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 2021

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 2021 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
REVENUE	*4*	**236,806,169**	200,423,023
Cost of sales		**(201,425,883)**	(168,129,162)
GROSS PROFIT		**35,380,286**	32,293,861
Other income	*5*	**1,517,148**	1,504,420
Other gains and losses	*6*	**(1,275,010)**	(1,511,033)
Selling and distribution expenses		**(17,530,700)**	(16,029,445)
Administrative expenses		**(6,236,259)**	(5,564,495)
Other expenses		**(1,745,278)**	(1,347,144)
Finance income	*7*	**729,329**	675,765
Finance costs	*7*	**(2,744,681)**	(3,153,273)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the year ended 31 December 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Finance costs, net		**(2,015,352)**	(2,477,508)
Share of profits of associates and joint ventures		**313,597**	206,852
PROFIT BEFORE TAX	*8*	**8,408,432**	7,075,508
Income tax expense	*9*	**(1,761,026)**	(1,751,867)
PROFIT FOR THE YEAR		**6,647,406**	5,323,641
Attributable to:			
Owners of the Company		**3,768,889**	3,297,126
Non-controlling interests		**2,878,517**	2,026,515
		6,647,406	5,323,641
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(HK$)*	*11*	**0.60**	0.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**6,647,406**	5,323,641
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**2,509,611**	5,310,801
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
(Loss)/Gain on the remeasurement of defined benefit plan	**(27,106)**	19,001
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**16,618**	58,749
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(10,488)**	77,750
OTHER COMPREHENSIVE INCOME, NET OF TAX	**2,499,123**	5,388,551
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,146,529**	10,712,192
Attributable to:		
Owners of the Company	**5,178,469**	6,474,145
Non-controlling interests	**3,968,060**	4,238,047
	9,146,529	10,712,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**19,676,743**	17,324,389
Right-of-use assets		**5,361,392**	5,317,849
Investment properties		**1,887,034**	1,935,910
Goodwill		**24,901,550**	21,072,192
Intangible assets		**9,000,511**	6,939,633
Interests in joint ventures		**12,741**	11,391
Interests in associates		**6,860,657**	5,720,721
Other non-current financial assets		**967,784**	602,344
Deferred tax assets		**1,309,559**	969,852
Other non-current assets		**1,974,730**	2,368,622
Total non-current assets		**71,952,701**	62,262,903
CURRENT ASSETS			
Inventories		**29,687,992**	24,584,761
Trade and other receivables	*12*	**77,612,680**	67,702,982
Other current financial assets		**40,251,630**	34,613,823
Amounts due from related parties		**3,576,481**	2,440,119
Tax recoverable		**153,061**	43,745
Pledged deposits		**7,814,631**	6,491,930
Cash and cash equivalents		**17,513,134**	11,231,497
Total current assets		**176,609,609**	147,108,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
CURRENT LIABILITIES			
Trade and other payables	*13*	**75,551,340**	66,396,004
Contract liabilities		**3,556,951**	2,477,763
Lease liabilities		**583,805**	709,958
Amounts due to related parties		**12,813,888**	12,011,513
Bank borrowings		**46,544,446**	35,457,220
Bonds payable		**1,306,364**	4,824,692
Tax payable		**894,385**	671,127
Defined benefit obligations		**71,397**	71,378
Total current liabilities		**141,322,576**	122,619,655
NET CURRENT ASSETS		**35,287,033**	24,489,202
TOTAL ASSETS LESS CURRENT LIABILITIES		**107,239,734**	86,752,105
NON-CURRENT LIABILITIES			
Bank borrowings		**4,123,504**	792,072
Bonds payable		**3,057,725**	1,215,729
Lease liabilities		**931,862**	1,155,708
Deferred tax liabilities		**1,965,334**	1,668,871
Defined benefit obligations		**1,088,433**	1,032,467
Other non-current liabilities		**1,088,610**	857,814
Total non-current liabilities		**12,255,468**	6,722,661
NET ASSETS		**94,984,266**	80,029,444
EQUITY			
Equity attributable to owners of the Company			
Share capital		**27,241,289**	27,241,289
Reserves		**23,740,198**	19,228,537
		50,981,487	46,469,826
Non-controlling interests		**44,002,779**	33,559,618
TOTAL EQUITY		**94,984,266**	80,029,444

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 2021 and 2020 included in this announcement of 2021 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 2020 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 2021 in due course.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") and United States dollars based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$17,457,000 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 2021. There was no impact on the opening balance of equity as at 1 January 2021.

