, underlying the valuation of long-term equity investment of Green Cross HK are consistent with the assumptions underlying in the Appraisal Report, which were already disclosed in the Announcement. Reference is further made to the Letter from the Board in Appendix I and the Report from Baker Tilly in Appendix II to the Announcement. The calculations of the discounted future estimated cashflows underlying the Valuation have taken into account the valuation of the long-term equity investment of Green Cross HK. Pursuant to Rule 14.60A(3) of the Listing Rules, the Board confirms that the valuation and forecast in the Appraisal Report were prepared after due and careful enquiry.

According to the Appraisal Report, as of the Valuation Base Date, the appraised value of the Blood Products Segment was RMB1,016.2444 million (deducting the appraised value of the Import Agency Sales Segment), the appraisal value of the Import Agency Sales Segment was RMB426.4293 million, and the appraised value of long-term equity investment of Green Cross HK was RMB1,442.6737 million. The key inputs for the valuation of long-term equity investment of Green Cross HK are set out below:

Unit: RMB in ten thousands

Item	From October to December 2023	2024	2025	2026	2027	2028	2029	2030	2031	Perpetual period
Operating income	9,185.12	29,874.96	33,904.73	36,705.62	45,587.74	49,644.62	53,470.26	55,767.16	57,962.64	57,962.64
Total profit	1,424.81	3,380.59	5,572.33	6,301.50	12,890.45	14,962.98	16,951.27	17,303.78	17,867.63	18,252.42
Net profit	996.69	3,380.59	5,150.30	5,698.52	11,301.72	13,066.48	14,773.93	15,091.02	15,587.64	15,913.47
<b>Free cash flow</b>	<b>-923.63</b>	<b>3,288.43</b>	<b>5,168.25</b>	<b>6,584.31</b>	<b>11,328.90</b>	<b>13,367.33</b>	<b>12,948.46</b>	<b>13,422.60</b>	<b>14,568.83</b>	<b>16,031.47</b>
Discount rate	9.58%	9.58%	9.58%	9.58%	9.58%	9.58%	9.58%	9.58%	9.58%	9.58%
Discount period (year)	0.1250	0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	
Discount factor	0.9886	0.9337	0.8521	0.7776	0.7096	0.6476	0.5909	0.5393	0.4921	5.1367
<b>Present value of free cash flow</b>	<b>-913.10</b>	<b>3,070.41</b>	<b>4,403.87</b>	<b>5,119.96</b>	<b>8,038.99</b>	<b>8,656.68</b>	<b>7,651.24</b>	<b>7,238.81</b>	<b>7,169.32</b>	<b>82,348.84</b>
<b>Business value</b>	<b>132,785.02</b>									
Add: surplus assets	0.00									
Non-operating net assets	444.40									
Long-term equity investment (i.e. GC China's equity investment in Anhui Gelinke) (Note 1)	42,642.93									
<b>Enterprise value</b>	<b>175,872.35</b>									
<b>Less: Interest-bearing liabilities</b>	<b>31,604.98</b>									
<b>Value of shareholders' equity</b>	<b>144,267.37</b>									

Note 1: The abovementioned long-term equity investment represented the 100% equity investment by GC China in Anhui Gelinke (i.e., the Import Agency Sales Segment). The key inputs for the valuation of the Import Agent Sales segment are set out below:

Unit: RMB in ten thousands

Item	From October to December 2023	2024	2025	2026	2027	2028	2029	2030	2031	Perpetual period
Operating income	4,914.18	20,145.00	24,540.00	38,121.90	39,620.00	40,460.00	42,500.00	41,720.00	41,720.00	41,720.00
Total profit	766.92	2,217.38	2,663.03	4,688.44	6,320.73	6,404.50	7,158.51	6,766.23	6,672.89	6,681.54
Net profit	780.15	1,653.50	1,987.55	3,506.41	4,730.43	4,793.06	5,358.36	5,063.94	4,993.72	5,000.21
<b>Free cash flow</b>	<b>588.48</b>	<b>-121.21</b>	<b>1,508.46</b>	<b>600.62</b>	<b>4,533.18</b>	<b>4,701.81</b>	<b>5,012.66</b>	<b>5,176.61</b>	<b>5,050.49</b>	<b>5,012.21</b>
Discount rate	9.54%	9.54%	9.54%	9.54%	9.54%	9.54%	9.54%	9.54%	9.54%	9.54%
Discount period (year)	0.1250	0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	
Discount factor	0.9887	0.9339	0.8526	0.7784	0.7106	0.6487	0.5922	0.5406	0.4935	5.1730
<b>Present value of free cash flow</b>	<b>581.83</b>	<b>-113.19</b>	<b>1,286.11</b>	<b>467.52</b>	<b>3,221.28</b>	<b>3,050.06</b>	<b>2,968.50</b>	<b>2,798.48</b>	<b>2,492.42</b>	<b>25,928.14</b>
<b>Business value</b>	<b>42,681.14</b>									
Add: surplus assets	298.82									
Non-operating net assets	122.97									
Unconsolidated long-term equity investment	0.00									
<b>Enterprise value</b>	<b>43,102.93</b>									
Less: Interest-bearing liabilities	460.00									
<b>Value of shareholders' equity</b>	<b>42,642.93</b>									

