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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Director(s)**") of China Resources Pharmaceutical Group Limited (the "**Company**" or "**CR Pharmaceutical**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for the previous year/period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
			(Restated)
REVENUE	*4*	**89,387,142**	101,922,961
Cost of sales		**(74,520,320)**	(84,489,378)
GROSS PROFIT		**14,866,822**	17,433,583
Other income		**655,358**	589,021
Other gains and losses	*5*	**(471,184)**	857,791
Selling and distribution expenses		**(6,769,705)**	(8,914,464)
Administrative expenses		**(2,148,185)**	(2,342,064)
Other expenses		**(497,728)**	(492,809)
Finance income		**333,599**	326,102
Finance costs		**(1,554,707)**	(1,716,655)
Finance costs, net	*6*	**(1,221,108)**	(1,390,553)
Share of profits and losses of associates and joint ventures		**75,370**	67,593

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
			(Restated)
PROFIT BEFORE TAX	*7*	**4,489,640**	5,808,098
Income tax expense	*8*	**(841,828)**	(1,124,811)
PROFIT FOR THE PERIOD		**3,647,812**	4,683,287
Attributable to:			
Owners of the Company		**2,577,194**	3,035,370
Non-controlling interests		**1,070,618**	1,647,917
		3,647,812	4,683,287
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted *(HK$)*	*9*	**0.41**	0.48

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**3,647,812**	4,683,287
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,382,386)**	(572,176)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(1,382,386)**	(572,176)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**–**	148,211
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	148,211
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(1,382,386)**	(423,965)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,265,426**	4,259,322
Attributable to:		
Owners of the Company	**1,798,798**	2,960,222
Non-controlling interests	**466,628**	1,299,100
	2,265,426	4,259,322

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**15,909,404**	16,322,310
Right-of-use assets		**5,500,211**	5,507,549
Investment properties		**1,749,942**	1,724,234
Goodwill		**19,953,100**	19,306,440
Intangible assets		**6,294,275**	6,049,195
Interests in joint ventures		**90,168**	96,602
Interests in associates		**4,749,331**	4,735,488
Other non-current financial assets	*12*	**454,742**	412,215
Deferred tax assets		**893,061**	856,088
Other non-current assets		**2,804,119**	2,072,276
Total non-current assets		**58,398,353**	57,082,397
CURRENT ASSETS			
Inventories		**24,653,860**	22,332,374
Trade and other receivables	*13*	**64,092,500**	63,772,489
Other current financial assets	*12*	**29,977,309**	26,403,362
Amounts due from related parties		**1,729,157**	3,230,581
Tax recoverable		**50,443**	65,183
Pledged deposits		**4,883,635**	4,614,611
Cash and cash equivalents		**13,384,480**	12,524,016
Total current assets		**138,771,384**	132,942,616

	NOTES	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
CURRENT LIABILITIES			
Trade and other payables	14	**58,268,886**	60,076,785
Short-term debentures		**2,196,872**	–
Contract liabilities		**1,759,156**	1,651,904
Lease liabilities		**675,302**	614,389
Amounts due to related parties		**9,552,680**	14,100,989
Bank borrowings		**40,420,806**	27,486,200
Bonds payable		**2,441,345**	2,288,443
Tax payable		**453,622**	452,959
Total current liabilities		**115,768,669**	106,671,669
NET CURRENT ASSETS		**23,002,715**	26,270,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**81,401,068**	83,353,344
NON-CURRENT LIABILITIES			
Bank borrowings		**1,174,483**	3,579,485
Bonds payable		**5,473,800**	5,663,955
Lease liabilities		**1,502,345**	1,632,967
Deferred tax liabilities		**1,507,790**	1,506,573
Other non-current liabilities		**1,296,567**	1,388,543
Total non-current liabilities		**10,954,985**	13,771,523
NET ASSETS		**70,446,083**	69,581,821
EQUITY			
Equity attributable to owners of the Company			
Share capital		**27,241,289**	27,241,289
Reserves		**14,548,554**	13,470,059
		41,789,843	40,711,348
Non-controlling interests		**28,656,240**	28,870,473
TOTAL EQUITY		**70,446,083**	69,581,821

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

China Resources Pharmaceutical Group Limited (the "**Company**") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited with effect from 28 October 2016. The address of the registered office of the Company is 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Group is principally engaged in the manufacturing, distribution and retail of pharmaceutical and healthcare products.

2. Basis of preparation and changes to the Group's accounting policies and disclosures

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

The financial information related to the year ended 31 December 2019 that is included in the interim condensed consolidated statements of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information related to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on the financial statements for the year ended 31 December 2019. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

2.2. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applies in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information. The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus ("**COVID-19**") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office premises and retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$7,994,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2.3. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures. The amendments of corresponding comparative amounts for the prior period included: (i) decrease in interest income included in other income by HK$326,102,000; and (ii) decrease in finance costs, net, by HK$326,102,000.

3. Segment information

Management has determined the operating segment based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors of the Company, being the chief operating decision maker (CODM), considers resource allocation and assesses segment performance from a different business type perspective.

Specifically, the Group has four reportable segments as follows:

(a) Pharmaceutical manufacturing business (Manufacturing segment) – research and development, manufacture and sale of a broad range of pharmaceutical and healthcare products;

(b) Pharmaceutical distribution business (Distribution segment) – distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;

(c) Pharmaceutical retail business (Retail segment) – operation of retailing of pharmacy stores;

(d) Other business operations (Others) – property holding.

No operating segments have been aggregated to derive the reportable segments of the Group.

Inter-segment sales are conducted at prices and terms mutually agreed amongst those operating segments, with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The board of directors of the Company assesses the performance of the operating segments based on a measure of revenue and segment results.

Segment results represent the profit earned by each segment without allocation of other income, other gains and losses, administrative expenses, other expenses, share of profits and losses of associates and joint ventures, finance income and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2020 and 2019:

Six months ended 30 June 2020	**Manufacturing segment (Unaudited)** ***HK$000***	**Distribution segment (Unaudited)** ***HK$000***	**Retail segment (Unaudited)** ***HK$000***	**Others (Unaudited)** ***HK$000***	**Total (Unaudited)** ***HK$000***
Segment revenue					
External sales	**12,544,443**	**73,758,189**	**2,991,556**	**92,954**	**89,387,142**
Inter-segment sales	**1,355,255**	**1,962,595**	**–**	**–**	**3,317,850**
	13,899,698	**75,720,784**	**2,991,556**	**92,954**	**92,704,992**
Elimination:					
Elimination of inter-segment sales					**(3,317,850)**
Segment revenue					**89,387,142**
Segment results	**3,808,394**	**4,202,692**	**(20,383)**	**59,384**	**8,050,087**
Other income					**655,358**
Other gains and losses					**(471,184)**
Administrative expenses					**(2,148,185)**
Other expenses					**(497,728)**
Finance income					**333,599**
Finance costs					**(1,507,677)**
Share of profits and losses of associates and joint ventures					**75,370**
Profit before tax					**4,489,640**

Six months ended 30 June 2019 (Restated)	Manufacturing segment (Unaudited) *HK$000*	Distribution segment (Unaudited) *HK$000*	Retail segment (Unaudited) *HK$000*	Others (Unaudited) *HK$000*	Total (Unaudited) *HK$000*
Segment revenue					
External sales	15,789,938	83,094,210	2,945,616	93,197	101,922,961
Inter-segment sales	1,576,862	1,854,691	–	–	3,431,553
	17,366,800	84,948,901	2,945,616	93,197	105,354,514
Elimination:					
Elimination of inter-segment sales					(3,431,553)
Segment revenue					101,922,961
Segment results	4,280,221	4,129,288	55,998	53,612	8,519,119
Other income					589,021
Other gains and losses					857,791
Administrative expenses					(2,342,064)
Other expenses					(492,809)
Finance income					326,102
Finance costs					(1,716,655)
Share of profits and losses of associates and joint ventures					67,593
Profit before tax					5,808,098

4. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of pharmaceutical products	**89,317,621**	101,844,865
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**69,521**	78,096
	89,387,142	101,922,961

5. Other gains and losses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of intangible assets	**–**	4,516
Loss on disposal of items of property, plant and equipment, net	**(3,966)**	(489)
Impairment loss recognised on trade receivables, net	**(444,536)**	(268,301)
(Impairment loss)/reversal of impairment loss recognised on other receivables, net	**(37,213)**	15,996
Fair value changes on financial assets at fair value through profit or loss	**11,662**	57,684
Investment income on financial assets	**4,000**	10,148
Gain on disposal of a subsidiary	**–**	1,060,563
Others	**(1,131)**	(22,326)
	(471,184)	857,791

6. Finance income and costs

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Finance costs:		
Interest on bank borrowings	**1,258,354**	1,435,604
Interest on bonds payable	**181,221**	204,801
Interest on borrowings from an intermediate holding company	**71,908**	32,231
Interest on lease liabilities	**47,030**	50,217
Less: Interest capitalised in property, plant and equipment *(Note)*	**(3,806)**	(6,198)
Total finance costs	**1,554,707**	1,716,655
Finance income – Interest income	**(333,599)**	(326,102)
Net finance costs	**1,221,108**	1,390,553

Note: Capitalised interest arose on funds borrowed specifically for the purpose of obtaining qualifying assets and on the general borrowing pool, which are calculated by applying a capitalisation rate of 4.4% (six months ended 30 June 2019: 4.8%) per annum to expenditure on qualifying assets.

7. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**750,617**	704,703
Depreciation of right-of-use assets	**322,214**	302,462
Amortisation of intangible assets	**130,590**	117,420
Allowance for slow-moving and obsolete inventories	**46,071**	4,862
Cost of inventories recognised as cost of sales	**74,084,254**	84,037,854
Research and development expenditure (included in other expenses)	**455,177**	498,968
Impairment recognised on items of property, plant and equipment	**1,131**	8,027
Foreign exchange loss/(gain), net	**2,291**	(50,445)
Dividend income	**(1,018)**	(2,888)
Government grants	**(275,656)**	(213,940)

8. Income tax expense

The Group calculates income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
PRC Enterprise Income Tax ("**PRC EIT**")	**914,209**	1,090,545
Under provisions in previous period		
PRC EIT	**24,715**	5,026
	938,924	1,095,571
Deferred	**(97,096)**	29,240
Total tax charge for the period	**841,828**	1,124,811

9. Earnings per share attributable to ordinary equity holders of the Company

The calculations of the basic earnings per share attributable to ordinary equity holders of the Company are based on:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**2,577,194**	3,035,370
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**6,283,741,991**	6,284,506,461

Diluted earnings per share equals to basic earnings per share as there were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10. Dividends

The directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

	2020	2019
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the period: Final 2019 – HK$0.11 per ordinary share (2019: Final 2018 – HK$0.13 per ordinary share)	**691,076**	816,986

A final dividend of HK$691,076,000 (HK$0.11 per share) in respect of the year ended 31 December 2019 was approved at the annual general meeting of the Company on 22 June 2020 and payable to the shareholders of the Company. Subsequent to the end of the reporting period, the final dividend has been paid.

11. Property, plant and equipment

Additions and disposals

During the six months ended 30 June 2020, the Group purchased property, plant and equipment amounting to HK$585,618,000 (six months ended 30 June 2019: HK$777,555,000), excluding the property, plant and equipment acquired through a business combination and property under construction.

Assets with a net book value of HK$57,707,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: HK$31,265,000), resulting in a net loss on disposal of HK$3,966,000 (six months ended 30 June 2019: a net loss on disposal of HK$489,000).

12. Other current/non-current financial assets

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Asset-backed securities, at fair value *(Note a)*	**534,546**	532,586
Trade and bills receivables, at fair value *(Note b)*	**21,183,756**	20,756,903
Unlisted equity investments, at fair value *(Note c)*	**454,742**	412,215
Financial products, at fair value *(Note d)*	**8,259,007**	4,946,093
Financial products, at amortised cost *(Note e)*	**–**	167,780
Total	**30,432,051**	26,815,577
Analysed into:		
Current assets	**29,977,309**	26,403,362
Non-current assets	**454,742**	412,215
	30,432,051	26,815,577

Note a: The Group's investments in asset-backed securities with returns link to the performance of those securities and are issued by independent third parties in the People's Republic of China ("**PRC**"). These securities are measured at fair value through profit or loss. As at 30 June 2020, the Group's asset-backed securities comprised three subordinated tranches of securities with maturity dates in September 2020, November 2020 and December 2020.

Note b: The trade and bills receivables which are held within a business model both to collect cash flows and to sell are measured at fair value through other comprehensive income.

Note c: The Group's unlisted equity investments represented investments in unlisted entities established in the PRC as at 30 June 2020 and 31 December 2019. These unlisted entities are principally engaged in the research and development, distribution and related operations of pharmaceutical products. They are measured at fair value through profit or loss.

Note d: Financial products at fair value include structured deposits entered into by the Group with banks and financial institutions. These structured deposits (where the effect of the structured element is not material) are designated as financial assets measured at fair value through profit or loss.

Note e: Financial products at amortised cost include financial products with principal and interest guaranteed. The assets are measured at amortised cost as they meet two conditions: (i) the financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

13. Trade and other receivables

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	HK$'000	*HK$'000*
Bills receivable	**1,095,921**	2,270,974
Trade receivables	**55,245,127**	52,680,136
Impairment allowance	**(1,197,009)**	(832,206)
	54,048,118	51,847,930
Prepayments	**4,199,350**	3,662,142
Other receivables	**4,940,590**	6,150,906
Impairment allowance	**(191,479)**	(159,463)
	4,749,111	5,991,443
	64,092,500	63,772,489

The Group generally allows credit periods ranging from 30 to 270 days to its trade customers, which may be extended to 360 days for selected customers depending on their trade volume and settlement terms. The bills receivable had maturity periods ranging from 30 to 180 days.

An ageing analysis of the Group's trade receivables, based on the invoice date and net of impairment allowance, is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	HK$'000	*HK$'000*
0-30 days	**13,665,294**	19,055,572
31-60 days	**8,664,693**	7,556,805
61-90 days	**6,978,037**	5,023,435
91-180 days	**9,959,295**	10,795,980
181-365 days	**11,097,327**	7,275,886
Over 1 year	**3,683,472**	2,140,252
	54,048,118	51,847,930

An ageing analysis of the Group's bills receivable, based on the issue dates, is as follows:

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
0-30 days	**349,952**	1,264,215
31-60 days	**167,777**	233,886
61-90 days	**147,626**	262,085
91-180 days	**270,841**	510,788
181-365 days	**159,725**	–
	1,095,921	2,270,974

14. Trade and other payables

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Trade payables	**30,159,028**	29,471,893
Bills payable	**10,617,290**	13,259,163
Accrued salaries	**1,443,396**	1,912,778
Interest payable	**47,036**	93,616
Other tax payables	**471,751**	667,354
Other payables	**14,481,925**	13,940,109
Refund liabilities	**206,210**	24,884
Payable for acquisitions of subsidiaries	**842,250**	706,988
	58,268,886	60,076,785

The average credit period on purchases of goods range from 30 to 360 days. The bills payable have maturity periods ranging from 30 to 360 days. As at 30 June 2020, the Group's bills payable of HK$8,973,062,000 (31 December 2019: HK$6,210,204,000) were secured by the Group's bills receivable with an aggregate carrying amount of HK$763,070,000 (31 December 2019: HK$620,403,000) and pledged bank deposits of HK$2,701,266,000 (31 December 2019: HK$3,305,633,000).

An ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	HK$'000	*HK$'000*
0-30 days	**16,593,245**	19,549,147
31-60 days	**5,138,813**	3,659,134
61-90 days	**2,269,086**	1,589,073
Over 90 days	**6,157,884**	4,674,539
	30,159,028	29,471,893

An ageing analysis of the Group's bills payable, based on the issue date, is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	HK$'000	*HK$'000*
0-30 days	**1,535,918**	11,473,614
31-60 days	**1,817,009**	507,708
61-90 days	**2,113,525**	440,988
Over 90 days	**5,150,838**	836,853
	10,617,290	13,259,163

15. Business Combinations

(a) Acquisition of Aonuo (China) Pharmaceutical Co., Ltd. ("Aonuo Pharmaceutical")

In view of leveraging its core advantages, enriching brand and product portfolio and realising strategic objectives, on 28 November 2019, China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. ("**CR Sanjiu**"), a subsidiary of the Group, entered into an agreement with Harbin Gloria Pharmaceuticals Co., Ltd. ("**Gloria Pharmaceuticals**") to acquire its 100% equity interest of Aonuo Pharmaceutical held by Gloria Pharmaceuticals. The total consideration was RMB1,420,000,000 (equivalent to HK$1,589,662,000), including cash consideration of HK$1,365,766,000 and waiver of the debt owed by Gloria Pharmaceuticals due to Aonuo Pharmaceutical of HK$223,896,000. The acquisition of Aonuo Pharmaceutical was completed on 2 January 2020. Goodwill recognised on this acquisition of Aonuo Pharmaceutical amounted to HK$1,036,454,000.

(b) Acquisition of additional interests in Jiangxi Jiangzhong Prepared Slices of Chinese Crude Drugs Co., Ltd. ("Jiangzhong Prepared Slices")

As at 31 December 2019, China Resources Jiangzhong Pharmaceutical Group Co., Ltd. ("**CR Jiangzhong Group**"), a subsidiary of the Group, held a 10% equity interest in Jiangzhong Prepared Slices, which was classified as other non-current financial assets. On 8 June 2020, CR Jiangzhong Group acquired additional 41% equity interests in Jiangzhong Prepared Slices at a cash consideration of RMB48,563,000 (equivalent to approximately HK$53,098,000), thereby increasing the Group's interest in Jiangzhong Prepared Slices from 10% to 51% and Jiangzhong Prepared Slices became a subsidiary of the Group thereafter. Goodwill recognised on this acquisition of Jiangzhong Prepared Slices amounted to HK$82,000 based on the provisional amounts of fair value of the identifiable assets and liabilities of the Jiangzhong Prepared Slices. Fair values of the identifiable assets and liabilities are subject to the finalisation.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Since the beginning of 2020, the COVID-19 pandemic and the prevention and control measures taken by countries to combat the pandemic caused the economic activities come to a "standstill", the World Bank released the "Global Economic Outlook" report on June 8, local time, predicting that by 2020 the global economy is expected to contract by 5.2%, the economies of developed countries will shrink by 7%, emerging markets and developing economies will decline 2.5%, with the global economy contracting at its lowest level since World War II. The World Bank's latest estimate for China's economy is about 1% growth for the year, and while the rate of growth has declined significantly, only China's economy has maintained positive growth among the major economies. China's GDP fell 6.8% year-on-year in the first quarter, the first time in nearly 20 years that a single quarter had negative growth. In the first half of the year, with the Chinese government continuously working on pandemic control and economic and social development, China's economy gradually overcame the adverse impact of the pandemic, the economic performance showed resilient growth and steady recovery, further highlighting the resilience and vitality of development. Domestic GDP declined by 1.6% in the first half of the year and achieved year-on-year GDP growth of 3.2% in the second quarter.

In the post-pandemic era, under the catalyst of demand, policy, technology, capital, and other factors, the development room of the pharmaceutical and health industry is broad and its attractiveness is obviously enhanced. In the capital market, the share prices of pharmaceutical stocks have reached record highs; the industry chain and market pattern are being reshaped at an accelerated pace; the business model and competitive landscape of enterprises are undergoing significant changes.

With the advancement of the information platform construction of medical institutions, commercial retail enterprises, medical insurance, and other sectors, the online digital development of the "medical + drug + insurance" chain has further diversified consumers' medical treatment, drug purchase, and payment scenarios, and put forward new requirements for the digital operation capabilities and business model innovation of enterprises.

Consistency evaluation and centralised procurement have driven the generic drug industry elimination continues to escalate. The sustainable development of enterprises is facing great challenges. Reconstruction of generic drug market competitiveness and acceleration of innovative drug layout have become the strategic theme of enterprises. The introduction of the "Opinions of the CPC Central Committee and State Council on Promoting the Inheritance, Innovation, and Development of Chinese Medicine" has been expected to be a turning point in the development of Chinese medicine; the COVID-19 pandemic has also become a strong impetus for the development of Chinese medicine, and it is predicted that the next three years will be the window period for the implementation of Chinese medicine policies and industrial reform; Biological markets developed rapidly, while medical device market size has been growing at a compound annual growth rate of more than 20% in the past five years, these two industries have become the golden track for leading enterprises to layout.

Group Results

In the first half of 2020, the Group proactively responded to policy changes and market challenges while motivating the implementation of the company strategy to steadily continue its merger and acquisition activities and improve business development across the industry. The Group upgraded its R&D system, boosted its business structures and product portfolios, and enhanced operational management. During the Reporting Period, affected by the COVID-19 pandemic, the Group recorded total revenue of HK$89,387.1 million, representing a year-on-year decrease of 12.3% from the HK$101,923.0 million in the first half of 2019 (representing a year-on-year decrease of 8.1% in terms of RMB). In the first half of 2020, the revenue of the three major business segments, namely pharmaceutical manufacturing, pharmaceutical distribution, and pharmaceutical retail businesses, respectively accounted for 14.0%, 82.5%, and 3.3% of the total revenue.

During the Reporting Period, the Group recorded a gross profit of HK$14,866.8 million, representing a 14.7% decrease from the HK$17,433.6 million in the first half of 2019 (representing a year-on-year decrease of 10.7% in terms of RMB). The overall gross profit margin was 16.6%, representing a decrease of 0.5 percentage points over 17.1% in the first half of 2019. This was primarily due to a combination of a decline in revenues in the pharmaceutical manufacturing business, which has a relatively high gross margin, outpacing the distribution business, and a decrease in average gross margin in the pharmaceutical manufacturing business during the Reporting Period.

In the first half of 2020, the Group recorded a profit attributable to owners of the Company of HK$2,577.2 million, representing a decrease of 15.1% when compared with that of HK$3,035.4 million in the first half of 2019 (representing a year-on-year decrease of 11.1% in terms of RMB). Excluding the impact of one-off items including the disposal of Shenzhen Sanjiu Hospital Co., Ltd (深圳市三九醫院有限公司), profit attributable to owners of the Group achieved year-on-year growth of 7.9% (year-on-year growth of 13.0% in terms of RMB) during the Reporting Period. Basic earnings per share were HK$0.41 in the first half of 2020 (HK$0.48 in the first half of 2019).