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 2021	Manufacturing segment *HK$'000*	Distribution segment *HK$'000*	Retail segment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue					
External sales	**35,179,359**	**193,857,670**	**7,605,204**	**163,936**	**236,806,169**
Inter-segment sales	**3,435,090**	**5,267,728**	**–**	**–**	**8,702,818**
	38,614,449	**199,125,398**	**7,605,204**	**163,936**	**245,508,987**
Elimination:					
Elimination of inter-segment sales					**(8,702,818)**
Segment revenue					**236,806,169**
Segment results	**9,715,824**	**8,048,715**	**(52,289)**	**68,788**	**17,781,038**
Other income *(Note 5)*					**1,517,148**
Other gains and losses *(Note 6)*					**(1,275,010)**
Administrative expenses					**(6,236,259)**
Other expenses					**(1,745,278)**
Finance income *(Note 7)*					**729,329**
Finance costs (other than interest on lease liabilities)					**(2,676,133)**
Share of profits of associates and joint ventures					**313,597**
Profit before tax					**8,408,432**

Year ended 31 December 2020	Manufacturing segment *HK$'000*	Distribution segment *HK$'000*	Retail segment *HK$'000*	Others *HK$'000*	Total *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

4. REVENUE

An analysis of revenue is as follows:

	2021 *HK$'000*	2020 *HK$'000*
Revenue from contracts with customers		
Sale of pharmaceutical products	**236,609,142**	200,282,820
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**197,027**	140,203
	236,806,169	200,423,023

5. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Service fee income	**608,619**	631,805
Government grants	**564,986**	621,071
Covid-19-related rent concessions from lessors	**17,457**	18,087
Remeasurement of lease	**706**	14,517
Dividend income	**2,217**	4,412
Others	**323,163**	214,528
	1,517,148	1,504,420

6. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Gain on disposal/deregistration of subsidiaries/ joint ventures	**3,174**	38,556
Gain/(loss) on disposal of items of property, plant and equipment, net	**6,439**	(45,281)
Expenses relating to derecognition of trade and bills receivable measured at fair value through other comprehensive income	**(544,698)**	–
Impairment recognised on property, plant and equipment	**(139,288)**	(8,382)
Impairment recognised on intangible assets	**(663)**	(77,057)
Impairment recognised on interests in associates	**(23,025)**	–
Impairment recognised on trade receivables, net	**(455,813)**	(780,417)
Impairment recognised on other receivables, net	**(101,123)**	(70,011)
Impairment recognised on goodwill	**(123,752)**	(588,142)
Impairment recognised on right-of-use assets	**(20,653)**	(9,406)
Fair value changes on financial assets at fair value through profit or loss	**147,817**	96,745
Fair value changes on investment properties	**18,920**	4,559
Others	**(42,345)**	(72,197)
	(1,275,010)	(1,511,033)

7. FINANCE INCOME AND COSTS

	2021	2020
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings	**2,371,608**	2,628,356
Interest on bonds payable	**250,336**	318,563
Interest on borrowings from intermediate holding companies	**21,894**	97,354
Interest on lease liabilities	**68,548**	94,745
Interest on defined benefit obligations	**33,641**	18,686
Less: Interest capitalised in property, plant and equipment *(Note)*	**(1,346)**	(4,431)
Total finance costs	**2,744,681**	3,153,273
Finance income – Interest income	**(729,329)**	(675,765)
Net finance costs	**2,015,352**	2,477,508

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 4.79% (2020: 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):

	2021	2020
	HK$'000	*HK$'000*
Directors' remuneration	**13,426**	9,104
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**9,054,221**	7,859,104
Equity-settled share option expense	**1,434**	–
Defined benefit scheme expense	**14,788**	482,219
Retirement benefit scheme contribution	**939,613**	343,891
Total	**10,023,482**	8,694,318
Auditors' remuneration	**24,097**	17,741
Depreciation of property, plant and equipment	**1,750,160**	1,500,932
Depreciation of right-of-use assets	**719,131**	700,309
Amortisation of intangible assets	**352,599**	242,812
Allowance for slow-moving and obsolete inventories	**498,870**	304,272
Cost of inventories recognised as cost of sales	**199,777,372**	166,873,743
Research and development expenditure (included in other expenses)	**1,688,551**	1,317,964
Foreign exchange gain, net	**(118,994)**	(60,977)
Donations	**43,557**	38,835
Gross rental income from investment properties	**(197,027)**	(140,203)
Less: Direct operating expenses arising from rental-earning investment properties	**42,197**	45,568
	(154,830)	(94,635)

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 Enterprises" 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 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.

