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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of China Resources Pharmaceutical Group Limited (the "**Company**" or "**China Resources Pharmaceutical**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	4	**200,423,023**	204,453,869
Cost of sales		**(168,129,162)**	(170,436,179)
GROSS PROFIT		**32,293,861**	34,017,690
Other income	5	**1,504,420**	1,249,832
Other gains and losses	6	**(1,511,033)**	(39,234)
Selling and distribution expenses		**(16,029,445)**	(19,188,523)
Administrative expenses		**(5,564,495)**	(5,203,768)
Other expenses		**(1,347,144)**	(1,260,626)
Finance income	7	**675,765**	636,181
Finance costs	7	**(3,153,273)**	(3,712,401)
Finance costs, net		**(2,477,508)**	(3,076,220)
Share of profits of associates and joint ventures		**206,852**	140,417

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
PROFIT BEFORE TAX	*8*	**7,075,508**	6,639,568
Income tax expense	*9*	**(1,751,867)**	(1,541,765)
PROFIT FOR THE YEAR		**5,323,641**	5,097,803
Attributable to:			
Owners of the Company		**3,297,126**	3,286,419
Non-controlling interests		**2,026,515**	1,811,384
		5,323,641	5,097,803
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
Basic and diluted *(HK$)*		**0.52**	0.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**5,323,641**	5,097,803
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of changes in translation reserve of associates	**–**	(1,773)
Exchange differences arising on translation of foreign operations	**5,310,801**	(1,977,661)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**5,310,801**	(1,979,434)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on the remeasurement of defined benefit plan	**19,001**	(11,593)
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**58,749**	201,382
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**77,750**	189,789
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**5,388,551**	(1,789,645)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,712,192**	3,308,158
Attributable to:		
Owners of the Company	**6,474,145**	2,447,406
Non-controlling interests	**4,238,047**	860,752
	10,712,192	3,308,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**17,324,389**	16,322,310
Right-of-use assets		**5,317,849**	5,507,549
Investment properties		**1,935,910**	1,724,234
Goodwill		**21,072,192**	19,306,440
Intangible assets		**6,939,633**	6,049,195
Interests in joint ventures		**11,391**	96,602
Interests in associates		**5,720,721**	4,735,488
Other non-current financial assets		**602,344**	412,215
Deferred tax assets		**969,852**	856,088
Other non-current assets		**2,368,622**	2,072,276
Total non-current assets		**62,262,903**	57,082,397
CURRENT ASSETS			
Inventories		**24,584,761**	22,332,374
Trade and other receivables	*12*	**67,702,982**	63,772,489
Other current financial assets		**34,613,823**	26,403,362
Amounts due from related parties		**2,440,119**	3,230,581
Tax recoverable		**43,745**	65,183
Pledged deposits		**6,491,930**	4,614,611
Cash and cash equivalents		**11,231,497**	12,524,016
Total current assets		**147,108,857**	132,942,616

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
CURRENT LIABILITIES			
Trade and other payables	*13*	**66,396,004**	60,039,533
Contract liabilities		**2,477,763**	1,651,904
Lease liabilities		**709,958**	614,389
Amounts due to related parties		**12,011,513**	14,100,989
Bank borrowings		**35,457,220**	27,486,200
Bonds payable		**4,824,692**	2,288,443
Tax payable		**671,127**	452,959
Defined benefit obligations		**71,378**	37,252
Total current liabilities		**122,619,655**	106,671,669
NET CURRENT ASSETS		**24,489,202**	26,270,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**86,752,105**	83,353,344
NON-CURRENT LIABILITIES			
Bank borrowings		**792,072**	3,579,485
Bonds payable		**1,215,729**	5,663,955
Lease liabilities		**1,155,708**	1,632,967
Deferred tax liabilities		**1,668,871**	1,506,573
Defined benefit obligations		**1,032,467**	566,980
Other non-current liabilities		**857,814**	821,563
Total non-current liabilities		**6,722,661**	13,771,523
NET ASSETS		**80,029,444**	69,581,821
EQUITY			
Equity attributable to owners of the Company			
Share capital		**27,241,289**	27,241,289
Reserves		**19,228,537**	13,470,059
		46,469,826	40,711,348
Non-controlling interests		**33,559,618**	28,870,473
TOTAL EQUITY		**80,029,444**	69,581,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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. Its immediate holding company is CRH (Pharmaceutical) Limited ("**CRHP**"), a company incorporated in the British Virgin Islands ("**BVI**") and its ultimate holding company is China Resources Company Limited ("**CRCL**"), a state-owned enterprise established in the People's Republic of China (the "**PRC**").

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, and certain debt and equity investments that are measured at fair value. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Company is an investment holding company.

The financial information relating to the years ended 31 December 2020 and 2019 included in this announcement of 2020 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to the statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) of the Laws of Hong Kong ("**Companies Ordinance**") is as follows:

The Company has delivered the consolidated 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 Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2020 in due course.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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 the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework")

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3

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.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) Amendment to HKFRS 16

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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 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 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 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$18,087,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8

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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2. RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures. The amendments of corresponding comparative amounts for the prior year includes: (i) decrease in interest income included in other income by HK$636,181,000; (ii) decrease in finance costs, net, by HK$636,181,000; (iii) increase in defined benefit obligations by HK$37,252,000 in current portion and HK$566,980,000 in non-current portion; (iv) decrease in trade and other payables by HK$37,252,000 and in other non-current liabilities by HK$566,980,000.

3. SEGMENT INFORMATION

Management has determined the operating segments 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/medical devices 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 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 results of associates and joint ventures, finance income and non-leased-related finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets (including investments in subsidiaries and the amounts due from group entities within the Group) are allocated to reportable segment assets other than deferred tax assets and tax recoverable; and

- all liabilities (including the amounts due to group entities within the Group) are allocated to reportable segment liabilities other than tax payable, deferred tax liabilities, short-term debentures, bank borrowings, bonds payable and other non-current liabilities.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Year ended 31 December 2020	Manufacturing segment	Distribution segment	Retail segment	Others	Total
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Segment revenue					
External sales	29,289,589	164,440,511	6,466,933	225,990	200,423,023
Inter-segment sales	2,917,216	4,391,558	–	–	7,308,774
	32,206,805	168,832,069	6,466,933	225,990	207,731,797
Elimination:					
Elimination of inter-segment sales					(7,308,774)
Segment revenue					200,423,023
Segment results	8,103,756	7,930,795	(14,412)	149,532	16,169,671
Other income *(Note 5)*					1,504,420
Other gains and losses *(Note 6)*					(1,511,033)
Administrative expenses					(5,564,495)
Other expenses					(1,347,144)
Finance income *(Note 7)*					675,765
Finance costs (other than interest on lease liabilities)					(3,058,528)
Share of profits of associates and joint ventures					206,852
Profit before tax					7,075,508

Year ended 31 December 2019	Manufacturing segment *HK$000*	Distribution segment *HK$000*	Retail segment *HK$000*	Others *HK$000*	Total *HK$000*
Segment revenue					
External sales	30,692,657	167,093,588	6,462,839	204,785	204,453,869
Inter-segment sales	3,113,038	3,597,698	–	–	6,710,736
	33,805,695	170,691,286	6,462,839	204,785	211,164,605
Elimination:					
Elimination of inter-segment sales					(6,710,736)
Segment revenue					204,453,869
Segment results	6,765,276	7,736,419	72,893	142,454	14,717,042
Other income *(Note 5)*					1,249,832
Other gains and losses *(Note 6)*					(39,234)
Administrative expenses					(5,203,768)
Other expenses					(1,260,626)
Finance income *(Note 7)*					636,181
Finance costs (other than interest on lease liabilities)					(3,600,276)
Share of profits of associates and joint ventures					140,417
Profit before tax					6,639,568

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of pharmaceutical products	**200,282,820**	204,290,140
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**140,203**	163,729
	200,423,023	204,453,869

5. OTHER INCOME

	2020	2019
	HK$000	*HK$000*
Service fee income	**631,805**	608,246
Government grants	**621,071**	457,889
Covid-19-related rent concessions from lessors	**18,087**	–
Remeasurement of lease	**14,517**	–
Dividend income	**4,412**	8,047
Others	**214,528**	175,650
	1,504,420	1,249,832

6. OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Gain on disposal/deregistration of subsidiaries/ joint ventures	**38,556**	1,091,295
Loss on disposal of intangible assets	**–**	(1,588)
Loss on disposal of items of property, plant and equipment,net	**(45,281)**	(6,421)
Impairment recognised on property, plant and equipment	**(8,382)**	(37,318)
Impairment loss recognised on intangible assets	**(77,057)**	–
Impairment recognised on trade receivables, net	**(780,417)**	(446,927)
Impairment recognised on other receivables, net	**(70,011)**	(29,651)
Impairment recognised on goodwill	**(588,142)**	(722,587)
Impairment recognised on right-of-use assets	**(9,406)**	–
Fair value changes on financial assets at fair value through profit or loss	**96,745**	47,683
Fair value changes on investment properties	**4,559**	(14,433)
Others	**(72,197)**	80,713
	(1,511,033)	(39,234)

7. FINANCE INCOME AND COSTS

	2020	2019
	HK$000	*HK$000*
Finance costs:		
Interest on bank borrowings	**2,628,356**	3,148,800
Interest on bonds payable	**318,563**	388,495
Interest on borrowings from intermediate holding companies	**97,354**	48,629
Interest on lease liabilities	**94,745**	112,125
Interest on defined benefit obligations	**18,686**	19,139
Less: Interest capitalised in property, plant and equipment *(Note)*	**(4,431)**	(4,787)
Total finance costs	**3,153,273**	3,712,401
Finance income – Interest income	**(675,765)**	(636,181)
Net finance costs	**2,477,508**	3,076,220

Note: Capitalised interest arose from funds borrowed specifically for the purpose of obtaining qualifying assets and from the general borrowing pool which is calculated by applying a capitalisation rate of 4.75% (2019: 4.75%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Directors' remuneration	**9,104**	11,083
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**7,859,104**	8,071,501
Defined benefit scheme expense	**482,219**	1,830
Retirement benefit scheme contribution	**343,891**	770,352
Total	**8,694,318**	**8,854,766**
Auditors' remuneration	**17,741**	16,935
Depreciation of property, plant and equipment	**1,500,932**	1,432,208
Depreciation of right-of-use assets	**700,309**	684,638
Amortisation of intangible assets	**242,812**	248,001
Allowance for slow-moving and obsolete inventories	**304,272**	67,099
Cost of inventories recognised as cost of sales	**166,873,743**	169,467,387
Research and development expenditure (included in other expenses)	**1,317,964**	1,154,293
Foreign exchange (gain)/loss, net	**(60,977)**	30,191
Donations	**38,835**	21,085
Gross rental income from investment properties	**(140,203)**	(163,729)
Less: Direct operating expenses arising from rental-earning investment properties	**45,568**	39,307
	(94,635)	(124,422)

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Certain subsidiaries operating in Mainland China were accredited as "High and New Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible for a reduced 15% enterprise income tax rate.

Apart from that, according to the Guo Shui 2012 No. 12, Cai Shui 2011 No. 58 and Cai Zheng 2020 No. 23, certain PRC subsidiaries of the Group are engaged in the encouraged business activities under the Development of Western Region Program, and a preferential tax rate of 15% is granted for an extended period from 2011 to 2030. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

	2020	2019
	HK$'000	*HK$'000*
Current		
PRC Enterprise Income Tax ("**PRC EIT**")	**1,757,150**	1,749,840
Hong Kong profits tax	**123**	136
Underprovision in prior year		
PRC EIT	**102,632**	54,002
Hong Kong profits tax	**–**	(20)
	1,859,905	1,803,958
Deferred	**(108,038)**	(262,193)
Total tax charge for the year	**1,751,867**	1,541,765

10. DIVIDENDS

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

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK$0.12 (2019: HK$0.11) per ordinary share, in an aggregate amount of HK$754 million (2019: HK$691 million), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

Subsequent to the end of the reporting period, a final dividend of subsidiaries for the year ended 31 December 2020 in respect of CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane and Jiangzhong Pharmaceutical of RMB50.0 cents, RMB30.0 cents, RMB29.0 cents and RMB27.0 cents per ordinary share, in aggregate amounts of approximately RMB489,450,000 (equivalent to HK$581,545,000), RMB196,206,000 (equivalent to HK$233,125,000), RMB302,539,000 (equivalent to HK$359,465,000) and RMB170,100,000 (equivalent to HK$202,106,000), respectively, has been proposed by the directors of the subsidiaries, and is subject to approval by the shareholders of the subsidiaries in the forthcoming general meeting of the respective subsidiaries.

11. 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:

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**3,297,126**	3,286,419
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,283,122,861**	6,284,506,461

Diluted earnings per share equal to the basic earnings per share as there were no potentially dilutive ordinary shares in issue for the years ended 31 December 2020 and 2019.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Bills receivable	**703,357**	2,270,974
Trade receivables	**59,617,016**	52,680,136
Impairment allowance	**(1,692,829)**	(832,206)
	57,924,187	51,847,930
Prepayments	**3,737,216**	3,662,142
Other receivables	**5,570,605**	6,150,906
Impairment allowance	**(232,383)**	(159,463)
	5,338,222	5,991,443
	67,702,982	63,772,489

The Group generally allows credit periods ranging from 30 to 180 days to its trade customers, which may be extended to 365 days for selected customers depending on their trade volume and settlement terms. The bills receivable generally have maturity periods ranging from 30 to 180 days.

Included in the Group's trade receivables are amounts due from the Group's fellow subsidiaries, joint ventures, associates, associates of a fellow subsidiary and non-controlling shareholders of HK$220,302,000 (2019: HK$41,991,000), HK$407,000 (2019: HK$253,000), HK$41,330,000 (2019:HK$43,365,000), HK$154,584,000 (2019:HK$174,864,000) and HK$43,577,000 (2019: nil), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the Group's trade receivables, net of loss allowance, based on the invoice date at 31 December 2020 and 2019 is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**13,467,276**	19,055,572
31 to 60 days	**10,049,417**	7,556,805
61 to 90 days	**6,775,877**	5,023,435
91 to 180 days	**14,855,296**	10,795,980
181 to 365 days	**10,115,177**	7,275,886
Over 1 year	**2,661,144**	2,140,252
	57,924,187	51,847,930

An ageing analysis of the Group's bills receivable, based on the issue date, at 31 December 2020 and 2019 is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**107,451**	1,264,215
31 to 60 days	**122,936**	233,886
61 to 90 days	**85,775**	262,085
91 to 180 days	**387,195**	510,788
	703,357	2,270,974

13. TRADE AND OTHER PAYABLES

	Note	2020 HK$'000	2019 HK$'000
Trade payable	*(a)*	**31,124,280**	29,471,893
Bills payable	*(a)*	**14,477,812**	13,259,163
Accrued salaries		**2,228,579**	1,875,526
Interest payable		**108,240**	93,616
Other tax payables		**766,243**	667,354
Other payables		**16,957,675**	13,940,109
Refund liabilities		**22,918**	24,884
Payable for acquisitions of subsidiaries		**710,257**	706,988
		66,396,004	60,039,533

Note:

(a) The average credit period for purchases of goods range from 30 to 90 days. The bills payable have maturity period ranging from 30 to 180 days. As at 31 December 2020, the Group's bills payable of HK$14,112,454,000 (2019: HK$6,210,204,000) were secured by the Group's bills receivable with an aggregate carrying amount of HK$1,384,658,000 (2019: HK$620,403,000) and pledged bank deposits of HK$4,089,929,000 (2019: HK$3,305,633,000).

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**17,005,465**	19,549,147
31 to 60 days	**5,911,357**	3,659,134
61 to 90 days	**2,438,860**	1,589,073
Over 90 days	**5,768,598**	4,674,539
	31,124,280	29,471,893

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

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**1,922,614**	11,473,614
31 to 60 days	**3,039,488**	507,708
61 to 90 days	**2,889,382**	440,988
Over 90 days	**6,626,328**	836,853
	14,477,812	13,259,163

14. 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 a cash consideration of HK$1,365,766,000 and a 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 other subsidiaries and business

During the year ended 31 December 2020, the Group acquired the following companies or business which were engaged in the manufacture and sale of pharmaceutical products at an aggregated cash consideration of RMB187.5 million (equivalent to approximately HK$206.4 million). These subsidiaries were acquired as part of the Group's strategy to expand its market share in the pharmaceutical industry.