1. Pharmaceutical Manufacturing Business

The Group's pharmaceutical business focused on its core areas and core products, continuously enriched and optimized its product portfolio, accelerated the introduction and launch of new products, strengthened its professional academic promotion capabilities, promoted industrial transformation and upgrading, built product quality and cost advantages, and expeditiously implemented digital marketing strategies to strengthen its brand influence and control of online and offline channels, so as to continuously consolidate and increase its market share. During the Reporting Period, the Group's pharmaceutical manufacturing business generated segment revenue of HK$13,899.7 million, representing a year-on-year decrease of 20.0% compared with the first half of 2019 and a decrease of 16.2% on a year-on-year basis in term of RMB. This was mainly due to the decline in revenue from the Group's prescription drug business as a result of the COVID-19 pandemic, as well as the impact of Dong-E-E-Jiao's inventory reduction and the decline in its performance in the first half of 2020.

The Group's industry-leading position as China's leading pharmaceutical manufacturer was unaffected, even though its segment revenue growth from the pharmaceutical manufacturing business slowed down. The Group owns the widest coverage of pharmaceutical products and therapeutic areas, including chemical drugs (prescription and OTC drugs), biopharmaceutical drugs, Traditional Chinese Medicines ("**TCM**") (prescription and OTC drugs) and nutritional and healthcare products. These fully cover all major therapeutic and disease areas, including where great growth potential of business lies in, including cardiovascular and cerebrovascular, alimentary tract, metabolism and endocrine, respiratory, orthopedics, hematology, oncology, medical nutrition, gastroenterology, pediatrics, genitourinary system, cough and cold, anti-infection, dermatology, and therapeutic infusion solutions, etc. In the first half of 2020, the Group manufactured over 540 products, of which 300 entered the National Reimbursement Drug List and 143 were included in the National Essential Drug List. Over the years, all Group's pharmaceutical manufacturing subsidiaries have formed professional sales and marketing teams with personnel numbering in the thousands and established close and long-term business partnerships with more than 100,000 medical institutions.

In terms of product categories, the revenue from sales of prescription drugs was HK$6,783.4 million during the Reporting Period, representing a year-on-year decrease of 24.8% as compared to the same period last year (year-on-year decrease of 21.2% in terms of RMB), mainly due to the decline in revenue from medical endpoints as a result of the COVID-19 pandemic, with a more significant decline in revenue from the anti-infective, infusion and cardiovascular businesses. The Group's CHC (Consumer Healthcare) business (mainly comprising over-the-counter medicines and healthcare products) recorded revenue of HK$6,212.8 million, a decrease of 14.5% compared to the same period last year (year-on-year decrease of 10.4% in terms of RMB) mainly due to the significant decrease year-on-year in revenue from the Dong-E-E-Jiao product line; the biologic business achieved revenue of HK$83.1 million. During the Reporting Period, revenue from the Group's prescription drugs in therapeutic areas such as renal, psychiatric/neurological, and glucose-lowering, as well as over-the-counter (OTC) products in categories such as gastrointestinal, pediatric, and cardiovascular, all achieved different levels of year-on-year growth. In the first half of 2020, the percentage of pharmaceutical sales revenue contributed by chemical drugs, traditional Chinese medicines, biologics, and other products was 49.6%, 41.0%, 0.6%, and 8.8%, respectively.

During the Reporting Period, the gross profit margin of the Group's pharmaceutical manufacturing business was 61.3%, representing a decrease of 2.4 percentage points as compared to the gross profit margin of the same period last year, which was mainly due to the reduced share of the revenue from prescription drug products which have higher gross margin levels.

Pharmaceutical manufacturing segment sped up the development and launch of new products

During the Reporting Period, the Group actively mobilized the resources of its well-known brands to launch a number of new products on the market, which helped the manufacturing segment maintain long-term sustainable growth.

China Resources Double-Crane Liming Pharmaceutical (Jinan) Co., Ltd. (華潤雙鶴利民藥業(濟南)有限公司), a subsidiary of China Resources Double-Crane Pharmaceutical Company Limited(華潤雙鶴藥業股份有限公司), launched a new product in the field of pediatrics – "Fetoca®" on 23 April 2020. The product is currently the only product that has passed the drug consistency evaluation of caffeine citrate injection in China, and is used for the treatment of premature newborn primary apnea. It is included in the National Medical Insurance Medicine List class B category and the National Essential Medicines List (2018 edition). The drug will provide more options for future clinical trials, benefit a wider range of children, and play a positive role in promoting the vigorous development of China's neonatal medical care.

In the field of daily gastrointestinal medication, China Resources Jiangzhong Pharmaceutical Group Co., Ltd.(華潤江中製藥集團有限責任公司) (the "**CR Jiangzhong Group**") launched a new product "Jiangzhong Lihuo Probiotics" on 9 May 2020. All the strains of this product are from China, which is more suitable for Chinese people's intestinal tract and can improve the stability of intestinal flora, prevent and treat constipation and diarrhea, regulate the balance of intestinal flora and the steady-state of the intestinal tract, and effectively take care of intestinal health. After the launch of the product, it will help the Group to further strengthen the development of multi-category products in the field of gastrointestinal daily use drugs.

On 24 April 2020, Dong-E-E-Jiao Company Limited（東阿阿膠股份有限公司）(the "**Dong-E-E-Jiao**") launched its new black technology product "Little Gold Bar Dong-E-E-Jiao Powder" with its own innovative technology, which turned raw material into E-Jiao liquid and then "into powder in one step". The product is available for sale on the new social retail platform of Dong-E-E-Jiao and has attracted widespread attention and publicity in the market as soon as it was launched. The product is better water-soluble, easier for the body to absorb, and not only clearly labeled with immunity-enhancing health care functions, but also opens the convenient and fashionable, ready-to-drink, ready-to-nourish era of the traditional E-Jiao. The two core patented technologies applied in the new product, low-temperature VBD (vacuum belt drying) technology and the preparation method of E-Jiao powder, also won the China Patent Excellence Awards. On 14 June 2020, Dong-E-E-Jiao joined hands with Eternal Asia to build the 'Yan Nu Jiao' bird's nest brand to meet the 24-hour demand for bird's nest nourishment, with the aim of using Dong-E-E-Jiao to stimulate the effects of bird's nest and using bird's nest to enhance the nourishing effect of Dong-E-E-Jiao, achieving a 1+1>2 nourishing effect. Apart from that, during the Reporting Period, Dong-E-E-Jiao has actively implemented strategic transformation, rapidly transformed to digital marketing, married offline advantageous resources, promoted online and offline integration and mutual empowerment, to achieve the implementation of the industrial Internet in the marketing end.

Actively promoted external expansion and international cooperation to fuel future long-term growth

The Group has rich experience in its M&A and strong integration capabilities with a good track record. During the Reporting Period, the Group actively promoted and implemented high-quality M&A, expanded its business layout to seize the opportunities arising from the mixed reform of state-owned enterprises, actively promoted investment and M&A in innovative business areas, enriched product portfolio, and integrated the resources of acquired entities with the help of advanced management concepts and business models to facilitate the sustainable growth of its business.

In January 2020, China Resources Sanjiu Medical & Pharmaceutical Company Limited（華潤三九醫藥股份有限公司）(the "**CR Sanjiu**") completed the acquisition of the 100% equity interest in Aonuo (China) Pharmaceutical Co., Ltd (the "**Aonuo Pharmaceutical**") at a consideration of RMB1.42 billion. The core products of Aonuo Pharmaceutical are calcium and zinc gluconates oral solution, vitamin C chewable tablets, and ginseng granules. The calcium and zinc gluconates oral solution under brand Aonuo and Jinxinjingaite, is a major calcium supplement for children in China, with good market scale and growth potential. The acquisition, together with the advantages of CR Sanjiu in consumer insights, brand operation, and terminal coverage, can achieve good synergy effects, rapidly establish leading brands and products in children's health and help the Group to further improve the layout of its CHC category.