	2021	2020
	HK$'000	*HK$'000*
Current		
PRC Enterprise Income Tax ("**PRC EIT**")	**2,025,821**	1,757,150
Hong Kong profits tax	**13**	123
Underprovision in prior years		
PRC EIT	**113,926**	102,632
Hong Kong profits tax	**–**	–
	2,139,760	1,859,905
Deferred	**(378,734)**	(108,038)
Total tax charge for the year	**1,761,026**	1,751,867

10. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final 2020 – HK$0.12 per ordinary share (2020: Final 2019 – HK$0.11 per ordinary share)	**753,902**	691,076

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK$0.15 (2020: HK$0.12) per ordinary share, in an aggregate amount of HK$942 million (2020: HK$754 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 2021 in respect of CR Sanjiu, Dong-E-E-Jiao, CR Double-Crane, Jiangzhong Pharmaceutical and Boya Bio-pharmaceutical of RMB86.0 cents, RMB65.0 cents, RMB48.0 cents, RMB65.0 cents and RMB15.0 cents per ordinary share, in aggregate amounts of approximately RMB841,854,000 (equivalent to HK$1,029,663,000), RMB425,114,000 (equivalent to HK$519,953,000), RMB490,392,000 (equivalent to HK$599,794,000)*, RMB409,500,000 (equivalent to HK$500,855,000) and RMB75,637,000 (equivalent to HK$92,511,000), 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.

* Based on the number of 1,021,650,201 shares of CR Double-Crane as of 31 December, 2021, after 21,587,509 shares that have been repurchased by CR Double-Crane as of the announcement being subtracted from the total share capital of 1,043,237,710, the total cash dividend to be distributed is RMB490,392,000 (equivalent to HK$599,794,000). The aggregate amounts will accord with the number of shares registered on the equity registration date of the implementation of equity distribution.

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:

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**3,768,889**	3,297,126
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,282,510,461**	6,283,122,861

According to the calculation on the dilutive impact of the 2021 Restricted Stock Incentive Plan (Revised Draft) of Jiangzhong Pharmaceutical Co., Ltd.("**Jiangzhong Pharmaceutical**"),the diluted EPS is generally equal to the basic EPS.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Bills receivable	**1,135,832**	703,357
Contract assets	**30,029**	–
Trade receivables	**68,144,016**	59,617,016
Impairment allowance	**(2,137,238)**	(1,692,829)
	66,006,778	57,924,187
Prepayments	**4,300,688**	3,737,216
Other receivables	**6,494,840**	5,570,605
Impairment allowance	**(355,487)**	(232,383)
	6,139,353	5,338,222
	77,612,680	67,702,982

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$235,574,000 (2020: HK$220,302,000), HK$645,000 (2020: HK$407,000), HK$51,354,000 (2020: HK$41,330,000), HK$177,218,000 (2020: HK$154,584,000) and HK$57,120,000 (2020: HK$43,577,000), 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 2021 and 2020 is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**16,073,144**	13,467,276
31 to 60 days	**10,701,002**	10,049,417
61 to 90 days	**7,548,790**	6,775,877
91 to 180 days	**16,142,140**	14,855,296
181 to 365 days	**12,463,039**	10,115,177
Over 1 year	**3,078,663**	2,661,144
	66,006,778	57,924,187

An ageing analysis of the Group's bills receivable, based on the issue date, at 31 December 2021 and 2020 is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**121,807**	107,451
31 to 60 days	**127,233**	122,936
61 to 90 days	**102,396**	85,775
91 to 180 days	**784,396**	387,195
	1,135,832	703,357

As at 31 December 2021, the Group had pledged trade and bills receivables of nil (2020: HK$112,497,000) to secure certain bank borrowings, and pledged bills receivable of HK$492,740,000 (2020: HK$1,384,658,000) to secure the bills payable (Note 13).

13. TRADE AND OTHER PAYABLES

	Notes	2021 ***HK$'000***	2020 *HK$'000*
Trade payable	*(a)*	**37,641,202**	31,124,280
Bills payable	*(a)*	**14,631,645**	14,477,812
Accrued salaries		**2,881,432**	2,228,579
Interest payable		**113,939**	108,240
Other tax payables		**822,688**	766,243
Other payables		**18,825,417**	16,957,675
Refund liabilities		**48,100**	22,918
Payable for acquisitions of subsidiaries		**586,917**	710,257
		75,551,340	66,396,004

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 2021, the Group's bills payable of HK$10,746,527,000 (2020: HK$14,112,454,000) were secured by the Group's bills receivable, at fair value of HK$52,988,000 (2020: nil), the Group's bills receivable with an aggregate carrying amount of HK$492,740,000 (2020: HK$1,384,658,000) (Note 12) and pledged bank deposits of HK$4,356,098,000 (2020: HK$4,089,929,000).

