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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
THE PROPOSED INTERNAL REORGANIZATION
INVOLVING CR ZIZHU**

Reference is made to the announcement dated 23 February 2024 in relation to the Proposed Internal Reorganization.

The Board is pleased to announce that, on 22 March 2024, CR Double-Crane and Beijing Pharmaceutical entered into the Share Transfer Agreement, pursuant to which CR Double-Crane has conditionally agreed to acquire, and Beijing Pharmaceutical has conditionally agreed to sell, 100% interest in CR Zizhu for a total consideration of RMB3,115,453,100.00 (equivalent to approximately HK\$3,431,360,044.34).

Upon Completion, the Company's interest held in CR Zizhu will be diluted from 100% to 60.19%. Therefore, the Proposed Internal Reorganization constitutes the Company's disposal of interest in CR Zizhu under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules exceed 5% but are all less than 25%, the Share Transfer Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company under the Listing Rules and are subject to the reporting and announcement requirements but are exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Completion of the Proposed Internal Reorganization is subject to the terms and conditions and the fulfillment (or waiver) of the conditions precedent 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.

INTRODUCTION

Reference is made to the announcement dated 23 February 2024 in relation to the Proposed Internal Reorganization.

The Board is pleased to announce that, on 22 March 2024, CR Double-Crane and Beijing Pharmaceutical entered into the Share Transfer Agreement, pursuant to which CR Double-Crane has conditionally agreed to acquire, and Beijing Pharmaceutical has conditionally agreed to sell, 100% interest in CR Zizhu for a total consideration of RMB3,115,453,100.00 (equivalent to approximately HK\$3,431,360,044.34). Upon Completion, CR Zizhu will be indirectly held as to 60.19% by the Company and will continue to be accounted for as a subsidiary of the Company.

THE PROPOSED INTERNAL REORGANIZATION

A summary of the principal terms of the Share Transfer Agreement are set out as follows:

(1) Date

22 March 2024

(2) Parties

- (a) Beijing Pharmaceutical (a wholly-owned subsidiary of the Company), as the transferor; and
- (b) CR Double-Crane (a non-wholly-owned subsidiary of the Company), as the transferee.

For further details of the parties to the Share Transfer Agreement, please refer to the section headed “Information of the Parties” below.

(3) Subject Matter

Pursuant to the Share Transfer Agreement, CR Double-Crane has conditionally agreed to acquire, and Beijing Pharmaceutical has conditionally agreed to sell, 100% interest in CR Zizhu for a total consideration of RMB3,115,453,100.00 (equivalent to approximately HK\$3,431,360,044.34).

Prior to the Completion of the Proposed Internal Reorganization, CR Zizhu is wholly owned by the Company through Beijing Pharmaceutical (a wholly-owned subsidiary of the Company). Upon Completion, the Company's interest held in CR Zizhu will be diluted from 100% to 60.19% indirectly held through CR Double-Crane (a non-wholly-owned subsidiary of the Company), and CR Zizhu will continue to be accounted for as a subsidiary of the Company.

(4) Consideration

The Consideration for the Proposed Internal Reorganization shall be RMB3,115,453,100.00 (equivalent to approximately HK\$3,431,360,044.34).

The Consideration was determined after arm's length negotiation among the parties, taking into account the appraised value of the total equity interest of CR Zizhu according to an asset appraisal report issued on 21 December 2023 by Pan-China Appraisal Co., Ltd (北京天健興業資產評估有限公司) (the "**Independent Valuer**"), an independent valuer engaged by CR Zizhu (the "**Appraisal Report**"). According to the Appraisal Report, the appraised value of the total equity interest of CR Zizhu amounted to RMB3,115.4531 million, which were valued based on income approach with a valuation base date of 31 August 2023. The requisite filing of the Appraisal Report with CRC has been completed as of the date of this announcement.

The Consideration shall be payable by CR Double-Crane in three instalments pursuant to the terms of the Share Transfer Agreement:

- (i) Within ten business days after the fulfillment of the conditions precedent as set forth in the Share Transfer Agreement: 70% of the Consideration (being RMB2,180,817,170.00, equivalent to HK\$2,401,952,031.03);

- (ii) In six months after the filing of the amended articles of association of CR Zizhu in connection with the Proposed Internal Reorganization: 10% of the Consideration (being RMB311,545,310.00, equivalent to HK\$343,136,004.43); and
- (iii) In one year after the filing of the amended articles of association of CR Zizhu in connection with the Proposed Internal Reorganization: 20% of the Consideration (being RMB623,090,620.00, equivalent to HK\$686,272,008.87).

It is expected that CR Double-Crane will satisfy the payment of the Consideration by using internal resources and external bank financing.

