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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)

INSIDE INFORMATION THE PROPOSED INTERNAL REORGANIZATION INVOLVING CR SHENGHUO

This announcement is made by China Resources Pharmaceutical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

THE PROPOSED INTERNAL REORGANIZATION

The board of directors (the “**Board**”) of the Company is pleased to announce that, on 7 June 2024, the Board has passed a resolution and approved that the Company’s non-wholly-owned subsidiaries, China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司) (“**CR Sanjiu**”) and KPC Pharmaceuticals, Inc (昆藥集團股份有限公司) (“**KPC**”), will enter into a share transfer agreement (“**Share Transfer Agreement**”), pursuant to which CR Sanjiu will agree to sell, and KPC will agree to acquire, 51% interest in Kunming China Resources Shenghuo Pharmaceutical Company Limited (昆明華潤聖火藥業有限公司) (“**CR Shenghuo**”) for a total consideration of RMB1,791 million (equivalent to approximately HK\$1,967 million) (the “**Proposed Internal Reorganization**”).

As at the date of this announcement, CR Shenghuo is wholly owned by CR Sanjiu and is accounted for as a non-wholly-owned subsidiary of the Company owned as to approximately 63.00% by the Company. CR Sanjiu is an indirect non-wholly-owned subsidiary of the Company owned as to approximately 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). KPC is an indirect non-wholly-owned subsidiary of the Company owned as to approximately 28.04% by the Company as at the date of this announcement, and the shares of KPC are listed on the Shanghai Stock Exchange (stock code: 600422).

Upon completion of the Proposed Internal Reorganization, it is expected that the Company's interest held in CR Shenghuo will be diluted from approximately 63.00% to approximately 39.88% while CR Shenghuo will remain as a non-wholly-owned subsidiary of the Company. Therefore, the Proposed Internal Reorganization will constitute the Company's disposal of interest in CR Shenghuo under Chapter 14 of the Listing Rules.

The consideration for the Proposed Internal Reorganization was determined after arm's length negotiation among the parties, taking into account the appraised value of the total equity interest of CR Shenghuo according to an asset appraisal conducted by China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) (the "**Independent Valuer**"), an independent valuer engaged by CR Sanjiu and KPC. According to the asset appraisal report issued by the Independent Valuer on 3 January 2024 (the "**Appraisal Report**"), the appraised value of the total equity interest of CR Shenghuo amounted to RMB3,511,822,500, which was valued based on income approach with a valuation base date of 31 July 2023. As the Appraisal Report was prepared based on income approach, it is regarded as profit forecast as defined under Rule 14.61 of the Listing Rules. In accordance with the Listing Rules, KPMG ("**KPMG**") has been engaged by the Company to report on the calculations of the discounted future cash flows on which the Appraisal Report are based, and a report from KPMG will be included in the announcement to be made by the Company in relation to the Proposed Internal Reorganization pursuant to the requirements of Chapter 14 of the Listing Rules if and when required.

REASONS FOR AND BENEFITS OF THE PROPOSED INTERNAL REORGANIZATION

CR Shenghuo is principally engaged in production, research and development, and sales of Xuesaitong soft capsules, fibrauretine, silver sulfadiazine cream, panax notoginseng freeze dried products and other products. KPC is principally engaged in the pharmaceutical manufacturing industry, and its business encompasses research and development, manufacturing, sales and distribution of pharmaceutical products. The core business of CR Sanjiu encompasses research and development, manufacturing and sales of pharmaceutical products and other health-related products.

The Proposed Internal Reorganization facilitates the implementation of the Company's "14th Five-Year Plan" strategic plan, optimizes the layout of the industrial chain, promotes the high-quality development of the panax notoginseng industry chain, further enhances the influence of CR Sanjiu in the panax notoginseng industry, and resolves the competition issue involving Xuesaitong soft capsule products between CR Shenghuo and KPC. It is believed that the Proposed Internal Reorganization will put the advantages of each of CR Sanjiu and KPC in terms of their products, sales and distribution network, branding, supply chain, etc. into full play and create synergistic value. It is also expected that the Proposed Internal Reorganization will help accelerate the integration of supply chain of panax notoginseng, create a benchmark for the industry and further enhance the penetration and influence of the Group's panax notoginseng products in the market, thereby improving the promoting the high quality development of TCM industry chain represented by the panax notoginseng products, with a view to building a solid foundation for growth of the Company's overall performance.

The Board (including the independent non-executive Directors) considered that the terms of the Proposed Internal Reorganization are on normal commercial terms after arm's length negotiation, fair and reasonable, and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Upon completion of the Proposed Internal Reorganization, it is expected that the Company's interest held in CR Shenghuo will be diluted from approximately 63.00% to approximately 39.88% while CR Shenghuo will remain as a non-wholly-owned subsidiary of CR Sanjiu and of the Company. Therefore, the Proposed Internal Reorganization will constitute the Company's disposal of interest in CR Shenghuo under Chapter 14 of the Listing Rules. As the Share Transfer Agreement for the Proposed Internal Reorganization has not been executed as of the date of this announcement, the Company will make further announcement(s) pursuant to the requirements of the Listing Rules if and when required.

As the Share Transfer Agreement for the Proposed Internal Reorganization has not been executed as of the date of this announcement and the completion of the Proposed Internal Reorganization will be subject to the terms and conditions stated in the Share Transfer Agreement, the Proposed Internal Reorganization may or may not proceed. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

For the purpose of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.09845. 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 version shall prevail.

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

PRC, 11 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, 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.