Name of acquirees	**Date of acquisition**	**Percentage of interest**
Jiangxi Jiangzhong Prepared Slices of Chinese Crude Drugs Co., Ltd. ("**Jiangzhong Prepared Slices**")	8 June 2020	51%
Beijing Runheji Biotechnology Co., Ltd. ("**Runheji**")	3 July 2020	51%

Business acquired from the following company	**Date of acquisition**
Shandong Hengxu Pharmaceutical Co., Ltd.	30 November 2020

Goodwill recognised from the above acquisitions amounted to HK$26,564,000.

15. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Shanghai Jinxiang Latex Products Co., Ltd. ("Shanghai Jinxiang")

In August 2020, the Group disposed of a 100% equity interest of Shanghai Jinxiang to Shanghai Ruyitang Biotechnology Co., Ltd. at a cash consideration of RMB68,156,000 (equivalent to HK$75,623,000). The disposal of Shanghai Jinxiang resulted in a gain on disposal of the subsidiary of HK$26,928,000.

(b) Disposal of Shandong Wuditianlong Technology Co., Ltd. ("Shandong Wuditianlong")

In November 2020, the Group disposed of a 91.01% equity interest of Shandong Wuditianlong to Zhaorong, Nan at a cash consideration of RMB2,664,000 (equivalent to HK$3,126,000). The disposal of Shandong Wuditianlong resulted in a gain on disposal of the subsidiary of HK$564,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2020, despite the austere and complicated situations at home and abroad coupled with the severe impact of the COVID-19 pandemic, China became the only major economy in the world that reported positive economic growth with a 2.3% year-on-year increase in annual gross domestic product (GDP), as its economy showed signs of recouping growth and stable recovery in a further manifestation of the nation's resilience and vigour in development.

According to data released by the National Bureau of Statistics, the revenue of the pharmaceutical manufacturing industry grew by 4.5% on an annual basis in 2020. Such positive growth was driven primarily by the sub-sectors of biopharmaceutical drugs, active pharmaceutical ingredients (APIs) and medical device.

Since the establishment of National Healthcare Security Administration in 2018, the payers have gradually become the most crucial policymaker in respect of the medical market in China, and China's medical system reforms have been brought forward to an advanced stage. Centralised procurement of pharmaceuticals has become an increasingly normalised practice conducted in a larger scale than before, as the State organised three batches of centralised procurements from 2018 to 2020 covering 112 pharmaceuticals with prices being reduced by an average of 54%. In addition, the market was concerned with the substantial decline in the centralised procurement prices for high-value consumables, the rapid progress of the pilot reform for medical insurance payment methods and the national pharmaceutical negotiations, which presented challenges to the growth rate of medical industry chain and the profitability of pharmaceutical industry as a whole, while compelling enterprises to adopt proactive adjustments to their business strategies to step up with innovation and transformation.

In terms of the development trend of the industry, enterprises were strategically focused on enhancing their competitiveness in generic drug market and expediting the research and development (R&D) of innovative drugs. The rapid development of biotechnology was driving the capacity expansion of the biopharmaceutical drugs sector, while the medical device sector grew at a compound rate of over 20% for the past five years, as these two sectors became the golden racetracks where leading enterprises sought to layout. The publication of the "Opinions of the CPC Central Committee and State Council on Promoting the Inheritance, Innovation, and Development of Traditional Chinese Medicine" provided a turning point for the development of traditional Chinese medicines, while healthcare consumer goods, including over-the-counter (OTC) drugs, were holding out broad prospects in the wake of upgraded retail consumption. Moreover, the online development of the "medical + drug + insurance" chain provided consumers with further diversified choices in medical treatment, drug purchase, and payment scenarios, while setting out new requirements for enterprises' capabilities in digital operation and business model innovation.

China's ultra-large market affords a distinctive advantage. The pharmaceutical market enjoys a strong endogenous driving force, and the weak cycle characteristic of pharmaceutical industry and status as a sunrise industry has been further ascertained. Driven by demand, policy, technology, capital, and other factors, the pharmaceutical and health industry will embrace broad prospects for development in the post-pandemic era with a significantly stronger appeal. The reshaping of the industry chain and market landscape will occur at an accelerated pace, while enterprises will experience a rapid evolution in business model. Meanwhile, a clearer trend of industry division will emerge: the exit of small and medium pharmaceutical enterprises lacking core competitiveness will happen at a faster pace, resulting in increasing industry concentration. On the other hand, the competitive advantage of premium large enterprises with capabilities in business integration and innovation will become more prominent.

GROUP RESULTS

In 2020, the Group made vigorous efforts to promote innovation in R&D, expedite development in emerging new sectors, advance external acquisition and third-party cooperation in a steady manner, continuously optimise business and product mixes, enhance coordination, integration and synergy of resources and improve operational quality and efficiency, in proactive response to policy changes and market challenges. During the Reporting Period, the Group's total revenue was HK$200,423.0 million, representing a 2.0% decrease from HK$204,453.9 million recorded for 2019 (representing a year-on-year decrease of 1.2% in terms of RMB), reflecting primarily the impact of the pandemic. In 2020, the revenue of the three major business segments, namely pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail businesses, accounted for 14.6%, 82.0% and 3.2% of the total revenue, respectively, as compared to 15.0%, 81.7% and 3.2%, respectively, for 2019.

During the Reporting Period, the Group recorded a gross profit of HK$32,293.9 million, representing a 5.1% decrease from the HK$34,017.7 million in 2019 (representing a year-on-year decrease of 4.2% in terms of RMB). The overall gross profit margin was 16.1%, representing a decrease of 0.5 percentage points over 16.6% in 2019. This reflected mainly the decline in the average gross profit margin for the pharmaceutical manufacturing business coupled with the decrease, as a percentage of overall revenue, in revenue from the pharmaceutical manufacturing business with higher margin.

For 2020, the Group recorded profit attributable to owners of the Company of HK$3,297.1 million, representing a 0.3% increase compared to HK$3,286.4 million in 2019 (representing a year-on-year increase of 3.8% in terms of RMB). Excluding the effect of one-off items including gains from the disposal of subsidiaries and goodwill impairment, profit attributable to owners of the Group would have increased by 16.0% (representing a year-on-year increase of 18.9% in terms of RMB). Basic earnings per share was HK$0.52 for 2020 (HK$0.52 for 2019). The Board recommended the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2020.

1. Pharmaceutical Manufacturing Business

The Group's pharmaceutical manufacturing business continued to advance the development of biopharmaceutical drugs and filled up voids, while accelerating the introduction and launch of new products. Ongoing efforts were made to optimise product mix and quality, advance industrial transformation and upgrade, foster cost advantages and actively engage in international cooperation. In the meantime, we promoted our transformation towards digital marketing, strengthened our ability of promoting our products in the professional and academic sectors. Through the integration of resources, co-branding empowerment was achieved in a bid to consolidate and increase its market share on a continuous basis.

For the Reporting Period, the Group's pharmaceutical manufacturing business generated segment revenue of HK$32,206.8 million, representing a year-on-year decrease of 4.7% compared with 2019 and a decrease of 3.5% on a year-on-year basis in terms of RMB. This reflected mainly the decline in revenue from the Group's prescription drug business as a result of the combined effect of the pandemic and centralised procurement.

The Group owns the most comprehensive portfolio of pharmaceutical products with the widest coverage of 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 that hold out sound potential for business growth, such as cardiovascular and cerebrovascular diseases, alimentary tract, metabolism and endocrine diseases, respiratory diseases, orthopedics, hematology, oncology, medical nutrition, gastroenterology, pediatrics, genitourinary system, cough and cold, anti-infection, dermatology, and therapeutic infusion solutions, etc. In 2020, the Group manufactured over 560 products, of which approximately 300 were included the National Reimbursement Drug List and 131 were included in the National Essential Drug List. All of the Group's pharmaceutical manufacturing subsidiaries have formed professional sales and marketing teams, which have established close and long-term business partnership with more than 100,000 medical institutions.

During the Reporting Period, the gross profit margin of the Group's pharmaceutical manufacturing business was 60.5%, representing a year-on-year decrease of 2.7 percentage points as compared to the same period last year, mainly due to the reduced share of the revenue from prescription drug products which have higher gross profit margin.