(5) Conditions precedent and Completion

The Proposed Internal Reorganization is subject to the fulfillment (or waiver by CR Double-Crane in writing) of the following conditions:

- (i) each of Beijing Pharmaceutical and CR Double-Crane having obtained internal authorization for the transactions contemplated under the Share Transfer Agreement;
- (ii) the Proposed Internal Reorganization having obtained the relevant approval from CRC;
- (iii) Beijing Pharmaceutical having completed the transition of the relevant documentation of CR Zizhu, including but not limited to its business license, accounting records and books, seals, and contracts, pursuant to the terms of the Share Transfer Agreement; and
- (iv) the representations, warranties and undertakings given by Beijing Pharmaceutical being true, accurate and effective in all material respects, and Beijing Pharmaceutical having complied with the agreements, obligations and conditions at or before Completion pursuant to the terms of the Share Transfer Agreement.

Completion will take place upon fulfillment (or waiver) of the conditions precedent and payment of first installment of the Consideration pursuant to the terms of the Share Transfer Agreement, and upon Completion, CR Double-Crane will enjoy the benefits as a shareholder of CR Zizhu.

PROFIT FORECAST UNDER RULES 14.06A AND 14.61 OF THE LISTING RULES

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.

Principal assumptions of the Appraisal

Pursuant to Rule 14.60A of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Appraisal Report was based are set out as follows:

General assumptions:

- (1) Transaction assumption: It is to assume that all assets to be appraised are already in the process of transaction, and the valuer conducts the valuation based on the trading conditions of the assets to be appraised in a simulated market.
- (2) Open market assumption: It is to assume about the market conditions in which the assets are intended to be traded in the market and how the assets will be impacted under such market conditions. An open market refers to a fully developed and refined market conditions, and refers to a competitive market with willing buyers and sellers. In such market, buyers and sellers have equal footing and have the opportunity and time to access adequate market information where they can make trading decisions on a voluntary, rational, non-mandatory or unrestricted basis.
- (3) Continuous usage assumption: It is to assume about the conditions under which the assets are intended to be traded in the market and the status of the assets under such market conditions. The assets being appraised are assumed to be in use, and it is assumed that the assets in use will continue to be used. Under the continuous usage assumption, asset use conversion or optimal utilization conditions are not considered, and the scope of use of the appraisal results is limited.
- (4) Going-concern assumption: It is to assume that the assets being appraised represent all of the assets of the enterprise being appraised. As a business entity, the enterprise must continue to operate in accordance with its business objectives in the industry in which it operates. The business operators shall take accountability and the business is operated lawfully with the ability to generate appropriate profit to maintain its continuous operation.

Assumptions relating to the appraisal approach used in the Appraisal Report:

- (1) It is assumed that there are no significant changes in the current applicable laws, regulations and policies of the PRC, the PRC macroeconomic condition, or in the political, economic and social environment in the regions where the parties to the Share Transfer Agreement are located. There are no material adverse impact caused by other unpredictable and force majeure factors.
- (2) It is assumed that the enterprise continues to operate on an ongoing basis based on the actual circumstances as of the valuation base date.
- (3) It is assumed that the operators of the enterprise take accountability and the management of the enterprise is capable of fulfilling their duties.
- (4) It is assumed that the business fully complies with all relevant laws and regulations unless otherwise specified.
- (5) It is assumed that the accounting policies adopted by the enterprise in the future are generally consistent with the accounting policies adopted when preparing the Appraisal Report in all material respects.
- (6) It is assumed that based on the current management methodologies and standards of the enterprise, its business scope and manner of operation will remain consistent with the current direction.
- (7) It is assumed that there are no material changes to the interest rates, exchange rates, tax bases, tax rates and policy levies, etc.
- (8) It is assumed that the enterprise's forecasted annual cash flow will be generated uniformly.
- (9) It is assumed that the enterprise's products or services maintain their current market competitiveness after the valuation base date.
- (10) It is assumed that the enterprise's research and development capabilities and technological advancements will continue to maintain their current level after the valuation base date.

- (11) In conjunction with the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Improving the Pre-Tax Super Deduction Policy for Research and Development Expenses [No. 7 of 2023] (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告》[2023年第7號]), it is assumed that the appraised enterprise has not formed intangible assets that are accounted for in its current research and development expenses, and that it is estimated any deductible amount can be fully deducted from the profit or loss before taxation in the forecast period.
- (12) CR Zizhu is a high-tech enterprise. It is assumed that CR Zizhu can continue to obtain the National High-Tech Enterprise Certificate during the forecast period and can enjoy the 15% preferential tax policy, and that Qinhuangdao Zizhu Pharmaceutical Co., Ltd. (秦皇島紫竹藥業有限公司) and Beijing Zizhu Pharmaceutical Operations Co., Ltd. (北京紫竹醫藥經營有限公司), which are subsidiaries of CR Zizhu, are subject to income tax at the rate of 25% as estimated.
- (13) There are no other force majeure or unpredictable factors that will have a material adverse impact on the enterprise.