During the Reporting Period, CR Sanjiu, together with China Resources Pharmaceutical Industrial Investment Fund LLP（華潤醫藥產業投資基金合夥企業（有限合夥）） (the "**CR Pharmaceutical Industrial Investment Fund**") and China Resources Innovation Fund, invested in a respiratory medicine R&D and manufacturing company, Runsheng Pharmaceutical Co., Ltd. to obtain exclusive sales rights in China for its asthma medicine after its launch, and hold 18.09% of its equity shares. Via the investment, CR Sanjiu obtained the sales rights in China for Runsheng's product Salmeterolotecasone powder inhaler. It will help to supplement the gap in the field of inhalation dosage form products of CR Sanjiu. In addition, during the Reporting Period, CR Pharmaceutical Industrial Investment Fund increased its capital by RMB250 million and holds 31.25% of equity shares in Dongying Tiandong Pharmaceutical Co., Ltd. (Tiandong Pharma). Products of Tiandong Pharma include heparin sodium, Enoch heparin sodium, natch heparin sodium, and other APIs (active pharmaceutical ingredient) and Enoch heparin sodium injection. This investment will help the Group to expand its business in the field of premium biochemical and high-end generics drug businesses.

The Group continuously seeks international opportunities for strategic partnership, product introduction, and joint venture to rapidly diversify and optimize its product portfolio. During the Reporting Period, the Group has signed 11 international cooperation projects, covering product in-licensing, joint venture, and technical research cooperation. Since August 2020, CR Sanjiu and NOVO Nordisk (China) Pharmaceuticals Co., Ltd (NOVO Nordisk) have started to co-promote the Recombinant Human Somatropin Injection (RHSI), Norditropin®（諾澤®）, by way of contract sales in mainland China. In this cooperation, CR Sanjiu will be responsible for academic promotion across China whereas NOVO Nordisk will continue the manufacturing of Norditropin® product and providing full support. With NOVO Nordisk's several decades of innovation and expertise in the RHSI field, and CR Sanjiu's strong promotion capability in the academic sector of pediatrics field and the extensive business network, the two parties will consolidate their quality resources to jointly strengthen and develop the sales network of Norditropin® and further increase the availability of the product nationwide, to facilitate the provision of quality treatment solutions to medical professionals.

2. Pharmaceutical Distribution Business

In the pharmaceutical distribution business, the Group actively responded to the impact of the pandemic as well as changes in the market and policies, and actively participated in the centralized procurement; expanded upstream resources in a multi-directional manner, introduced high-quality varieties, and continuously optimized its product portfolio; actively promoted transformation and innovation, grasped the development opportunity of “Internet+”, and accelerated the development of the medical device business with high market potential as well as the e-commerce business on the basis of compliance management, and expanded the export business of medical device.

During the Reporting Period, the Group’s pharmaceutical distribution business achieved segment revenue of HK$75,720.8 million, representing a decrease of 10.9% compared with the first half of 2019 and a decrease of 6.6% on a RMB basis. During the first half of 2020, the gross profit margin of the distribution business was 7.9%, representing an increase of 0.9 percentage points as compared to the same period of last year, which was mainly attributable to the faster growth of revenue from the high margin medical device business during the Reporting Period.

During the pandemic, due to timely response mechanism and professional service team, China Resources Pharmaceutical Commercial Group Company Limited（華潤醫藥商業集團有限公司）(the “**CR Pharmaceutical Commercial**”), a wholly owned subsidiary of the Company, has been identified in a number of provinces and cities as the government’s designated companies to provide, reserve, and supply anti-pandemic drugs and materials, to undertake a very challenging and important task of ensuring supply, reflecting a state-owned enterprise’s social responsibility. During the Reporting Period, more than 70 units of CR Pharmaceutical Commercial were included as reserve enterprises to take over municipal governments’ emergency procurements of pharmaceutical products. During the Reporting Period, the Group’s pharmaceutical manufacturing and distribution segments supplied nearly RMB10 billion-worth of anti-pandemic drugs and medical devices to pandemic-stricken areas. With the global outbreak of the COVID-19 pandemic, the shortage of anti-pandemic supplies in some countries and regions outside China was becoming more and more prominent. CR Pharmaceutical Commercial set up a command centre for the export of anti-pandemic supplies to efficiently and extensively expand international channels to carry out the export of anti-pandemic supplies. The Group was in touch with 17 countries, including Italy, South Korea, Belgium, Ireland, and the United Kingdom, and exported relevant anti-pandemic supplies with a value of over RMB2.1 billion during the Reporting Period.

During the first half of 2020, the Group continued to enhance the introduction of quality products, actively participated in the distribution of drugs under centralised procurement, and achieved cooperation with a number of pharmaceutical enterprises whose products had passed the consistency evaluation. At the same time, the Group actively expanded upstream resources, developed new strategic cooperation businesses, continuously accelerated the introduction of high-quality oncology drugs and innovative drugs, and added several distribution rights for products from MNCs (multinational corporations), including Gilead Sciences and Abbott Laboratories, which enriched the product portfolio of the Group's distribution business in the fields of blood and diagnostic reagents. Meanwhile, the Group actively developed its e-commerce business, and its B2B online platform "CR Pharma e-store" has gone live in 20 provinces, with an online transaction volume of RMB11 billion during the Reporting Period, representing a year-on-year growth of 24%.

The Group's revenue related to import services increased year on year. As an import platform at the Greater Bay Area under the CR Pharmaceutical Commercial, CR Guangdong Pharmaceutical Co., Ltd.（華潤廣東醫藥有限公司）(the "**CR Guangdong Pharmaceutical**") has continued to leverage its advantages as the pharmaceutical import platform at the Great Bay Area, extend its international supply chain services and explore innovative supply chain service models with many world-renowned pharmaceutical enterprises and medical diagnostic device companies. The Group's cooperation with world-renowned pharmaceutical enterprises will provide many hospitals across the country with integrated solutions for high-precision virus testing, including high-precision testing reagents and an efficient and safe testing platform, promote the screening and prevention of hepatitis B virus (HBV) and hepatitis C virus (HCV) in China, and further extend medical terminal services to the whole life cycle services. At present, several of Gilead Sciences' innovative drugs for the treatment of hepatitis B, hepatitis C and HIV/AIDS, including Vosvir, a new drug for hepatitis C that was recently approved for marketing in China, are all solely imported and distributed by CR Guangdong Pharmaceutical.

The Group has vigorously pushed forward the professional development of its medical device distribution business by establishing a professional medical device headquarter. The Group has established provincial independent medical device companies in 15 provinces, focusing on four major product lines: interventional supplies, IVD in vitro diagnostics, orthopedics, and general supplies. During the Reporting Period, the Group's medical device distribution business achieved revenue of nearly RMB10 billion, representing an increase of approximately 65% as compared to the same period of last year. The Group actively extended its business to the production side of the medical device business and promoted joint venture cooperation with medical device manufacturers. During the Reporting Period, the Group promoted joint ventures and cooperations with international SPD (Supply Processing Distribution) professional service providers to build a professional service company for product introduction.

Meanwhile, the Group's distribution business responded to the trend of market restructuring by accelerating the expansion of medical terminals, strengthening the construction of platforms at the local and municipal levels, network sinking and primary market penetration, promoting the development of multiple business formats in advantageous areas and increasing the market share of terminals. During the Reporting Period, the Group's pharmaceutical distribution network covered 28 provinces, municipalities, and autonomous regions across the country, with approximately 100,000 clients, including 7,362 second– and third-class hospitals.