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

	2021 ***HK$'000***	2020 *HK$'000*
0 to 30 days	**19,763,219**	17,005,465
31 to 60 days	**7,275,129**	5,911,357
61 to 90 days	**2,855,637**	2,438,860
Over 90 days	**7,747,217**	5,768,598
	37,641,202	31,124,280

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

	2021 ***HK$'000***	2020 *HK$'000*
0 to 30 days	**1,156,647**	1,922,614
31 to 60 days	**3,031,932**	3,039,488
61 to 90 days	**2,559,597**	2,889,382
Over 90 days	**7,883,469**	6,626,328
	14,631,645	14,477,812

14. BUSINESS COMBINATIONS

(a) Acquisition of Boya Bio-pharmaceutical Group Co., Ltd. ("Boya Bio-pharmaceutical")

In view of enriching brand and product protfolio, improving innovation and realising strategic objectives, in September 2020, China Resources Pharmaceutical Holdings Limited Company ("**CR Pharmaceutical Holdings**") entered into several agreements with Shenzhen Gaotejia Investment Group Co., Ltd. ("**Gaotejia**") and Boya Bio-pharmaceutical, pursuant to which Gaotejia shall transfer 69,331,978 non-restricted shares in Boya Bio-pharmaceutical to CR Pharmaceutical Holdings and entrust the voting rights of all its remaining shares to CR Pharmaceutical Holdings. In addition, CR Pharmaceutical Holdings proposed to subscribe for 86,664,972 shares to be issued by Boya Bio-pharmaceutical to CR Pharmaceutical Holdings. On 15 July 2021, the transfer of 69,331,978 non-restricted shares has been completed and the proposed entrustment of voting rights has taken effect. Besides, the proposed subscription of 86,664,972 shares in Boya Bio-pharmaceutical has been adjusted to 78,308,575 shares. According, CR Pharmaceutical Holdings held approximately 28.86% of the total share capital of Boya Bio-pharmaceutical. Upon the completion of the share transfer, voting rights entrustment and share subscription, CR Pharmaceutical Holdings held an aggregate 40.01% of voting rights of Boya Bio-pharmaceutical. The total consideration was RMB4,762,868,000 (equivalent to HK$5,805,174,000). The acquisition of Boya Bio-pharmaceutical was completed on 25 November 2021.

Goodwill recognised on this acquisition of Boya Bio-pharmaceutical amounted to HK$3,214,555,000.

(b) Acquisition of other subsidiaries and businesses

During the year ended 31 December 2021, the Group acquired the following companies or businesses which were engaged in the manufacture and sale of pharmaceutical products at an aggregate cash consideration of RMB675,388,000 (equivalent to HK$809,648,000). 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
Anhui Run Furong Pharmaceutical Co., Ltd. ("**Run Furong Pharmaceutical**")	11 January 2021	60%
Dongying Tiandong Pharmaceutical Co., Ltd. ("**Tiandong Pharmaceutical**")	12 January 2021	38.75%
Jincheng Haisi Pharmaceutical Co., Ltd. ("**Haisi Pharmaceutical**")	30 September 2021	51%
Tianjin Kangyuan Medical Laboratory Co., Ltd. ("**Tianjin Kangyuan**")	30 September 2021	51%
Shenyang Pharmaceutical Trading Building Co., Ltd. ("**Shenyang Pharmaceutical**")	30 September 2021	93.81%

Goodwill recognised from the above acquisitions amounted to HK$96,643,000.

15. DISPOSAL OF SUBSIDIARIES

Disposal of other subsidiaries and businesses

In March 2021, the Group disposed of a 51% equity interest of Xifeng Jiyuan Deer Products Processing Co., Ltd. to Chunji, Zhang at a cash consideration of RMB7,412,000 (equivalent to HK$8,809,000).

In April 2021, the Group disposed of a 100% equity interest of Dong-E-E-Jiao Gaotai Tianlong Technology Development Co., Ltd. to Hai, Guan at a cash consideration of RMB2,816,000 (equivalent to HK$3,355,000).

In August 2021, the Group disposed of a 100% equity interest of Wuxi Huirun Pharmaceutical Co., Ltd. to Wuxi Chengda Logistics Co., Ltd. at a cash consideration of RMB127,481,000 (equivalent to HK$153,462,000).

In November 2021, the Group disposed of a 60% equity interest of Beijing Jingyao Real Estate Development Co.,Ltd. to Beijing Jinchao Real Estate Development Co., Ltd. at a cash consideration of RMB24,836,000 (equivalent to HK$30,364,000).

In December 2021, the Group disposed of a 90% equity interest of Double-Crane Pharmaceutical (Foshan) Co., Ltd. to Guangdong Haolang Medical Technology Co., Ltd. at a cash consideration of RMB50,478,000 (equivalent to HK$61,820,000). At the same time, the Group entered into an agreement with Guangdong Haolang, which stipulated that the Group shall undertake 90% of the settlement allowance for employees of RMB10,993,000 (equivalent to HK$13,463,000). The net cash consideration is RMB39,485,000 (equivalent to HK$48,357,000).