KPMG (“KPMG”) has been engaged by the Company to report on the calculations of the discounted future cash flows on which the valuation in the Appraisal Report is based.

A letter from the Board and a report from KPMG are included in the appendices to this announcement for the purposes of Rule 14.60A of the Listing Rules.

Experts and Consents

The names and qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification
KPMG	Certified public accountants
Pan-China Appraisal Co., Ltd (北京天健興業資產評估有限公司)	Independent valuer

Each of KPMG and the Independent Valuer has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report or letter and all references to its names and qualifications in the form and context in which they are included.

As at the date of this announcement, each of KPMG and the Independent Valuer did not hold any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

INFORMATION OF THE PARTIES

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.

Beijing Pharmaceutical

Beijing Pharmaceutical is a wholly-owned subsidiary of the Company, and is principally engaged in investment holding. The Company is indirectly owned as to 53.05% by CR Holdings, which is ultimately beneficially owned by CRC.

CR Double-Crane

CR Double-Crane is a non-wholly-owned subsidiary of the Company owned as to 60.19% by the Company as at the date of this announcement. The shares of CR Double-Crane is listed on the Shanghai Stock Exchange (stock code: 600062).

CR Double-Crane is principally engaged in research and development of new drugs, manufacturing of preparations, sales of medicines, API production, medical devices and other businesses. It has been actively deploying its four major business platforms of generic drug business, infusion business, differentiated drug business and innovative drug business, developing chronic diseases, infusion, pediatrics, renal science, psychiatry, neurology and other fields in depth.

INFORMATION ABOUT CR ZIZHU

Prior to the Completion of the Proposed Internal Reorganization, CR Zizhu is wholly owned by Beijing Pharmaceutical and is accounted for as a wholly-owned subsidiary of the Company.

CR Zizhu is principally engaged in research and development, production and sales of women's health drugs and medical devices, oral drugs, ophthalmic drugs and diabetes drugs.

According to the audited financial statements of CR Zizhu for the years ended 31 December 2021 and 31 December 2022 and the unaudited financial statements of CR Zizhu for the nine months ended 30 September 2023, each prepared in accordance with PRC generally accepted accounting principles, the net profit before and after taxation of CR Zizhu are set out as follows:

	For the year ended 31 December		For the nine months ended
	2021	2022	30 September
	(audited)	(audited)	(unaudited)
Net profit before taxation	RMB	RMB	RMB
	318,706,081.57	607,302,259.65	343,784,482.90
	(equivalent to	(equivalent to	(equivalent to
	HK\$351,022,878.24)	HK\$668,882,708.78)	HK\$378,644,229.47)
Net profit after taxation	RMB	RMB	RMB
	270,256,017.82	527,619,493.30	304,825,694.74
	(equivalent to	(equivalent to	(equivalent to
	HK\$297,659,978.03)	HK\$581,120,109.92)	HK\$335,735,020.19)

According to the unaudited financial statements of CR Zizhu for the six months ended 30 June 2023 prepared in accordance with PRC generally accepted accounting principles, as at 30 June 2023, the total assets and net asset value of CR Zizhu amounted to approximately RMB2,653.81 million (equivalent to approximately HK\$2,922.91 million) and approximately RMB2,280.95 million (equivalent to approximately HK\$2,512.24 million), respectively.

FINANCIAL EFFECT OF THE PROPOSED INTERNAL REORGANIZATION

Upon Completion, CR Zizhu will be indirectly owned as to approximately 60.19% by the Company through CR Double-Crane. Accordingly, the Company's interest in CR Zizhu will be diluted from 100% to approximately 60.19% as a result of the Proposed Internal Reorganization.

Upon Completion, CR Zizhu will continue to be a subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts. The Company does not expect to record any gain or loss on the transactions contemplated under the Share Transfer Agreement.

It is expected that Beijing Pharmaceutical will use the proceeds from the Proposed Internal Reorganization for its manufacturing operation and further development of strategic fields and for supplementing its working capital.

REASONS FOR AND BENEFITS OF THE PROPOSED INTERNAL REORGANIZATION

The Proposed Internal Reorganization signifies the Group's internal reorganization to optimize its resource allocation and demonstrates its integration capability with a view to integrating their chemical drug businesses and enhancing the economies of scale and synergies between CR Zizhu and CR Double-Crane, thereby promoting the overall performance of the Company. This also showcases the Company's adherence to SASAC's requirements to continuously improve its operation efficiency, overall quality and performance.