The compound annual growth rate of GC China's income from 2023 to 2031 is 9.78%, and the growth rate of the perpetual period is 0%. With respect to the global blood products industry, the market size of the global blood products industry has maintained year-on-year growth. In relation to the market size of the blood products industry in China, the domestic blood product sales market has also maintained a good growth momentum. Given the market conditions where the supply of blood products is unable to keep up with the demand, the valuation of GC China's sales volume is determined using the "production-driven sales" model. As the major limitation factor in the blood products industry is the supply of raw plasma, the annual saleable quantity of each product of GC China is determined taking into account the fact that GC China has four plasma stations providing raw plasma, the annual usable plasma collection volume determined by the annual plasma collection volume and the quarantine pass rate of each plasma station of GC China, and GC China's production capacity and production target of output per ton of plasma. The income forecast mainly takes into account (i) plasma collection volume, (ii) the improvement of intravenous immunoglobulin technology, and (iii) the selling price. According to the population in the plasma collection area covered by the plasma collection stations in 2024 and future years, the average annual new plasma collection volume per 10,000 people in the industry, and the population concentration, the compound annual growth rate of plasma collection volume is estimated to be 9.07% from 2023 to 2031. In addition, GC China has made process improvements to the purification process of the intravenous immunoglobulin product. It is expected that the product yield rate will be greatly improved. Due to the scarcity of the raw materials for blood products, the "volume-for-price" trend of generic drugs is unlikely to apply to blood products. The prices of blood products are therefore expected to steadily grow per year. There are also relevant national measures to control the growth in blood product prices. For example, the prices of blood products will be relatively stable if blood products are included in centralized procurement. It is hence expected that the selling prices will remain relatively stable and the selling price of the most recent period was used as the selling prices in the future periods in the Appraisal. The cost forecast of GC China is mainly based on the historical annual occurrence level of various costs with certain level of growths, and the increase in sampling costs as a result of the increase in the quarantine pass rate.

The compound annual growth rate of Anhui Gelinke’s income from 2023 to 2031 is 18.82%, and the growth rate of the perpetual period is 0%. In response to the rapid growth in the market demand for the three major products distributed, Anhui Gelinke will adjust its global market layout and increase its market supply accordingly to meet the growing market demand. The income forecast mainly takes into account the number of import agents from 2024 to 2026 and the estimated supply from 2027 to 2031 as stipulated in the three products agency sales agreements (the “**Agency Sales Agreements**”) among Anhui Gelinke, GC Biopharma Corp and GC Wellbeing Corporation, the historical sales prices of each product from January to September 2021 to 2023, and the market development trend of each product. The cost forecast of Anhui Gelinke mainly considers the import supply price from 2024 to 2026 as stipulated in the Agency Sales Agreements, and the supply price from 2027 to 2031 forecasted based on the market development trend of each product.

The discount factor for the valuation of each of the Blood Products Segment and the Import Agency Sales Segment is determined with reference to the “Asset Appraisal Expert Guidelines No. 12 – Calculation of the Discount Rate in the Income Method Appraisal of Enterprise Value” (《資產評估專家指引第12號—收益法評估企業價值中折現率的測算》) formulated by the China Appraisal Society (中國資產評估協會). Since a discounted corporate free cash flow model is adopted in the valuation for both segments, the discount rate is considered using the weighted average cost of capital (WACC). The specific calculation formulae for the discount rates used in the valuation of both segments are as follows:

$$\text{WACC} = K_e \times \frac{E}{E + D} + K_d \times (1-t) \times \frac{D}{E + D}$$

$K_e$ : Cost of equity capital;

$K_d$ : Interest-bearing debt capital costs;

$E$ : Market value of equity;

$D$ : Market value of interest-bearing debt; and

$t$ : Income tax rate.