The above disposals resulted in a gain on disposal of subsidiaries of HK$3,068,000.

INDUSTRY OVERVIEW

China's economy continued to report restorative growth, and a good start has been achieved for the 14th Five-Year Plan. According to data released by the National Bureau of Statistics, the GDP for 2021 grew by 8.1% year-on-year, with a two-year average growth of 5.1%, and the per capita consumption expenditure on healthcare increased by 14.8% year-on-year, 1.2% percentage points higher compared to national per capita consumption expenditure.

The pharmaceutical industry was also in the process of recovery, with growth rate slowing down amidst stability. According to data released by the National Bureau of Statistics, in 2021, the pharmaceutical manufacturing sector reported a 20.1% year-on-year growth in revenue and a year-on-year growth of 77.9% in total profit driven by anti-pandemic supplies, especially vaccines, and against a relative low basis for 2020. According to IQVIA forecast, China's pharmaceutical terminal consumer market witnessed a growth of approximately 7.0% in 2021.

Centralised procurement at national, provincial and syndicate levels have been comprehensively rolled out. With six rounds of centralised procurement completed, national centralised procurement has become normalised and institutionalised, and governing rules are fundamentally in place. With top-tier design and resolute implementation of centralised procurement at the national level, provincial centralised procurement and syndicate centralised procurement have also been accelerated. The wide range of centralised procurement policies have posed an enormous challenge for businesses.

Driven by the pandemic, rapid iteration of technology, new drug research and development (R&D), merger and acquisition financing and project trading remained active. According to announcement made by the National Medical Products Administration (the "**NMPA**"), the approvals of 48 domestically manufactured new drugs, including 12 traditional Chinese medicines, were recorded during 2021 in China, the highest record over the past five years. According to incomplete statistics, there were more than 150 mergers and acquisitions (M&A) in domestic pharmaceutical and healthcare sector, involving an amount of RMB47.9 billion. A total of 38 pharmaceutical companies have successfully landed on the A-share Science and Technology Innovation Board in 2021, far exceeding the 28 pharmaceutical companies in 2020. There were more than 120 licensing and importing transactions in the domestic pharmaceutical industry, exceeding 108 transactions in the previous year. In addition, there were more than 50 out-licensing deals with overseas companies, showing the rapid enhancement of innovation capabilities in China. Leveraging on capital resources, application of innovation with flexible operation model has become one of the hallmarks of the pharmaceutical industry.

At both central and local government levels, a number of policies for the encouragement of Traditional Chinese Medicines (TCM) development have been announced, providing for more vigorous TCM quality control and support for innovation R&D on products, such as time-honored classical formula preparations and pediatric TCM over-the-counter (OTC) drugs. Such policies have encouraged the development of TCM preparations at medical institutions and provided favourable policy factors for the development of TCM pharmaceutical enterprises.

With the support of policies relating to digitalised healthcare services, digitalised tools have been used in the major application scenarios during the entire diagnosis and treatment process. Digitalisation has become a common feature of the post-pandemic era, and a major driver for the transition of pharmaceutical enterprises. An increasing number of pharmaceutical enterprises are developing patient-centric innovative solutions through the dynamic integration of online and offline marketing.

In future, given the sustained presence of COVID-19 pandemic, aggravated aging population and improving living standards, driven by policy, capital, talent and technology, the pharmaceutical industry will continue to encounter enormous challenges as well as opportunities. The sustained growth in demand for medicines and health on the part of the general public will hold out broad market prospects for pharmaceutical enterprises, while comprehensive centralised procurement, drug approval policies guided by clinical requirements and intense competition in sub-segments will set extremely high requirements for pharmaceutical enterprises, with differentiation and high qualitative innovation emerging as crucial factors to excel in competition. The mass exit of non-competitive enterprises is anticipated, which will further drive the integration and concentration of the industry.

GROUP RESULTS

In 2021, seizing opportunities presented by the development and reform of China's pharmaceutical and healthcare industry and fueled by R&D, innovation and M&A and with the aid of digitalisation, the Group achieved qualitative sustainable development as it increased investment in R&D, accelerated the deployment in emerging fields, continuously optimized resource allocation and synergy integration, promoted industrial upgrading, and made comprehensive optimisation of development quality, business structure, field and regional deployment in ongoing enhancement of its core competitiveness. During the Reporting Period, the Group recorded total revenue of HK$236,806.2 million, representing an increase of 18.2% compared to HK$200,423.0 million for 2020 which reflected mainly recouping growth in business results following the easing of the pandemic situation. In 2021, the revenue of the Group's three major business segments, namely pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail businesses, accounted for 14.9%, 81.9% and 3.2% of the Group's total revenue, respectively.