In terms of product categories, the revenue from sales of prescription drugs was HK$15,709.9 million during the Reporting Period, representing a year-on-year decrease of 13.8% as compared to the same period last year (year-on-year decrease of 12.9% in terms of RMB), mainly due to the decline in revenue from medical end-sales as a result of the pandemic, including notable decline in revenue from the anti-infective, infusion and cardiovascular businesses. The Group's consumer healthcare (CHC) business (mainly comprising OTC medicines and healthcare products) recorded revenue of HK$14,646.3 million, an increase of 10.6% compared to the same period last year (year-on-year increase of 11.7% in terms of RMB), mainly due to the significant year-on-year increase in revenue from the Dong-E-E-Jiao product line; the biopharmaceutical business reported revenue of HK$158.5 million. During the Reporting Period, the Group reported year-on-year growth in varying degrees in revenue from the Group's prescription drugs for psychiatric/neurological disorders, renal diseases, glucose reduction and TCM formula granules, as well as OTC products for such as pediatric, gastrointestinal, cardiovascular and dermatology. For 2020, the percentage of pharmaceutical sales revenue contributed by chemical drugs, TCM, biopharmaceutical drugs, and other products were 45.9%, 45.0%, 0.5%, and 8.6%, respectively.

Flexible approaches to external expansion and faster development in emerging sectors

The Group has rich experience in its mergers and acquisitions and strong integration capabilities with a good track record. During the Reporting Period, the Group actively advanced the implementation of high-quality mergers and acquisitions in flexible ways, including vigorous drive of investments in and acquisitions of innovative businesses, expanded its business footprint and enriched product portfolio, while applying advanced management concepts and business models to facilitate the integration of resources in respect of acquired companies.

In September 2020, China Resources Pharmaceutical Holdings Company Limited (the "**CR Pharmaceutical Holdings**") entered into the transaction documents with Shenzhen Gaotejia Investment Group Co., Ltd.(深圳市高特佳投資集團有限公司)(the "**Gaotejia**") and Boya Bio-pharmaceutical Group Co., Ltd(博雅生物製藥集團股份有限公司)(the "**Boya Bio-pharmaceutical**"), pursuant to which Gaotejia shall transfer its partial stake in Boya Bio-pharmaceutical to CR Pharmaceutical Holdings and entrust the voting rights attached to its remaining shares to CR Pharmaceutical Holdings. In addition, CR Pharmaceutical Holdings proposed to subscribe for 20% equity interests in the total share capital of Boya Bio-pharmaceutical prior to the issuance. Following the completion of the transaction, CR Pharmaceutical Holdings is expecting to hold 30.00% of equity shares in Boya Bio-pharmaceutical and voting rights corresponding to 10.97% of its shares, thereby becoming the controlling shareholder of Boya Bio-pharmaceutical. The Group places a strong emphasis on the development of the biopharmaceutical drug business and seeks to expand its presence in the innovative biopharmaceutical drug sector. In recent years, we have been stepping up with our investment and extensive deployment in original biologics, improved innovative drug and biosimilars. With sound growth potential and profitability and broad prospects for development, the blood product industry represents one of the Group's key focuses on business development in recent years. By investing in Boya Bio-pharmaceutical, the Group would make a breakthrough and fill up its void in the blood product sector, thereby further accelerating its development in the pharmaceutical drug segment. The project is progressing.

In January 2020, China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (the "**CR Sanjiu**") completed the acquisition of the 100% equity interest in Aonuo (China) Pharmaceutical Co., Ltd.(澳諾(中國)製藥有限公司)(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 brands Aonuo and Jinxinjingaite is a major calcium supplement for children in China with a sizeable market and sound growth potential. The acquisition facilitated organic combination with the advantages of CR Sanjiu in consumer insights, brand operation, and end-sales coverage and could give rise to sound synergy. It would also facilitate the rapid building of a leading brand and major product lines for child health, thereby contributing to further improvements in the Group's deployment in the CHC category.

In January 2020, 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**") made an additional capital contribution of RMB250 million to Dongying Tiandong Pharmaceutical Co., Ltd. for the acquisition of 31.25% equity interests. Dongying Tiandong Pharmaceutical Co., Ltd. Products of Tiandong Pharma include heparin sodium, Enoch heparin sodium, natch heparin sodium, and other APIs and Enoch heparin sodium injection in the cardiovascular and cerebrovascular anticoagulant category. In December 2020, China Resources Double-Crane Pharmaceutical Company Limited (華潤雙鶴藥業股份有限公司)(the "**CR Double-Crane**") announced the acquisition of 38.75% equity interests in Dongying Tiandong Pharmaceutical Co., Ltd. for an acquisition price of RMB341 million. The series of acquisitions has enabled the Group to further diversify its portfolio of cardiovascular and cerebrovascular anticoagulant products and secure a platform for anticoagulant technologies to facilitate business expansion into premium, high-end generic drugs such as biochemical pharmaceuticals.

In February 2021, CR Double-Crane announced the acquisition of 33.33% equity interests in Zhejiang Peptites Biotech Co., Ltd. (浙江湃肽生物有限公司)(the "**Zhejiang Peptites**") by way of capital increase with a capital contribution of approximately RMB260 million funded by internal resources. Peptide, the principal product of Zhejiang Peptites, is known for its high bioactivity, good therapeutic effect and low toxicity. The acquisition is conducive to CR Double-Crane establishing its presence in the biopharmaceutical sector to accelerate its transformation and upgrade.

Furthermore, during the Reporting Period, CR Sanjiu, CR Pharmaceutical Industrial Investment Fund and China Resources Innovation Fund jointly made a capital injection to a respiratory medicine R&D and manufacturing company, Runsheng Pharmaceutical Co., Ltd., to obtain the exclusive rights to market its asthma medicine in China after its launch. Following the capital increase, the parties held 18.09% equity interests in the company. Through the investment, CR Sanjiu obtained the sales rights in China for Runsheng's product salmeterol fluticasone inhalation powder inhaler, effectively filling the void of CR Sanjiu in inhalation dosage products.

Accelerating development and launch of new products to provide new growth driver

During the Reporting Period, the Group launched a number of new products by actively mobilising the resources afforded by its range of famous brands, in a bid to drive long-term sustainable growth of the manufacturing segment.

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 CR Double-Crane, launched a new product in the field of pediatrics – "Fetoca®" in April 2020 currently the only domestic product that has passed the drug consistency evaluation of caffeine citrate injection, the product is used for the treatment of premature newborn primary apnea. The launch of this drug will provide more options for clinical applications for the benefit of a broader population of child patients, and it is set to play a positive role in driving the vibrant development of China's neonatal medical care business.

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" in May 2020. This product has the effects of improving the stability of intestinal flora, preventing and treating constipation and diarrhea, regulating the balance of intestinal flora and stabilising the intestinal tract, and is effective for procuring intestinal health. The launch of the product will enable the Group to further strengthen the development of multi-category products in the field of daily gastrointestinal medication.

Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司) (the "**Dong-E-E-Jiao**") is committed to enhancing its R&D and innovation with stronger efforts in the commercialisation of technological achievements, clinical research of products, modernisation of dosage forms and innovation of product techniques, in a bid to optimise and diversify its product regime. In April 2020, Dong-E-E-Jiao launched a new technology product "Little Gold Bar Dong-E-E-Jiao Powder" manufactured with its proprietary innovative technology, which turned raw material into E-Jiao liquid and then "into powder in one step". The product offers superior water solubility which makes it easier for absorption. On top of its distinctive healthcare function of boosting immunity, it also ushers in a new era for the consumption of traditional E-Jiao as a convenient, fashionable, ready-to-drink and instant nourishment. During the Reporting Period, Dong-E-E Jiao launched bird's nest products. Apart from new product development, Dong-E-E-Jiao was engaged in rapid transition to digital marketing on the back of its advantageous offline resources in vigorous implementation of strategic transformation, seeking mutual empowerment between online and offline operations to materialise Internet-based operation of the business on the marketing front.

In August 2020, Dong-E-E-Jiao joined forces with CR Sanjiu to launch the dual-branded "E-Jiao Zhu" decoction pieces. Dong-E-E-Jiao, a veteran name and leader in the E-Jiao business, and CR Sanjiu, a company focused on TCM prescriptions as one of its core businesses, were able to identify a point of convergence in TCM decoction pieces. Sales of the new product has benefited from the aggregation of production resources, marketing capability and brand advantage offered by the two companies.