The Group continued to strengthen the construction of a modern logistics system with integration, specialization, scale, and standardization to build core competitive advantages. As at the end of the Reporting Period, the Group's distribution business had 178 logistics centers, with main warehouses in Beijing and Shanghai; the Guangzhou logistics warehouse of the distribution segment owns the only bonded warehouse in Guangdong Province approved by Guangzhou Customs and possesses a leading cold chain logistics management system as well as third-party logistics qualification for pharmaceuticals and medical devices. During the Reporting Period, CR Pharmaceutical Commercial's third-party logistics revenue increased by more than 50% year-on-year.

3. Pharmaceutical Retail Business

In the pharmaceutical retail business, the Group has been adhering to the strategy of distribution and retail integration, focusing on building and improving DTP specialty stores which deliver high-value pharmaceutical products directly to patient, hospital-side prescription stores, and large health stores, and transforming to standardization, differentiation, and specialization under the guidance of the government policy, building a comprehensive retail operation system and vigorously promoting the construction and development of the Group's new retail business.

During the Reporting Period, the Group's retail pharmaceutical business recorded revenue of HK$2,991.6 million, representing an increase of 1.6% over the first half of 2019 (an increase of 6.4% in terms of RMB), mainly due to accelerated prescription outflow under the impact of the pandemic and growth in retail pharmacy development; the gross profit margin of the retail business was 11.1%, representing a decrease of 1.5 percentage points as compared with the same period of last year. The decrease in gross profit margin was because price of several drugs involved in national negotiation in DTP business decreased. The Group's DTP business achieved revenue of approximately RMB 2.0 billion in the first half of 2020, representing an increase of approximately 4% year-on-year.

Driven by policies such as "prescription outflow", retail pharmacies have shifted towards standardization and professionalization, medical insurance resources are tilted towards premium pharmacies, and the concentration of the retail market has accelerated. The Group has continued to improve the hardware and software conditions of retail pharmacies and standardized operation, completed the full coverage of the retail ERP system and the construction of a centralized procurement system platform, and actively expanded the layout of DTP specialty pharmacies. As of 30 June 2020, the Group had a total of 854 self-operated retail pharmacies, of which the total number of DTP professional pharmacies reached 178, covering 86 cities in the PRC.

During the pandemic period, internet-based medical services developed rapidly while "Internet+" in the pharmaceutical industry accelerated its development, the Group established the new retail division and the internet medical business division during the Reporting Period to integrate internal resources, accelerate external cooperation and promote innovative business models. The new retail division undertakes the planning and implementation of B2B, B2C, O2O, and other out-of-hospital internet retail business systems. During the Reporting Period, CR Pharmaceutical Commercial separately signed strategic cooperation agreements with Guangdong KAD Digital Health Technology Co. and Chengdu Quanyuantang Pharmacy Chain Co., and will rely on their respective pharmaceutical supply chains and internet operation advantages to implement the new retail strategy of "internet + pharmaceuticals". The Group has applied internet technology to break through the traditional model, upgraded to a platform-based development strategy, promote continuous self-innovation and development on the market service model of "internet + medical + pharmaceutical + medical insurance". The "internet hospital + prescription circulation platform" project has been implemented in a number of provinces. During the Reporting Period, CR Pharmaceutical Commercial signed a strategic cooperation agreement with Shandong Province Internet Medical Insurance Health Group and WeDoctor. The three parties will further promote strategic cooperation in the pharmaceutical supply chain, internet healthcare, pharmaceutical e-commerce, and capital operation on the basis of the original internet pharmaceutical supply chain cooperation.

4. R&D

The Group regards to research and development innovation as an important driving force for its long-term development and has continuously increased its investment in research and development. During the Reporting Period, R&D expenditure was about HK$612.3 million. Guided by national policies, industry technology development trends, and market demands, the Group enhanced its core competitiveness through a combination of generic and innovation products and focused its research and development in the fields of the cardiovascular system, respiratory system, anti-tumor, gastrointestinal tract, and metabolism, central nervous system, immune system, anti-infection, hematology, and genitourinary system. At the end of the Reporting Period, the Group had 3 engineering technology research centers certified by the state, 3 enterprise technology centers certified by the state, and 17 research centers certified by the provincial and municipal levels, as well as postdoctoral research workstations with more than 940 research and development staff.

As of 30 June 2020, the Group had over 160 new products under research, including 68 innovative drugs under research, mainly in the fields of anti-cancer, endocrine, cardiovascular, and classical Chinese medicine formulas. During the Reporting Period, the Group obtained 35 patent authorizations and 66 new patent applications. During the Reporting Period, two Class 1 new drug Pre-IND meetings were submitted, seven products such as Linazolamide Tablets, Apixaban Tablets, and Denogestrel Tablets submitted production registration applications to the National Medical Products Administration (NMPA), and two products such as Caffeine Citrate Injection and Amlodipine Phenolsulfonic Acid Tablets (2.5mg) obtained production approvals from the NMPA, further enriching the quality of our product pipelines of the pharmaceutical manufacturing business.

In February 2020, the Group was granted orphan drug status by the US Food and Drug Administration for Idiopathic Pulmonary Fibrosis (IPF), an innovative Class I drug, NIP 292, developed by the Group. The orphan drug status will provide the Group with various incentives for the clinical development of drugs for rare diseases, including tax credits for U.S. clinical trial costs, FDA fee waivers, and a seven-year period of market exclusivity for the identified indications after the drug is launched.

During the Reporting Period, the Group accelerated the multi-point deployment of original biologics, improved innovative drugs, and biosimilars, and comprehensively balanced the mid– and long-term R&D risks and values of the projects under research. Currently, our biopharmaceutical business has three products (Baijieyi, Ruitongli, and Jialinhao) in the market, of which Ritongli has been included in the National Reimbursement Drug List, and researches on its new indications for acute stroke and acute pulmonary embolism are currently in the clinical phase II stage. Another clinical study application submitted to the NMPA to expand the new indication, deep vein thrombosis, was approved. As at the end of the Reporting Period, the Group had 14 biological drugs under research, of which 7 were bio-innovation drugs focusing on therapeutic areas such as anti-tumor, immune and endocrine.

The Group attaches great importance to and promotes the consistency evaluation of the quality and efficacy of generic drugs through multiple channels. By the end of the Reporting Period, more than 64 projects had been carried out for consistency evaluation, more than 10 projects had undergone bioequivalence clinical trials, including sodium valproate tablets, irbesartan dispersible tablets, fluconazole sodium chloride injection, mannitol sodium chloride injection, and allopurinol tablets have completed for the application. Montmorillonite powder, valsartan capsule, and mifepristone tablets have passed the consistency evaluation. Benefiting from the great attention and smooth progress of the consistency evaluation project, a total of three products, namely terazosin hydrochloride tablets, azithromycin tablets, and chewable magnesium-aluminum carbonate tablets, were included in the list of the second batch centralized procurement. The three products achieved a total sales revenue of approximately RMB50 million during the Reporting Period, bringing new growth drivers to the development of the pharmaceutical manufacturing segment.

Included in the Hang Seng Large-Mid Cap Value 50 Index

On 18 May 2020, the Company was officially included in the Hang Seng Large-Mid Cap Value 50 Index. The index is one of two new indices launched by Hang Seng Indexes Company Limited on 18 May 2020 and is designed to reflect the overall performance of 50 Hong Kong-listed large and mid-cap stocks with the highest value scores. The inclusion of the Company in the index reflects the Group's leading position in the industry and its core competencies.