During the Reporting Period, the Group recorded gross profit of HK$35,380.3 million, representing a 9.6% increase from HK$32,293.9 million for 2020. The overall gross profit margin was 14.9%, representing a decrease of 1.2 percentage points compared to 16.1% for 2020. This was primarily due to a decline in the average gross profit margin of the distribution business during the Reporting Period.

In 2021, the Group recorded a net profit of HK$6,647.4 million, representing a 24.9% increase from HK$5,323.6 million for 2020. Excluding the effect of anti-pandemic supplies exports during 2020, the Group's net profit during the Reporting Period would have grown by 54.7% year-on-year.

In 2021, the Group recorded a profit attributable to owners of the Company of HK$3,768.9 million, representing an increase of 14.3% when compared with that of HK$3,297.1 million for 2020. Basic earnings per share were HK$0.60 for 2021 (2020: HK$0.52). The Board recommended the payment of a final dividend of HK$0.15 per share for the year ended 31 December 2021.

1. Pharmaceutical Manufacturing Business

For the pharmaceutical manufacturing business, the Group actively integrated high-quality resources in the industry, accelerated the deployment in business sectors where it has not yet to establish its presence, strengthened R&D innovation and international cooperation, and continuously diversified and optimized its product portfolio. In addition, the Group promoted the transformation and upgrading of industrial manufacturing, empowered business development with digitalisation, and actively expanded terminals, to further consolidate and enhance brand influence and its market position in core theraupeutic business areas.

During the Reporting Period, the Group's pharmaceutical manufacturing business generated segment revenue was HK$38,614.4 million, representing an increase of 19.9% compared with that for 2020. It was mainly because the consumer healthcare (CHC) segment (mainly including OTC drugs and healthcare products), the prescription drug segment and the biopharmaceutical segment achieved significant increase in revenue, driven by the impact of alleviated pandemic and external M&A.

The Group owns comprehensive portfolio of pharmaceutical products with the wide coverage of therapeutic areas, including chemical drugs (prescription and OTC drugs), biopharmaceutical drugs, 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, endocrine diseases, respiratory diseases, orthopedics, medical nutrition, gastroenterology, pediatrics, genitourinary system, cough and cold, anti-infection, etc. In 2021, the

Group manufactured 615 products, of which 335 were included in the National Reimbursement Drug List and 145 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 over 100,000 medical institutions.

During the Reporting Period, the gross profit margin of the Group's pharmaceutical manufacturing business was 57.6%, representing a decrease of 2.9 percentage points as compared to the gross profit margin of last year, which was mainly due to the decline in gross profit margin for the Group's prescription drug business under the combined effect of centralised procurement and changes in product mix.

In terms of product categories, the revenue from sales of prescription drugs was HK$19,364.9 million during the Reporting Period, representing a year-on-year increase of 11.9% as compared to the same period last year, mainly due to recouping growth in revenue from medical end-sales following the easing of the pandemic, with notable growth in revenue from the anti-tumor and glucose-lowering businesses in particular. The Group's CHC business recorded revenue of HK$16,733.3 million, an increase of 31.5% compared to the same period last year. Significant year-on-year increase in revenue from the Dong-E-E-Jiao product line, pediatrics, cold and dermatology businesses were reported. Revenue from biopharmaceutical drugs amounted to HK$438.7 million, an increase of 176.7% compared to the same period last year, mainly due to the completion of the acquisition of Boya Bio-pharmaceutical Group Co., Ltd. (currently known as China Resources Boya Bio-pharmaceutical Group Company Limited) ("**Boya Bio-pharmaceutical**") and Jincheng Haisi Parmaceutical Co., Ltd ("**Haisi Pharmaceutical**") and by the Group in 2021. For 2021, the percentage of pharmaceutical sales revenue contributed by chemical drugs, TCM, biopharmaceutical drugs, and other products were 41.6%, 49.4%, 1.1% and 7.9%, respectively.

Actively carried out external M&A to expanded new businesses and tapped into untapped areas

The Group has strong M&A capabilities and rich experience, and leverages advanced management concepts and operational capabilities to integrate the resources of acquired entities. During the Reporting Period, the Group enhanced its core competitiveness as it accelerated extension development, actively deploying in business sectors where it has yet to establish its presence to deploy high-growth sectors, to nurture new opportunities in the industry, and continuously optimized the business structure and product mix.

In February 2021, China Resources Double-Crane Pharmaceutical Co., Ltd. ("**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) by way of capital injection. 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.