In November 2020, developed by Shenzhen China Resources Gosun Pharmaceutical Co., Ltd.(深圳華潤九新藥業有限公司)(the "**CR Gosun**"), a wholly-owned subsidiary of CR Sanjiu, received the Drug Registration Certificate for Ceftobiprole Medocaril Sodium for Injection issued by the National Medical Products Administration (NMPA), making the product the first fifth-generation cephalosporin approved for registration in China. The product is used for the treatment of hospital-acquired pneumonia (HAP) and community-acquired pneumonia (CAP). The approval for production has enabled the Group to further improve its product mix in the anti-infection category and enhanced its competitiveness in the market of products for anti-infection therapy. Earlier in September 2017, CR Gosun entered into an exclusive technology licensing cooperation agreement in relation to ceftobiprole for injection with Swiss listed company Basilea Pharmaceutica International, pursuant to which CR Gosun was granted the exclusive right to develop, manufacture and commercialise ceftobiprole in Mainland China, Hong Kong and Macau.

In November 2020, CR Double-Crane received the Drug Registration Certificate for its Pregabalin Capsule issued by NMPA, granting approval for the production of the said drug, which is mainly used in the treatment of post-herpetic neuralgia. In accordance with pertinent national policies and regulations, receiving such approval is deemed as the fulfilment of consistency evaluation, and CR Double-Crane was the second company to achieve deemed fulfilment of this drug consistency evaluation. The approval for production will further diversify the product lines of CR Double-Crane and enhance its market competitiveness in the future.

Stepping up with international cooperation to explore new opportunities for development

The Group consistently seeks international opportunities for strategic partnership, product import and joint venture, with a view to diversifying and optimising its product portfolio in a speedy manner. During the Reporting Period, the Group has signed 35 international cooperation projects in 13 countries covering cooperation in areas such as chemical drugs, biopharmaceuticals, TCM/Chinese prescription products, OTC and Big Health by way of product in-licensing, equity or cooperative joint venture, and collaboration in technical research.

Since August 2020, CR Sanjiu and NOVO Nordisk (China) Pharmaceuticals Co., Ltd. (the "**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 has been responsible for promotion among academic institutions in China whereas NOVO Nordisk has been responsible for manufacturing, medical strategies and interaction with the medical community, as well as providing full support to patients via the patients' hotline. Given NOVO Nordisk's decades of innovative ability and experience in the RHSI field and CR Sanjiu's strong ability to promote products in the academic sector and extensive business network, the two parties would consolidate their quality resources to strengthen and develop the sales network of Norditropin® through joint efforts and further increase the availability of the product to provide premium treatment solutions to medical professionals.

In December 2020, CR Sanjiu and Oncoceutics, Inc. (the "**Oncoceutics**") entered into a licensing cooperation, pursuant to which CR Sanjiu obtained the exclusive rights for the development, production and commercialisation of ONC201, an innovative pharmaceutical product for glioma treatment, in the Greater China region (Mainland China, Hong Kong, Macau and Taiwan). ONC201 is a novel small molecule with a unique mechanism of action. As the core product developed by Oncoceutics and currently undergoing the crucial clinical stage, its anti-cancer activity and safety has been proven in a number of clinical trials, including clinical trials on adult and child patients suffering from high-grade gliomas. The introduction of ONC201 will hopefully facilitate a breakthrough in the therapy of pediatric and adult gliomas. At the same time, it will also enable CR Sanjiu to expand its product layout and bolster its development in innovation and transformation.

Driving coordination and integration of resources to achieve synergy

During the Reporting Period, the Group actively advanced the consolidation of its internal resources and facilitated OTC co-branding empowerment in the pharmaceutical manufacturing segment in terms of product development and marketing, while generating synergy in business deployment with the aid of CR Pharmaceutical Industrial Investment Fund.

In September 2020, China Resources Biopharmaceutical Co., Ltd.(華潤生物醫藥有限公司)(the "**CR Biopharm**") increased its shareholding in China Resources Angde Biotech Pharma Co., Ltd.(華潤昂德生物藥業有限公司)(the "**CR Angde Biotech Pharma**") from 51% to 80% by way of equity acquisition and capital increase. Through the increase, the two companies will generate synergies in capital, human resources, R&D and other aspects, while the Group will further enhance its R&D capability in the biopharmaceutical segment. In December 2020, CR Sanjiu announced its acquisition of 100% shares in CR Care (Shenzhen) Pharmaceutical Chain Company Limited(華潤堂(深圳)醫藥連鎖有限公司)(the "**CR Care Shenzhen**") held by CR Care Company Limited (the "**CR Care**") at a consideration of RMB190 million. CR Sanjiu will seek to combine CR Care Shenzhen's groundwork in TCM nutrition and healthcare products, credentials in online and offline operations and experience in retail operations with its own TCM business resources and brand building ability to generate synergy in active transformation and development of CR Care Shenzhen's online TCM nutrition brand business. At the same time, through gradual integration with CR Sanjiu's TCM formula granules business and exploration of TCM services with the benefit of CR Care Shenzhen's relevant credentials, CR Care Shenzhen will be built into a platform for the development of TCM formula granules business.

Leveraging the value of the synergy committee, the Group advanced the implementation of projects such as industrial OTC co-branding empowerment and CR Pharma e-Store. In connection with the launch of the dual-branded E-Jiao Zhu TCM decoction pieces of CR Sanjiu and Dong-E-E-Jiao, the advanced production resources of Dong-E-E-Jiao and the formidable sales network of CR Sanjiu have generated a brand combination effect and driven sales of the product. CR Sanjiu also joined CR Jiangzhong, Dong-E-E-Jiao and China Resources Zizhu Pharmaceutical Co., Ltd.(華潤紫竹藥業有限公司)in organising a forum on new retail trends, as the industrial brands under the Group voiced their views in a joint action to materialise digital joint empowerment for famous brands in the pharmaceutical manufacturing segment. Moreover, the Group's industrial brands jointly hosted the "China Resources Pharmaceutical Brands Day" at CR Pharma e-Store and showcased together in the "15th September" activity of CR Pharma e-Store, generating transaction amounts of over RMB100 million, representing a year-on-year growth of more than 20%, while the number of online customers grew by more than 30%.

As one of the Group's diverse channels of investment, CR Pharmaceutical Industrial Investment Fund develops, on an ongoing basis, investment portfolios aimed at biopharmaceuticals, innovative drugs and TCM at various stages and pharmaceutical distribution in tandem with the direction of the Group's strategic development. Currently, it has established presence in a number of areas, such as in vitro diagnosis and oncology drugs, and has generated business synergy with the Group in terms of R&D, pharmaceutical manufacturing and distribution. The Group pursued new business incubation through CR Pharmaceutical Industrial Investment Fund to help improve its business deployment and to cement and strengthen its leading position in the industry. In 2020, CR Pharmaceutical Industrial Investment Fund was engaged in active coordination with CR Sanjiu and CR Double-Crane in external expansion and acquisition through joint investment.

2. Pharmaceutical Distribution Business

In the pharmaceutical distribution business, the Group actively participated in the centralized procurement and stepped up with the acquisition of premium product types to improve its market access ability, while making ongoing efforts in product mix optimisation to enhance its ability to cover the small-town and rural markets. Meanwhile, we continued to drive the development of innovative businesses and digital transformation, as we improved our capabilities in professional services with the aid of Internet technologies while being engaged in vigorous development of the e-commerce business. We also accelerated the robust development of our medical device distribution business and made progress in the development of international businesses.

During the Reporting Period, the Group's pharmaceutical distribution business achieved segment revenue of HK$168,832.1 million, representing a decrease of 1.1% compared with 2019, or a decrease of 0.5% on a RMB basis. For 2020, the gross profit margin of the distribution business was 7.1%, representing an increase of 0.2 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 its efficient 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, was named among government-designated companies for the provisioning and distribution of anti-pandemic drugs and supplies in a number of provinces and cities, undertaking the immensely challenging task of ensuring supply of pharmaceutical products in fulfilment of the commitment and social responsibility of a state-owned enterprise. It also undertook the task of urgent procurement of supplies requested by anti-pandemic command centres of governments at various levels in fulfilment of the commitment and social responsibility of a state-owned enterprise. During the Reporting Period, enterprises under the Group's industrial and commercial segment in aggregate supplied more than RMB12 billion-worth of anti-pandemic drugs and medical devices to pandemic-stricken areas in various provinces and cities across the nation. Following the global outbreak of the COVID-19 pandemic, it became evident that anti-pandemic supplies were in shortage of provision in some foreign countries and regions. CR Pharmaceutical Commercial set up a command centre for the international business for the export of anti-pandemic supplies, expanding international business channels in an efficient and extensive manner to facilitate the export of anti-pandemic supplies. The Group connected with countries such as Italy, South Korea, Belgium, Ireland and the United Kingdom, etc. and exported relevant anti-pandemic supplies with a value of over RMB2.4 billion during the Reporting Period.