The Board (including the independent non-executive Directors) considered that the terms of the Share Transfer Agreement and the transactions contemplated thereunder 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. As part of good corporate governance measures, Mr. Bai Ziaosong, Mr. Tao Ran and Mdm. Deng Rong, the executive Directors, have abstained from voting on the relevant Board resolutions, as they serve as directors in CR Double-Crane, Beijing Pharmaceutical and/or CR Zizhu.

IMPLICATIONS UNDER THE LISTING RULES

Upon Completion, the Company's interest held in CR Zizhu will be diluted from 100% to 60.19%. Therefore, the Proposed Internal Reorganization constitutes the Company's disposal of interest in CR Zizhu under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules exceed 5% but are all less than 25%, the Share Transfer Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company under the Listing Rules and are subject to the reporting and announcement requirements but are exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Completion of the Proposed Internal Reorganization is subject to the terms and conditions and the fulfillment (or waiver) of the conditions precedent 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.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Beijing Pharmaceutical”	Beijing Pharmaceutical Group Company Limited (北京醫藥集團有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company, and is the transferor under the Share Transfer Agreement;
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“Board”	the board of Directors;
“Company”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability;
“Completion”	the completion of the Proposed Internal Reorganization pursuant to the terms and conditions of the Share Transfer Agreement;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Consideration”	the total consideration payable by CR Double-Crane for the Proposed Internal Reorganization pursuant to the terms and conditions of the Share Transfer Agreement;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CR Double-Crane”	China Resources Double-Crane Pharmaceutical Co., Ltd. (華潤雙鶴藥業股份有限公司), a company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600062) and a 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;
“CR Zizhu”	China Resources Zizhu Pharmaceutical Co., Ltd (華潤紫竹藥業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement;
“CRC”	China Resources Company Limited (中國華潤有限公司), a company incorporated in the PRC with limited liability and the ultimate controlling shareholder of the Company;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“Proposed Internal Reorganization”	the proposed transfer of 100% interest in CR Zizhu from Beijing Pharmaceutical to CR Double-Crane pursuant to the terms and conditions of the Share Transfer Agreement, the details of which are set forth in the section headed “The Proposed Internal Reorganization” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administrative Commission of the State Council;
“Share Transfer Agreement”	the share transfer agreement dated 22 March 2024 entered into between Beijing Pharmaceutical (as transferor) and CR Double-Crane (as transferee) with respect to the Proposed Internal Reorganization;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules.

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\$1.1014. 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

Shenzhen, 22 March 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.

APPENDIX I – LETTER FROM THE BOARD

The following is the text of a letter from the Board for inclusion in this announcement.

22 March 2024

Dear Sirs,

Discloseable Transaction – The Proposed Internal Reorganization involving CR Zizhu

We refer to the announcement of China Resources Pharmaceutical Group Limited (the “**Company**”) dated 22 March 2024 in relation to the captioned transaction (the “**Announcement**”). Unless the context otherwise requires, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

We refer to the Appraisal Report dated 21 December 2023 prepared by Pan-China Appraisal Co., Ltd. (北京天健興業資產評估有限公司), an Independent Valuer, which showed that the appraised value of the total equity interest of CR Zizhu amounted to RMB3,115.4531 million based on the income approach. The aforesaid valuation of CR Zizhu in the Appraisal Report is regarded as profit forecast as defined under Rule 14.61 of the Listing Rules.

We hereby confirm that we have considered various aspects, including (without limitation) the bases of the assumptions based upon which the valuation and forecast in the Appraisal Report have been prepared, and reviewed calculations in the Appraisal Report for which the Independent Valuer is responsible. We have also considered the report from KPMG, the auditor of the Company, as set out in Appendix II to the Announcement regarding the calculations of the discounted cash flows on which the valuation in the Appraisal Report is based.

On the basis of the foregoing, in accordance with Rule 14.60A(3) of the Listing Rules, we hereby confirm that the valuation and forecast in the Appraisal Report were prepared after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board

China Resources Pharmaceutical Group Limited

Han Yuewei

Chairman

APPENDIX II – REPORT FROM KPMG

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE TOTAL EQUITY INTEREST OF CHINA RESOURCES ZIZHU PHARMACEUTICAL CO., LTD. (華潤紫竹藥業有限公司)

TO THE BOARD OF DIRECTORS OF CHINA RESOURCES PHARMACEUTICAL GROUP LIMITED

We refer to the discounted future cash flows on which the valuation (“**the Valuation**”) dated 21 December 2023 prepared by Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) in respect of the appraisal of the market value of China Resources Zizhu Pharmaceutical Co., Ltd. (“**the Target Company**”) as at 31 August 2023 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of China Resources Pharmaceutical Group Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

Hong Kong

22 March 2024