In July 2021, the transfer of 69,331,978 non-restricted tradable shares of Boya Bio-pharmaceutical to China Resources Pharmaceutical Holdings Company Limited ("**CR Pharmaceutical Holdings**") was completed and the entrustment of voting rights to CR Pharmaceutical Holdings has taken effect. In November 2021, CR Pharmaceutical Holdings completed the acquisition of 78,308,575 shares issued to it by Boya Bio-pharmaucetical. After the completion of the transaction, the Group held 147,640,553 shares in aggregate, accounting for approximately 28.86% of the total share capital of Boya Bio-pharmaucetical, and held 40.01% of its voting rights. The Group has become the controlling shareholder of Boya Bio-pharmaucetical. This successful acquisition is an important move of the Group's march toward the field of plasma products, reflecting the Group's recognition of the value of Boya Biology's plasma products platform and optimism about the market prospects of plasma products. Blood products represent a fast-growing sector. On the supply side, they are resource-based products, while on the demand side, they are characterised by assigned demand. This means that the competitive scenario is stable. As such, it is a segment with advantageous potential that would help the Group to maintain its leading position in the industry. Meanwhile, its high entry barrier and proven extensive applications have forged a lasting and strong bulwark for this segment. Given the current competitive landscape characterised by stock competition, stringent criteria for the approval of setting up new plasma collection stations and near saturation of the supply of plasma collection stations in certain provinces, plasma collection station resources have become the core competitive strength in the plasma product industry. On the back of its strong ability in resource integration, the Group was hopeful to further enhance the competitive strength of Boya Bio-pharmaucetical for establishing more plasma stations, and will make business relating to plasma products an important engine for future performance growth, in order to create greater commercial value and social value. At present, the Group is actively promoting the post-investment management and quickly launching management integration in aspects including the appointment and removal of the management team, the introduction of CR management system, and corporate governance, so as to achieve a smooth transition. In December 2021, Boya Bio-pharmaucetical received a "**Letter of Approval for Setting up a Plasma Station**" issued by the Health Commission of Shanxi Province, approving it to set up a blood station in Yangcheng County.

In July 2021, the Group announced the acquisition of 51,458,400 shares in aggregate of Immunotech Biopharm Ltd ("**Immunotech**") representing 10% of its issued share capital. Upon completion of the transaction, China Resources Pharmaceutical became one of the substantial shareholders of Immunotech. Cellular immunotherapy is an important development direction for tumor therapy in the future with broad market prospects. Through the investment in Immunotech, the Group has completed its strategic layout in the field of cellular immunotherapy. Through the acquisition, the Group will cooperate with Immunotech in depth. The two parties signed a strategic cooperation framework agreement to jointly develop the Chinese cellular immunotherapy market through sales agency cooperation and product distribution cooperation, jointly promote the establishment of industry standards, and deepen the business synergy between the two parties.

In September 2021, Jiangzhong Pharmaceutical Co., Ltd. ("**Jiangzhong Pharmaceutical**") announced that it had acquired 51% equity interests of Haisi Pharmaceutical through public delisting and capital injection. Haisi Pharmaceutical is mainly engaged in the research and development of chemical drugs, with core products including BIFIDO Bifid Triple Viable Capsules Dissolving at Intestines, Rabeprazole Sodium Enteric-coated Tablets, etc. BIFIDO is a product in the National Essential Drug Lists and the National Reimbursement Drug List, which mainly treats symptoms such as acute and chronic diarrhea and constipation caused by enteric dysbacteriosis. Jiangzhong Pharmaceutical has been committed to the gastrointestinal health of Chinese people for many years, focusing on the field of gastrointestinal daily medicines. Upon completion of this acquisition, Jiangzhong Pharmaceutical will give full play to its advantageous resources in the fields of OTC, intelligent manufacturing, R&D innovation, etc., to help Haisi Pharmaceutical expand OTC channel resources and achieve coordinated development.

As one of the diversified investment methods of the Group, CR Pharmaceutical Industry Fund has achieved business synergy with the Group in R&D, pharmaceutical manufacturing, sales and distribution, etc., as it focused on business of consolidation and strengthening, incubated new industry opportunities, and established its presence in aspects such as innovative drugs, cell therapy, IVD, vaccines, etc., around the strategic development direction of the Group.

Accelerated new product launch and product upgrades, and consolidated the leading position in the consumer healthcare business market

During the Reporting Period, the Group adhered to the innovative development strategy, accelerated the launch of new products and product upgrades through independent R&D and external cooperation, and continuously enriched and optimized its product lines. In addition, it has developed steadily in the field of consumer healthcare (CHC), continuously consolidated its leading edge in core

categories, and continuously enhanced the efficiency and influence of its brand communication, which further consolidated its leading position and competitive advantage in the industry.