The Group upgraded to a platform-based development strategy in a breakthrough of traditional models with the application of Internet technologies, driving continuous inherent innovation of the market service model of "Internet + medical/pharmaceutical/medical insurance" as the "Internet hospital + prescription circulation platform" project has been implemented in a number of provinces, while the "CR Micro Medicine" Internet platform for specialist medical treatment has been in service online. During the Reporting Period, CR Pharmaceutical Commercial signed a strategic cooperation agreement with Shandong Province Internet Medical Insurance Health Group (山東省互聯網醫保大健康集團) in Shandong Province and WeDoctor Group Company Limited (微醫集團有限公司) (WeDoctor), pursuant to which the three parties further promoted strategic cooperation in pharmaceutical supply chain, Internet medical healthcare, pharmaceutical e-commerce and financial operation on the basis of their existing cooperation in the Internet pharmaceutical supply chain. We set up "Internet Medical Pharmaceutical Joint Institute" with WeDoctor, the only Internet medical enterprise in China supported by medical insurance payment, in a pre-emptive move to establish its presence in the new channel, with a view to the digital-driven integration of medical care, pharmaceutics and medical insurance service and digitalised upgrade of the pharmaceutical circulation and supply chain. Meanwhile, the Group actively developed its e-commerce business, as its B2B online platform "CR Pharma e-store" is now operating in 24 provinces, with an online transaction amount of close to RMB25 billion for the Reporting Period, representing year-on-year growth of 12%.

During 2020, the Group continued to enhance the introduction of quality products, as it established a supply-chain management centre to conduct centralised strategic procurement while undertaking more than ten suppliers' projects relating to strategic sub-segments, actively participated in drug distribution under centralised procurement and entered into cooperation with a number of pharmaceutical enterprises whose products had passed the consistency evaluation. At the same time, the Group actively expanded upstream resources with a strong effort to develop new strategic cooperation businesses, continued to expedite the introduction of high-quality oncology drugs, innovative drugs, biopharmaceuticals and drugs for rare diseases, and obtained the general distributorship and strategic distributorship for a range of heavyweight products from Gilead Sciences, Roche and Hengrui Pharmaceutical during the year, in further diversification of the product portfolio for oncology drugs, blood and diagnostic reagents under the Group's distribution business.

The Group advanced the specialisation of its medical device distribution business with vigorous efforts, as it set up the specialised medical device headquarters and established independent medical device companies in 16 provinces, focusing on the development of specialised product lines and service models with a special emphasis on interventional supplies, IVD in vitro diagnostics, orthopedics, equipment and general supplies. During the Reporting Period, the Group's medical device distribution business reported sales revenue of approximately RMB20 billion, representing an increase of more than 40% as compared to the same period of last year. The Group actively extended its medical device business to the production side and sought cooperation with medical device manufacturers for equity or cooperative joint ventures. Meanwhile, the Group continued to actively develop specialised supply, processing and distribution (SPD) services for hospital drug and medical device supply chain management projects.

In the meantime, in response to the trend of market restructuring, the Group's distribution business stepped up with efforts to expand medical terminals, strengthen construction of platforms at local and municipal levels and extend our network downwards to penetrate the small-town and rural markets. We sought to increase our share of the end markets by driving the development of multiple business formats in advantageous areas, while enhancing promotion and digital marketing to explore the primary market in depth in active response to the demand for upstream enterprises to reach out downwards to the primary market. As at the end of the Reporting Period, the Group's pharmaceutical distribution network covered 28 provinces, municipalities and autonomous regions across the country with over 110,000 clients, including 8,003 second– and third-class hospitals and around 70,000 primary medical institutional clients (of which approximately 22,000 clients were added during the Reporting Period).

The Group is consistently strengthening the construction of an integrated, specialised, large-scale and standardised modern logistics system to foster core competitive advantages. As at the end of the Reporting Period, the Group's distribution business had 176 logistics centers, with main warehouses in Beijing and Shanghai; the Guangzhou logistics warehouse of the distribution segment is the first bonded warehouse in Guangdong Province approved by Guangzhou Customs. It is equipped with a best-in-class cold chain logistics management system and owns third-party logistics qualification for pharmaceuticals and medical devices. During the Reporting Period, CR Pharmaceutical Commercial's third-party logistics revenue increased by close to 40%, year-on-year.

During the Reporting Period, the Group was engaged in vigorous development of the innovative import business, as it successfully developed self-circulatory end-to-end supply chain services covering import, storage, logistics, distribution, pharmacy management and distribution to endpoints, while enhancing the construction of a number of import checkpoints in Shanghai, Beijing and Jiangsu, forming a joint operation in terms of submission for inspection, bonded areas and tender bids. During the Reporting Period, we introduced import franchise of 14 new products and annual import business income scale surpass RMB10.0 billion. As an import platform for 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 advantage as a pharmaceutical import platform for the Great Bay Area to extend its international supply chain services, exploring innovative supply chain service models with a host of world-renowned pharmaceutical enterprises and medical diagnostic device companies.

3. Pharmaceutical Retail Business

In the pharmaceutical retail business, the Group stepped up with the integration of resources and enhanced the construction of an integrated retail operation regime, while actively introducing innovative drugs and other premium products and expediting the development of pharmacy models, such as specialty pharmacies and community pharmacies. We sought to foster competitive strengths in terms of standardisation, differentiation and specialisation, while vigorously advancing the building of regimes and business development in relation to the Group's new retail business.

During the Reporting Period, the Group's retail pharmaceutical business recorded revenue of HK$6,466.9 million, representing a year-on-year increase of 0.1% over 2019 (a year-on-year increase of 3.4% in terms of RMB), attributable mainly to faster growth in revenue from the Group's DTP business, which amounted to approximately RMB3.8 billion for 2020, representing year-on-year growth of approximately 9.4%. The gross profit margin of the retail business was 10.3%, representing a decrease of 2.2 percentage points as compared with the same period of last year. The decrease in gross profit margin was attributable mainly to the added share of revenue from DTP business with a lower gross profit margin, as a percentage of overall revenue.

Driven by policies such as "prescription outflow", retail pharmacies were undergoing a process towards standardisation and professionalisation, while designated medical insurance resources were tilted towards premium pharmacies, contributing to a further accelerated process of concentration of the retail market. The Group continued to enhance operational planning and standardisation management for retail pharmacies by improving the coverage of the retail ERP system and vigorously expanding the network of specialty pharmacies for the high-value drug DTP business. As of 31 December 2020, the Group had a total of 862 self-operated retail pharmacies, including 194 DTP specialty pharmacies covering 93 cities in 21 provinces in the PRC.

During the pandemic, Internet-based medical services experienced rapid development, while the "Internet+" development of the pharmaceutical industry was gaining pace. The Group established a new retail division during the Reporting Period to integrate internal resources and step up with external cooperation for the promotion of innovative business models. The new retail division is responsible for the planning and implementation of B2B, B2C, O2O and other Internet-based out-of-hospital big retail business systems. During the Reporting Period, the transaction amount of the online C-end increased by 35 times, year-on-year. During the Reporting Period, CR Pharmaceutical Commercial enhanced third-party cooperation to seek complementary benefits in capabilities and resources, as it entered into strategic cooperation agreements with Guangdong KAD Digital Health Technology Co., Ltd. and Chengdu Quanyuantang Pharmacy Chain Joint Stock Co., Ltd., respectively, to drive the implementation of the new retail strategy of "Internet + pharmaceuticals", comprising businesses such as O2O operation agency services and community pharmacy supply chain services, on the back of their respective advantages in pharmaceutical supply chain and Internet operations.

4. Product Research and Development

The Group regards R&D and product innovation as important drivers for long-term growth and consistently increases its investment in R&D activities. Total R&D expenditure for the Reporting Period amounted to HK$1,497.9 million. Guided by national policies, development trends of industry technology and market demands, the Group enhanced its core competitiveness through a combination of generic and innovative products with a special focus on the R&D of medicines for the cardiovascular system, respiratory system, tumor treatment, alimentary tract and metabolism, central nervous system, immune system, anti-infection, hematology, and genitourinary system. As at the end of the Reporting Period, the Group operated 3 State-certified engineering technology research centers, 3 State-certified enterprise technology centers and 17 research centers certified by provincial and municipal authorities, as well as post-doctoral research workstations with a R&D team comprising over 1,200 staff members.