### ***K<sub>e</sub>: Cost of equity capital***

The cost of equity capital is calculated using the capital asset pricing model. The calculation formula is as follows:

$$K_e = r_f + \text{MRP} \times \beta_L + r_c$$

$r_f$ : Risk-free rate of return, the rate of return of treasury bonds is generally considered to be risk-free, therefore, the Appraisal Report used the annual rate of return to maturity of the 10-year treasury bonds as at the Valuation Base Date of 2.6751% as the risk-free rate of return.

MRP: Market risk premium, which is the difference between the market rate of return on investment and the risk-free rate of return. As at the Valuation Base Date, the market rate of return on investment was determined by a comprehensive analysis of the weighted average of the annualized weekly returns from 1992 to 2022 based on the stock trading price indices of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The market rate of return on investment was calculated to be 9.48%. The risk-free rate of return was based on the rate of return to maturity of the 10-year treasury bonds of 2.6751% as at the Valuation Base Date. The market risk premiums for both segments were therefore 6.80%.

$\beta_L$ : Systematic risk factor for equity, which is calculated as follows:

$$\beta_L = [1 + (1-t) \times D/E] \times \beta_U$$

$\beta_L$ : Systematic risk factor for equity with financial leverage;

$\beta_U$ : Systematic risk factor for equity without financial leverage;

t: Income tax rate; and

D/E: Capital structure.

According to the business characteristics of the two segments, the Independent Valuer has enquired through public channels about the  $\beta_L$  value of six comparable companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as at the Valuation Base Date, which were then converted into  $\beta_U$  value based on the income tax rates and capital structures of the comparable listed companies, and has taken the average of 0.7304 as the  $\beta_U$  value of the two segments, details of which are shown in the table below:

No.	Stock code	Stock short name	$\beta_L$ value	$\beta_u$ value
1	002007.SZ	Hualan Bio* (華蘭生物)	0.6878	0.6696
2	002252.SZ	Shanghai Raas* (上海萊士)	0.5520	0.5374
3	002880.SZ	Weiguang Biological* (衛光生物)	0.6113	0.5951
4	300294.SZ	Boya-Bio* (博雅生物)	0.8024	0.7811
5	300318.SZ	Bohui* (博暉創新)	0.9376	0.9128
6	600161.SH	Tiantan Biological* (天壇生物)	0.9105	0.8864
<b><math>\beta_u</math> average value</b>				0.7304

The average of 3.20% of the capital structures of comparable listed companies was taken as the capital structure (D/E value) of the two segments. For details, please see “D: Market value of interest-bearing debt and E: Market value of equity” below.

The income tax rate for the Blood Products Segment was 15% on the Valuation Base Date, and the income tax rate for the Import Agency Sales Segment was 25% on the Valuation Base Date. Substituting the above parameters into the following formula:

Blood Products Segment:

$$\beta_L = [1 + (1-t) \times D/E] \times \beta_U = [1 + (1-15\%) \times 3.20\%] \times 0.7304 = 0.7503$$

Import Agency Sales Segment:

$$\beta_L = [1 + (1-t) \times D/E] \times \beta_U = [1 + (1-25\%) \times 3.20\%] \times 0.7304 = 0.7479$$

$r_c$ : Enterprise-specific risk adjustment factor, which was determined on the basis of a comprehensive analysis of the risks and countermeasures in respect of the subject’s operational risk, market risk, management risk and financial risk. The enterprise-specific risk adjustment factor for both segments was determined to be 2%, taking into account the impact of business scale, historical operating results, industry position, operating ability, competitiveness and internal control on the risks of the two segments.

Substituting the above parameters into the following formula, the cost of equity capital for the Blood Products Segment is:

$$K_e = R_f + \beta \times \text{MRP} + R_c = 2.6751\% + 0.7503 \times 6.80\% + 2.00\% = 9.78\%$$

Substituting the above parameters into the following formula, the cost of equity capital for the Import Agency Sales Segment is:

$$K_e = R_f + \beta \times \text{MRP} + R_c = 2.6751\% + 0.7479 \times 6.80\% + 2.00\% = 9.76\%$$

### ***K<sub>d</sub>: Interest-bearing debt capital costs***

The interest-bearing debt capital cost was based on the quoted market interest rate for short-term (1-year) loans and the quoted market interest rate for long-term (more than 5-year) loans in effect as at the Valuation Base Date, adding the floating interest rates for loans corresponding to the subjects of Valuation, respectively, and weighted by the proportion of the amounts of short-term and long-term loans.