Outlook and Future Strategies

The year 2020 is the final year of the '13th Five-Year Plan', and a key year for the transformation and upgrading of the pharmaceutical industry and the restructuring of its competitive landscape. China's pharmaceutical industry has entered an era of accelerated reform, with great market potential, a continuous trend of consolidation, and growing industry concentration. Encircling the development objectives of the '13th Five-Year Plan', the Group, as a leading large-scale pharmaceutical group with an integrated layout, has taken "Innovation and Transformation, Quality and Development" as its work theme this year, accelerated the pace of innovation and transformation, and leveraged the core edge of each business segment. In view of the current competitive environment, market challenges, and development objectives, the Group has conducted comprehensive discussions on the strategic direction, business selection, competitive strategies, and development initiatives via multiple methods, including expert interviews, external researches, internal seminars, and case studies. The Group compared itself with benchmarking companies after looking into the latter's development strategy and initiatives, and systematically reviewed its core capabilities, interpreted industry policies, and intended to accurately judge industry trends and explore development opportunities in new areas of business areas, so as to comprehensively promote the formulation of the '14th Five-Year Plan' strategy.

The Group will actively plan for the core areas and core segments in the industrial chain, continuously increase investment in R&D and strive to achieve breakthroughs in R&D innovation; accelerate its pace in the introduction of new products and strengthen international cooperation, and on the basis of compliance and trustworthiness, strengthen external mergers and acquisitions efforts, pay close attention to investment opportunities in innovative fields, and explore breakthroughs in investment methods; continuously optimize resource allocation, and vigorously seek and implement synergies between business segments; accelerate improvements to intelligent manufacturing and industrial upgrading, adjust its business structure and push forward business transformation; reinforce management fundamentals, and encourage innovative models and improve development quality, so as to achieve long-term steady and sustainable development, lay a solid foundation for the development of the "14th Five-Year Plan", continuously improve the Group's core competitiveness and continuously create and enhance investment value and returns for shareholders. Meanwhile, the Group will seize the development opportunities in the Greater Bay Area and actively integrate itself into the construction of the Greater Bay Area in areas of the massive health industry, technological innovation, and international cooperation.

1. **Strengthening R&D Innovation, optimising the innovative R&D system, building an innovative and technological platform for biopharmaceutical drugs, and accelerating the acquisition of high-quality products**

The Group will seize on good opportunities for national pharmaceutical innovation and development to increase R&D investment and innovation to achieve the 'four breakthroughs' of R&D innovation and investment, R&D talent team building, assessment and incentive mechanisms, and innovation models. These include, but are not limited to:

- Increasing the proportion of the Group's total R&D investment to revenue;

- Focusing on high-quality R&D projects such as chemical innovative drugs, classic TCM prescriptions, and biological drugs. Actively expanding product acquisition channels and continuing to enrich R&D pipelines in anti-tumour, immunotherapy, cardiovascular, central nervous and respiratory systems;

- Speeding up the introduction of R&D professionals, strengthening the construction of R&D teams, enhancing R&D capabilities, accelerating the transition to independent innovation strategies;

- Speeding up the establishment of the biopharmaceutical segment, aiming at innovative drugs as long-term development aim, integrating advantage resources, continuously forging platforms of research, manufacture, and marketing, with an eye on the clinical demands that haven't been satisfied, focusing on recombinant protein and monoclonal antibody products, and leveraging on the Group's mature capabilities in the industrial chain and commercial industry;

- Developing high-end drug technologies, products with advance synthesis technology and special packaging, and establishing differentiated technological platforms such as oral sustained-release drugs, inhalants, and injection emulsion drugs;

- Promoting the construction of TCM innovation and generic drug differentiation technology platforms (TCM, Innovative Medicine and Health Medicine Research Institute); Enhancing the efficacy and clinical forensic medical research of the Group's TCM and famous and classic prescriptions (including formula granules and Dong-E-E-Jiao), and consolidating the application basis of TCM products.

2. Focusing on core areas, strengthening brand advantages, enriching product portfolios, and promoting the transformation and upgrading of the pharmaceutical manufacturing business

The Group will adapt to policy changes and structural market adjustments by coping with the impacts of such factors as centralised procurement, health insurance cost control, and consistency evaluations, and promote the transformation and upgrading of the pharmaceutical manufacturing business. These include, but are not limited to:

- R&D will focus on a combination of generic and innovative drugs, gradually leaping into improved new and innovative drugs. Upgrading R&D support facilities, exploring diversified incentive mechanisms and building laboratories in compliance with national standards;

- Paying continuous attention to changes in the disease spectrum, focusing on areas such as chronic disease, specialty, cardiovascular, anti-tumour, central nervous system and respiratory system, and enriching the product portfolios for chronic disease, specialty and infusion businesses;

- Transforming production to low-cost, large-scale and high-quality, creating cost advantages through the entire industrial chain, and quickly promoting the integration and automation of production bases;

- Utilising and enhancing the Group's brand advantages in the CHC sector, strengthening brand-building and product line expansion in core categories, accelerating and strengthening international cooperation with foreign high-quality OTC products and original generic drug pharmaceutical manufacturers, accelerating the upgrading of products and promoting the continued growth of core businesses;

- Complying with the industry trend, deepening the integration of resources in the chronic disease sector, promoting product participation in centralised procurement, actively planing for the retail market and cultivating marketing capabilities that adapt to industry changes;

- Grasping the development opportunities of the state to support the TCM industry, exploring famous and classical Chinese medicine prescriptions, promoting the distribution of the entire TCM industrial chain, integrating the advantages of CR Jiangzhong Group while accelerating the development of the healthcare business.

3. **Sharpening the competitive edge, optimising the business structure, forging a smart pharmaceutical supply chain service provider, and realising the transition from traditional distribution business to an intelligent and professional integrated service provider**

On the basis of extending its geographical presence across the nation, the Group will continue to deepen its business development, accelerate its penetration into primary medical and retail terminals, sharpen the competitive edge, and promote the transition of the Group's pharmaceutical distribution business away from the traditional distribution business to an intelligent and professional integrated service provider. This will enhance the Group's comprehensive service capabilities, including:

- Actively assisting upstream manufacturers in providing differentiated services such as tendering, market access and terminal development to enhance their adhesiveness;

- Providing products and services for medical terminals, assist in designing integrated solutions for intelligent supply chain management and hospital logistics through information and professional services;

- Establishing a new retail business division, providing end-users with diverse low-cost specialist medical services such as remote diagnosis and home delivery of medicines through the internet, increasing the convenience and accessibility of services.

Meanwhile, the Group will further optimise the product variety and business structure, make progress in the professional distribution of medical device and build an import business platform for innovative port-to-terminal services. It will strengthen operation efficiency and quality, accelerate logistics construction. Speeding up the development of third-party logistics business, vigorously promoting innovative business models such as DTP, CR Pharma e-Store, etc., while consolidating the market-leading position as a comprehensive solution provider in the pharmaceutical supply chain, will also be the Group's focus of work in future.

4. **Expediting mergers and acquisitions, consolidating competitive advantages and business growth**

Mergers and acquisitions have always been one of the key engines of the Group's rapid development. The Group will take advantage of opportunities for integration and concentration in the Chinese pharmaceutical industry by accelerating its mergers and acquisitions, especially to expand the layout in multiple areas such as blood products, vaccines, and diagnostic reagents. We will leverage on the advantages of the Group's resources integration by actively taking advantage of the mixed reform opportunities of premium state-owned enterprises, especially large-scale integrated projects. Meanwhile, by expanding the scope of mergers and acquisitions, we can explore new ways of product and service innovation. Based on the characteristics of innovative enterprises in the industry, the Group will strive to obtain the distribution rights of its products through various methods of strategic equity investment, internal and external capital cooperation, and others. This will further expand the Group's business scale and improve business growth.