As of 31 December 2020, there were 199 products in the Group's R&D pipeline, including 68 new drugs relating mainly to oncology and immunity, metabolism and endocrine system, respiratory system, hematology, cardiovascular system and classical TCM prescriptions. During the Reporting Period, the Group obtained 86 patents, filed 99 new patent applications. Applications for manufacturing and registration for 14 products, including Linezolid tablets, Apixaban tablets and Dienogest tablets, were filed with NMPA. In addition, production approvals for 6 products, including Caffeine Citrate injection, Amlodipine Besylate Tablets (2.5mg), Pregabalin capsule, Ceftobiprole Medocaril Sodium for Injection, Vildagliptin tablets and Oral Rehydration Salt (III), were issued by the NMPA, in a further enrichment of the product portfolio of the Group's pharmaceutical manufacturing business. Among them, Ceftobiprole Medocaril Sodium for Injection was the first fifth-generation cephalosporin approved for registration in China.

During the Reporting Period, on top of improvements to the existing R&D technology platform, the Group constructed and completed an early-stage R&D platform for small molecule new drugs and antibody drugs, as well as acquired a R&D technology platform for peptide drugs and biochemical extract drugs through equity participation. As at the end of the Reporting Period, the R&D platform for small molecule innovative drugs covered critical techniques of the pre-clinical and early clinical development stages for small molecule drugs and achieved full capability for proprietary R&D.

The Group continued to be actively engaged in innovation through external cooperation, as it diversified and optimised the innovation R&D pipeline through licensing and industry – academia – research alliances. During the Reporting Period, we obtained the exclusive rights of development, manufacturing and commercialisation in Greater China for ONC201, a small molecule innovative drug which had been granted fast track approval, orphan drug status and rare pediatric disease designation by the U.S. Food and Drug Administration (FDA). The Group was engaged in active cooperation with the United Research Institute of China Resources Science and Technology Research Institute – Research Institute of Tsinghua University in Shenzhen and secured successful project listing for a small molecule anti-tumor innovative drug at the United Research Institute during the Reporting Period.

In February 2020, NIP292, a Class I innovative drug developed by the Group, was granted orphan drug status for treatment of idiopathic pulmonary fibrosis (IPF) by FDA. The Group will be entitled to 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 monopoly for the identified indications after the launch of the drug.

In December 2020, NIP046, a Class I innovative drug developed by the Group, received a notice of approval for clinical trial of drugs issued by NMPA, giving approval to the commencement of clinical trial of the rheumatoid arthritis indication. NIP046 is Class I small molecule innovative drug developed the Group on a proprietary basis. It has a clear mechanism of action with high selectivity, and has demonstrated outstanding therapeutic effects and good safety levels in a number of animal models for innate immunity diseases in pre-clinical research. Apart from rheumatoid arthritis, NIP046 also has therapeutic potential for other innate immunity diseases, such as systemic lupus erythematosus, multiple sclerosis, allergic dermatitis and pemphigus.

During the Reporting Period, the Group accelerated the multi-point deployment of original biologics, improved innovative drugs, and biosimilars, in a move to provide overall balance between R&D risks and values of 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 research on its new indications for acute stroke and acute pulmonary embolism are currently in the clinical phase II stage. Another application submitted to the NMPA to expand clinical research on a new indication, deep vein thrombosis, has also been approved. As at the end of the Reporting Period, the Group had 11 biological drugs under research, of which 7 were new biological drugs focusing on areas such as anti-tumor, immunity and endocrine treatments.

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, 64 key projects for consistency evaluation had been carried out, more than 20 projects had undergone bioequivalence clinical trials and application had been completed for Sodium Valproate tablets, Irbesartan Dispersible tablets, Fluconazole Sodium Chloride injection, Mannitol Sodium Chloride injection and allopurinol tablets. During the Reporting Period, seven products, including Montmorillonite powder, Valsartan capsule, Mifepristone tablets (200 mg), Misoprostol tablet, Pitavastatin Calcium tablet, Montmorillonite granule and Valsartan Hydrochlorothiazide tablet have passed the consistency evaluation.

Benefiting from the great attention for and smooth progress of the consistency evaluation project, in the Group's pharmaceutical manufacturing business, three products, namely Terazosin Hydrochloride tablets, Azithromycin tablets and chewable Magnesium-aluminum Carbonate tablets, were included in the catalogue of the second-batch centralised procurement, while four products, including Valsartan capsule, Metformin HCL sustained release tablet, Finasteride tablet and vildagliptin tablet, were included in the catalogue of the third-batch centralised procurement. Total sales revenue of approximately RMB0.39 billion was recorded for the Reporting Period, providing new growth drivers to the development of the pharmaceutical manufacturing segment.

OUTLOOK AND FUTURE STRATEGY

Year 2021 is the commencing year of the "14th Five-Year Plan (FYP)". Pivoting on requirements warranted by the new landscape, new starting point and new development and taking into consideration its inherent business structure and product characteristics, the Group will adopt "Reform, Innovation and Qualitative Development" as its management theme and increase R&D investments to strive for innovation and breakthrough. Efforts in external merger and acquisition will be strengthened with a strong focus on investment opportunities for potential businesses and innovative sectors. Emphasis will also be placed on our internal development as we seek cost reductions, efficiency enhancement and improvements in the quality of development. Further progress in digitalisation and the development of intelligent features will be made and model innovation will be encouraged to enhance management efficiency. Counter-risk measures will be strengthened to ensure the stability of operations. Our business portfolio will be subject to ongoing optimisation in an active bid cover key sections in the industry chain and potential sectors. In the meantime, we will seize strategic opportunities for regional development, tapping the international market on the back of our domestic operations with an eye for vertical as well as horizontal expansion, in order to lay a solid groundwork for development during the "14th FYP" and consistently add value and increase investment return for shareholders.

1. **To increase effort in R&D innovation, expedite development of key regional innovation R&D platform, enhance capability in innovative R&D, strengthen external cooperation, and step up with the acquisition of premium products**

   The Group will seize the good opportunities presented by the national development of pharmaceutical innovation to increase R&D investment and innovation efforts, striving to achieve "five breakthroughs": investment in innovation R&D, building of platform for innovation, incentive mechanism for innovation, application of results in projects and progress of key projects. Key measures include the following:

   - To substantially increase the Group's total R&D investment as a proportion of revenue.

- To accelerate the construction of an innovation R&D platform for chemical drugs and biopharmaceuticals in Guangdong – Hong Kong – Macau and Yangtze River Delta Region, advance the construction of a TCM innovation platform at a faster pace, and improve capabilities in innovation R&D. To develop high-end preparation technology, sophisticated synthetic technology and products with special packaging, and to build a platform of differentiated technologies for products such as oral sustained release preparation, inhaler and emulsion injection preparation.

- To focus on R&D in small molecule and biopharmaceuticals, build a high-end technology platform and commence research on TCM effectiveness and mechanism of action; to diversify our product pipeline by stepping up with our developments in the anti-tumor, immunity and cardiovascular drugs.

- To adopt the model of " self-innovative research + introduction". We will consistently diversify our internal innovative product pipeline as well as to enhancing external cooperation, facilitating industry – academia – research alliances with top-notch international as well as domestic R&D institutions, building up long-term cooperation on all fronts with a strong focus on technology R&D, commercialisation, resource sharing and talent training to advance project cooperation and commercialised application. We will also further enhance our ability in the integration of resources for innovation.

- To stimulate vigor in innovation through a range of mechanisms relating to talent grooming, fault tolerance, investment and incentivisation, enhance efficiency in innovation and foster a culture of innovation.

2. **To enhance the quality of internal development by consistently optimising our business structure, reinforcing fundamental management and facilitating quality and efficiency enhancement, with a view to sustainable healthy development**

The Group will adapt to policy changes and structural market adjustments by active responding to the impact of such factors as centralised procurement and health insurance cost control, and continue to optimise and drive the transformation and upgrading of its business structure. Our measures will include, but not be limited to:

- Cost reduction and efficiency enhancement will be normalised: through a range of measures such as green low-carbon recycling development, the Group is to build an operational regime for green production. The deployment of production capacity will be optimised, whereby outdated capacity will be phased out and the intelligent manufacturing will be upgraded to achieve economies of scale. Technology innovation and process innovation will be continuously pursued to enhance the Group's competitive strengths. Efforts will be made to advance operational excellence and reinforce fundamental management, especially in relation to the control over raw material procurement, marketing expenses, per capita output and logistical efficiency.