In respect of the Blood Products Segment, as at the Valuation Base Date, the effective quoted market interest rates for short-term and long-term loans were 3.45% and 4.20% respectively. The floating interest rates for short-term loans increased by 0.40%. The interest rates for long-term loans remained stable. The amounts of short-term and long-term borrowings were RMB53,767,100 and RMB262,282,700, respectively. The amounts of short-term borrowings accounted for 17.01% and the amounts of long-term borrowings accounted for 82.99%. Substituting the abovementioned parameters into the following formula:

$$\text{Debt capital costs} = (3.45\% + 0.40\%) \times 17.01\% + (4.20\% + 0.00\%) \times 82.99\% = 4.14\%$$

In respect of the Import Agency Sales Segment, as at the Valuation Base Date, the effective quoted market interest rates for short-term and long-term loans were 3.45% and 4.20%, respectively. The interest rates for both short-term and long-term loans remained stable. The amount of short-term borrowings was RMB4,600,000, and there were no long-term borrowings. The amount of short-term borrowings accounted for 100% and the amount of long-term borrowings accounted for 0.00%. Substituting the abovementioned parameters into the following formula:

$$\text{Debt capital costs} = (3.45\% + 0.00\%) \times 100\% + (4.20\% + 0.00\%) \times 0.00\% = 3.45\%$$



***D: Market value of interest-bearing debt and E: Market value of equity***

The Independent Valuer has enquired through public channels about the market value of interest-bearing debts and equity of six comparable companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as at the Valuation Base Date and has taken the average of the capital structures of the six comparable companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as the capital structure of the appraised entities, details of which are shown in the table below:

No.	Stock code	Stock short name	D (RMB in ten thousands)	E (RMB in ten thousands)	D/E
1.	002007.SZ	Hualan Bio* (華蘭生物)	90,061.64	4,445,430.85	2.03%
2.	002252.SZ	Shanghai Raas* (上海萊士)	75.35	4,692,328.73	0.00%
3.	002880.SZ	Weiguang Biological* (衛光生物)	45,207.75	817,340.52	5.53%
4.	300294.SZ	Boya-Bio* (博雅生物)	2,292.29	1,536,654.81	0.15%
5.	300318.SZ	Bohui* (博暉創新)	75,577.28	679,926.55	11.12%
6.	600161.SH	Tiantan Biological* (天壇生物)	20,046.09	5,119,633.61	0.39%
<b>D/E average value</b>					<b>3.20%</b>

***t: Income tax rate***

As at the Valuation Base Date, the income tax rate for the Blood Products Segment was 15% and the income tax rate for the Import Agency Sales Segment was 25%.

Substituting the parameters determined above into the abovementioned formula for computing the WACC, the WACC discount rate for both segments were computed as follows:

Blood Products Segment:

$$\begin{aligned} \text{WACC} &= K_e \times \frac{E}{D + E} + K_d \times (1-t) \times \frac{D}{D + E} \\ &= K_e \times (1/(1+D/E)) + K_d \times (1-T) \times ((D/E)/(1+D/E)) \\ &= 9.78\% \times (1/(1+3.2\%)) + 4.14\% \times (1-15\%) \times (3.2\%/(1+3.2\%)) \\ &= 9.58\% \end{aligned}$$

Import Agency Sales Segment:

$$\begin{aligned} \text{WACC} &= K_e \times \frac{E}{D + E} + K_d \times (1-t) \times \frac{D}{D + E} \\ &= K_e \times (1/(1+D/E)) + K_d \times (1-T) \times ((D/E)/(1+D/E)) \\ &= 9.76\% \times (1/(1+3.2\%)) + 3.45\% \times (1-25\%) \times (3.2\%/(1+3.2\%)) \\ &= 9.54\% \end{aligned}$$

Taking into account the methodology, principal assumptions and valuation procedures adopted in the Appraisal Report, the sufficient qualification, professional team, the rich work experience in relevant areas and the independence of the Independent Valuer, and the competence of the Independent Valuer to provide professional valuation services, the Board is of the view that the Appraisal is fair and reasonable. Taking into account the relatively high industry barriers, the unique scarcity of blood production licensing resources and market demand, and comparing the market capitalization of various listed companies in the same industry, the industry as a whole enjoys a higher valuation benchmark. Analysis of recent similar transactions involving comparable industry peers indicates transaction premiums have generally been high, reflective of intense M&A market competition within the sector. The premium for the Proposed Acquisition is lower than the average premium observed in similar transactions involving comparable industry peers. The Share Purchase Agreement and the transactions contemplated thereunder were entered into on normal commercial terms after arm's length negotiations. The Board therefore considers that the Consideration for the Proposed Acquisition is fair and reasonable.

**The valuation of the long-term equity investment concerning Green Cross HK 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.**

\* For identification purposes only.

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

Hong Kong, 14 August 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. 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.*