The Group is keenly aware of the opportunities arising from increasing market concentration in medical device distribution and will achieve external growth through strategic mergers and acquisitions. It will accelerate the acquisition of quality resources and achieve forward-looking business deployment and stimulate business growth by leveraging its pharmaceutical industrial fund in biopharmaceutical and innovative drugs and other areas. For the pharmaceutical manufacturing business, the Group will target companies with exclusive drugs or drug variants with high technical barriers during its strategic investment in high-growth therapeutic areas such as highly recognised and professional OTC brands, and differentiated traditional TCM products such as innovative, biopharmaceutical, imported and specialised generic drugs in professional areas. For pharmaceutical distribution and retail businesses, the Group will focus on distribution companies with regional advantages, professional machinery circulation enterprises with adequate scale, and premium pharmaceutical retail enterprises.

5. Promoting business synergies and resource integration, optimising resource allocations and operational efficiency

The Group will explore further synergies in its integrated business, expand the scope of business synergy, develop innovative synergistic models, and foster synergies among the pharmaceutical manufacturing, distribution, and retail businesses as well as subsectors of each business segment in aspects such as market entry, bidding, terminal expansion, and product introductions. These include:

- Reinforce the coordination planning from headquarter to scale up synergies inside the Group’s manufacturing and distribution businesses, facilitate the launch of the Group’s manufacturing products on the CR Pharma e-Store and secure online and offline sales channels;

- Enable synergy with CR Land’s senior home business, explore resource introductions in respect to chronic diseases, healthcare, and third-party services, optimise the synergistic business model to enhance profitability, and push ahead with the construction of CR Mall（華潤匯）;

- Enable synergy between pharmaceutical business and financing, continue to seek opportunities for cooperation with CR Group's financing and energy segments to form a market joint force;

- Support business development in the Greater Bay Area, leverage the link between funding and capital to drive collaborative development of the Group's different business segments in the Greater Bay Area;

- Improve the shared information platform, strengthen corporate governance and internal control management system, plan more in-depth for the construction of integrated EHSQ management platform, step up in management innovation, enhance management and operational efficiency to effectively control operating risk.

6. Expand and diversify international cooperation, accelerate acquisitions of high-quality resources and cutting-edge technologies to comprehensively enhance competitiveness

The Group will continue to develop and improve international cooperation platforms and diversify its channels for international cooperation. Based on its existing business and competitive advantages and through various means of cooperation including import of products, distribution agency, entrusted production, the establishment of joint ventures, and cooperative development, the Group will focus on OTC products, TCM and high premium prescription drugs. It will actively negotiate with Japanese, Australian, European, and American pharmaceutical manufacturers with premium brands to implement international cooperation projects, establish win-win cooperation in the expansion of the Chinese pharmaceutical market, and further enhance the optimisation and upgrading of product portfolios and business models. The Group will focus on seeking international cooperation opportunities with foreign pharmaceutical manufacturers which own cutting-edge technology, advanced business administration, premium brand, cost advantage, and have rich experience in dosage improvement technology. The Group continues its in-depth analysis and research for China's pharmaceutical market and expects to achieve breakthroughs in planning for overseas businesses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent treasury management policy to maintain a solid and healthy financial position.

The Group funds its operations principally from cash generated from its operations, bank loans and other debt instruments and equity financing from investors. Its cash requirements relate primarily to production and operating activities, business expansion, repayment of liabilities as they become due, capital expenditures, interest and dividend payments.

As at 30 June 2020, the Group had cash and cash equivalents of HK$13,384.5 million, which were primarily in RMB and HKD.

As at 30 June 2020, the RMB-denominated and HKD-denominated bank borrowings accounted for approximately 92.2% and 7.8%, respectively of the Group's total bank borrowings. Among the Group's total bank borrowings as at 30 June 2020, a substantial portion of approximately 97.2% would be due within one year.

The Group's current ratio (being the ratio of total current assets to total current liabilities) was 1.2:1 as at 30 June 2020 (31 December 2019: 1.2:1).

As at 30 June 2020, the Group's gearing ratio (being the ratio of net debt divided by total equity) was 54.4% (31 December 2019: 38.1%).

In the first half of 2020, the Group's net cash from operating activities amounted to HK$11.1 million (in the first half of 2019: net cash used in operating activities HK$3,492.9 million). The Group's net cash used in investing activities in the first half of 2020 amounted to HK$3,855.9 million (in the first half of 2019: net cash from investing activities HK$1,376.0 million). The Group's net cash from financing activities in the first half of 2019 amounted to HK$4,742.0 million (in the first half of 2019: HK306.1 million).

As at 30 June 2020, the Group had not used any financial instruments for hedging purposes.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's total borrowings amounted to HK$41,595.3 million (31 December 2019: HK$31,065.7 million), of which HK$245.5 million (31 December 2019: HK$161.1 million) were secured and accounted for 0.6% (31 December 2019: 0.5%) of the total borrowings.

Certain of the Group's trade and bills receivables with an aggregate net book value of HK$33.96 million (31 December 2019: HK$94.0 million) have been pledged as security.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: nil).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's operations are located in the PRC and most of its transactions are denominated and settled in RMB. The Group is exposed to foreign exchange risks on certain cash and cash equivalents, borrowings from banks and trade payables denominated in foreign currencies, the majority of which is denominated in USD. During the Reporting Period, the Group did not enter into any derivatives contracts to hedge the foreign exchange exposure.

CAPITAL EXPENDITURE

The Group's capital expenditure comprised mainly additions to property, plant and equipment, intangible assets, investment properties and right-of-use assets, but excluding additions resulting from acquisitions through business combination. The Group's capital expenditure in the first half of 2020 amounted to HK$1,202.8 million (the first half of 2019: HK$963.5 million), which was primarily utilized for expansion and upgrade of manufacturing facilities, development of distribution networks, and upgrading of logistic systems. Such capital expenditure was funded primarily by using cash generated from the Group's operating activities, bank borrowings and proceeds from the Company's initial public offering.

HUMAN RESOURCES

As at 30 June 2020, the Group employed around 66,000 staff in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rate while performance bonuses are granted on a discretionary basis. Other employee benefits include medical insurance, training etc..

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, save and except the following:

In respect of code provision A.4.1 of the CG Code, the non-executive Directors are not appointed for a specific term, and in respect of code provision D.1.4 of the CG Code, the Company did not have formal letters of appointment for Directors. Since all Directors are subject to re-election by the Shareholders at the annual general meeting of the Company and at least about once every three years on a rotation basis in accordance with the articles of association of the Company, there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code. In respect of code provision E.1.2 of the CG Code, the chairman of the Board was not able to attend the annual general meeting of the Company held on 22 June 2020 due to other business commitment.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period and up to the date of this announcement, the Company bought back a total of 1,996,000 shares of the Company (the "**Shares**") on the Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK$9,522,940. Particulars of the Shares bought back are as follows:

		Price paid per Share		
Month	**No. of Shares Bought Back**	**Highest**	**Lowest**	**Aggregate Consideration**
		(HK$)	*(HK$)*	*(HK$)*
April	1,786,000	5.00	4.67	8,598,940
May	210,000	4.40	4.40	924,000
Total	1,996,000			9,522,940

During the Reporting Period, all such bought back Shares were cancelled on 15 June 2020.

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this announcement.

REVIEW OF RESULTS BY ERNST & YOUNG

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30 June 2020 to be despatched to shareholders.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020.

PUBLICATION OF THE INTERIM RESULTS AND 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crpharm.com), and the 2020 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Resources Pharmaceutical Group Limited
WANG Chuncheng
Chairman

Beijing, 27 August 2020

As at the date of this announcement, the Board comprises Mr. WANG Chuncheng as chairman and non-executive Director, Mr. HAN Yuewei, Mr. LI Xiangming and Mdm. WENG Jingwen as executive Directors, Mr. YU Zhongliang, Mdm. GUO Wei, Mr. WANG Shouye and Mr. LYU Ruizhi 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.