- Ongoing product mix optimisation: to stabilise cornerstone product pipeline, while actively developing new products according to consumers' requirements, to expand into new businesses and diversify our product lines in continuous optimisation of our business portfolio. We will improve our ability in specialist areas and enhance our presence in high-potential areas such as anti-tumor and psychiatric/neurological drugs. The Group will also facilitate expansion into new businesses such as commercial segment import/export and medical devices to foster new business growth niches. Actives investigations will be made in "+Internet" applications for the development of new models, with a view to enhancing our overall supply chain servicing capability and foster core competitive strengths.

3. To expedite investment in mergers and acquisitions in order to seize opportunities presented by deepened industry reform and enhance our presence in innovation and high growth areas

Mergers and acquisitions have always been one of the key engines of the Group's rapid development. Seizing the historic opportunity presented by the integration and concentration of the Chinese pharmaceutical industry, the Group will accelerate its mergers and acquisitions and continue to increase its investment in merger and acquisition in areas such as innovative drugs, biopharmaceuticals, vaccines and medical devices to strive for breakthrough in new frontiers. At the same time, we will seek to establish our presence in new technologies commanding high growth through a diversified range of investment means. By fully exploiting the advantage of the industry fund and its function as a pathfinder, with a special emphasis on establishing presence in unclaimed areas with sound potential, the Group will be able to incubate new business opportunities as well as to support and serve the development of profit centres in investment and merger and acquisition. In the pharmaceutical manufacturing business, the Group will aim to consolidate premium resources in the industry with a special focus on CHC, biopharmaceuticals and innovation drugs, as well as exclusive product categories or competitive categories with higher technological thresholds, such as specialty generic drugs. In the pharmaceutical distribution and retail businesses, we will focus on medical care, medical devices, retail and new retail businesses, with a special emphasis on merger and acquisition and platform building in relation to leading enterprises with a top status in the relevant sub-segments and key product lines.

4. To focus on business synergies and resource integration, optimise resource allocation and enhance operational efficiency

CR Pharmaceutical's ability to drive synergy will be brought into play to develop a cross-regional, multi-dimensional and multi-model synergy mechanism and drive the implementation of synergy projects.

- Regional synergy: to forge regional advantages through cooperation in advantageous businesses in the context of the Company's overall regional strategic planning.

- Leveraging the Group's overall strengths: to bring together the advantages in regional resources of CR Group, CR Pharmaceutical and the profit centres, forming a regional business profile underpinned by top-to-bottom joint actions and complementary advantages, and to build a synergetic platform for the pharmaceutical segment to develop in-depth synergies in government affairs, market channels and customer resources.

- Multi-model development: To select optimal models based on two major criteria, the market-oriented principle and innovation, including joint negotiations, joint equity investment, uniform media communication, shared logistics and the building of technology platforms.

- To deepen synergy between the pharmaceutical business and financing with ongoing exploration of opportunities to develop synergies with CR Group's internal financing and energy segments to form joint market force.

- To support business development in the Greater Bay Area, leveraging the link between funding and capital to drive collaborative development of the Group's different business segments in the Greater Bay Area.

- To build a specialised platform featuring characteristics of the pharmaceutical and health industry in accordance with the trend of digitalisation and intelligentisation on the back of coordinated efforts from the Group headquarters, profit centres and partners, in order to forge core competitive strengths.

5. To focus on the global acquisition of product/technology resources and supplier resources in a bid to expand and diversify international cooperation and enhance our general competitiveness

The Group will continue to improve the expansion and development of platforms for international cooperation and further diversify its channels for international cooperation. Leveraging its existing business and competitive advantages, the Group will seek further optimisation and upgrade of product portfolio and business models through a variety of means, such as product import, distribution agency, commissioned production, joint ventures and cooperative development. By globally identifying launched or unlaunched product resources and introducing products with higher clinical value and market value, the Group will consistently diversify our product portfolio and R&D pipeline to drive upgrades in product categories for the industry, production capacity and R&D capability. Cooperation with distinguished foreign R&D institutions will be enhanced to step up with build-up of technological strength. Cooperation with world-leading pharmaceutical enterprises will also be strengthened to increase agencies or the localisation of import products with a view to product mix optimisation. The development of overseas business at an appropriate timing is also under consideration, with the aim of enhancing our competitiveness in commercial circulation.

6. **To deepen the implementation of state-owned enterprise (SOE) reform plans, drive system mechanisms innovation; targeting the world - class enterprises to seek management leap**

- To deepen the implementation of SOE reform, to deepen mixed ownership reform in an active and cautious manner pivoting on conversion of the corporate operation mechanism, improvement of the corporate governance structure and building of a modernised corporate system, while continuing to increase investment in innovation R&D, optimise business deployment and product mix, optimise management control hierarchy, increase efficiency in capital allocation and operation, enhance organisational vigor, deepen reform and innovation and advance qualitative development.

- To conduct comprehensive analysis on the best practices of first-rate international enterprises, identify weaknesses in corporate management in a probing manner, and enhance development of the system regime, organisational regime, accountability regime, execution regime and assessment regime for corporate management. To achieve a comprehensive enhancement of our management competence and business standard, specifically in eight areas, including strategic management, organisational management, operational management, financial management, technology management, risk management, human resources management and informatisation management. The corporate management regime will be optimised to enhance management competence, reinforce management foundation and strengthen management innovation, with a view to achieving notable improvements in overall management competence.

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 31 December 2020, the Group had bank balances and cash of HK$11,231.5 million (2019: HK$12,524.0 million), which were primarily in RMB and HKD.

As at 31 December 2020, the RMB-denominated, and HKD-denominated bank borrowings accounted for approximately 87.5% (2019: 95.8%) and 12.5% (2019: 4.2%), respectively, of the Group's total bank borrowings. Among the Group's total bank borrowings as at 31 December 2020, a substantial portion of approximately 97.8% (2019: 88.5%) 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 31 December 2020 (2019: 1.2:1).

As at 31 December 2020, the Group's gearing ratio (being the ratio of net debt divided by total equity) was 52.6% (2019: 56.9%).

In 2020, the Group's net cash from operating activities remained solid at HK$8,206.3 million (2019: HK$8,140.9 million). The Group's net cash used in investing activities in 2020 and net cash from investing activities in 2019 amounted to HK$2,254.6 million and HK$1,008.8 million, respectively. In 2020, the Group's net cash used in financing activities amounted to HK$6,414.5 million (2019: HK$13,009.9 million)

PLEDGE OF ASSETS

As at 31 December 2020, the Group's total bank borrowings amounted to HK$36,249.3 million (31 December 2019: HK$31,065.7 million), of which HK$101.1 million (31 December 2019: HK$161.1 million) were secured and accounted for 0.3% (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$112.5 million (31 December 2019: HK$94.0 million) have been pledged as security.

CONTINGENT LIABILITIES

As at 31 December 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 are 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 2020 amounted to HK$2,758.9 million (2019: HK$3,402.0 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 31 December 2020, the Group employed around 64,000 staff (31 December 2019: 67,000 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, for example, medical insurance and training.

DIVIDEND

The Board recommended the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2020 (2019: HK$0.11). The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on 28 May 2021 (the "**AGM**") and the final dividend will be distributed on or about 23 June 2021 to the Shareholders whose names appear on the register of members of the Company on 4 June 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2021 to 28 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 May 2021.

The register of members of the Company will also be closed on 4 June 2021, in order to determine the entitlement of the Shareholders to receive the final dividend, during which no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 3 June 2021.

CORPORATE GOVERNANCE

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 enquiries of all 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 at an aggregate consideration (before expenses) of HK$9,522,940. Particulars of the Shares bought back are as follows:

Month/Year	No. of Shares Bought Back	Price paid per Share Highest *(HK$)*	Price paid per Share Lowest *(HK$)*	Aggregate Consideration *(HK$)*
April 2020	1,786,000	5.00	4.67	8,598,940
May 2020	210,000	4.40	4.40	924,000
Total	1,996,000			9,522,940

During the Reporting Period, all such Shares bought back by the Company 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.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results 2020 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (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 and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

AUDIT COMMITTEE

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

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

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crpharm.com), and the 2020 Annual Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and 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

Shenzhen, 26 March 2021

As of 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. Hou Bo and Mr. Qing Mei Ping Cuo 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.