During the Reporting Period, CR Double-Crane received the Drug Registration Certificate issued by NMPA for products including Medium and Long Chain Fat Emulsion Injection (C8~24), Linezolid Tablets (for the treatment of pneumonia, skin and soft tissue infections, etc.), Amlodipine Besylate and Atorvastatin Calcium Tablets (for the treatment of hypertension, hypercholesterolemia and coronary heart disease), Sildenafil Citrate Tablets (for the treatment of erectile dysfunction), etc. The obtaining of Drug Registration Certificates for the said series of drug products would further enrich the Group's chemical product mix and enhance the market competitiveness of its products.

In June 2021, Shenzhen CR Jiuchuang Pharmaceutical Co., Ltd., a subsidiary of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (the "**CR Sanjiu**"), received the Drug Registration Certificate issued by NMPA for Mitoxantrone Hydrochloride Injection for tracking a Class II new drug which was listed as a major project for manufacturing technologies of major new drugs under the national "13th Five-Year-Plan" and the first officially approved product in China for tracking draining lymph node in thyroid operations, clinically proven for safety and sound lymph tracking effort. During the Reporting Period, in response to consumers' health management needs, CR Sanjiu launched the 999 Pudilan anti-inflammatory tablets (999蒲地藍消炎片), 999 Piyanping selenium sulfide lotion (999 皮炎平二硫化硒洗劑) and 999 Xiongqi tadalafil tablets (999雄起他達拉非片). The launch of this series of products has facilitated the optimisation of the Group's business deployment and ongoing diversification of its product lines. Catering to different consumer groups, CR Sanjiu has explored a diversified brand matrix, explored and constructed a number of new brands, and carried out brand publicity for target customers.

In March 2021, CR Sanjiu and Ryukakusan, a leading Japanese brand for oropharynx drugs, officially entered into a strategic cooperation agreement. Pursuant to the agreement, CR Sanjiu will be responsible for the marketing as well as online and offline sales of Ryukakusan's lozenge granule products in China. Given the rapid development of new retail models and the trend of consumption upgrade, CR Sanjiu and Ryukakusan will seize opportunities in the industry and join forces to develop the throat health market of China and defend the throat health of Chinese consumers. The collaborative products have been officially launched in the China market.

In the great health sector, China Resources Jiangzhong Pharmaceutical Group Co., Ltd. ("**CR Jiangzhong Group**") has been building a moat for the gastrointestinal category, and extending into the matrix of throat, cough, asthma and tonic categories with the advantages of traditional Chinese medicine. CR Jiangzhong

introduced comprehensive revamping to Jiangzhong Caoshanhu Tablet, its signature product that had been in the market for 35 years, and comprehensive brand and terminal revamping to tonic multivitamin and minerals tablets, through brand new packaging, more precise positioning and more effective marketing. During the Reporting Period, CR Jiangzhong announced the new brand strategy of "Food As Medicines", aiming to create a Great Health business with "TCM+" features with ultra-innovative concepts while launching a number of new products, such as Yitong Bazhen Paste (益童八珍糕), an upgraded and optimised version of a classical formula dated back to the Qianlong era, as well as nutritious and beauty nourishing products such as Lemon Mint Yeast.

Dong-E-E-Jiao Company Limited ("**Dong-E-EJiao**") persisted in a consumer-centric approach and created a customer-linked market operation mechanism, in a bid to cement its leading market position for core products, as it consistently capitalised on its brand productivity, and incubated and expanded new products based on market and customer needs. With the accelerated pace of life, convenient and fashionable Chinese tonics are gradually gaining popularity. During the Reporting Period, Dong-E-E-Jiao reported overall improvements in E-Jiao powder products driven by the launch of Huajianling (花簡齡), a convenient nutritious snack brand manufactured with the "innovative instant soluble glow technology". Other newly launched products included E-Jiao Red Date Juice Gomme, a hematinic and beauty-nourishing product with 100mg marine collagen peptide enhancement per unit", "E-Jiao Red Date Pudding", a vitality enhancing snack with Changbaishan red ginseng, Peach Jinxuan Oolong Flavored Tea, a kind of fruity health-enlancing herbal tea with scientific ratio of fruit and oolong tea, and Bird's Nest Peptide Berry Tea with added small molecule bird's nest peptide, that offer vitality nourishment, taste and beauty nourishment in one product to meet the needs of the young consumer group.

During the Reporting Period, China Resources Zizhu Pharmaceutical Co., Ltd. ("**CR Zizhu**") also launched a number of new products: Moxifloxacin HCl Opthalmic Solution, of which CR Zizhu is the first approved imitator in China; Lidocaine Hydrochloride Gel (local anesthetic), CR Zizhu's exclusive dosage product, which has been re-launched with approval based on technological innovation and transformed research in response to market demand, after being discontinued for nine years; the Dienogest Tablets developed by CR Zizhu, the world's first progestin developed specifically for the treatment of endometriosis, which has obtained the drug registration approval issued by the National Medical Products Administration.

As an industry leader in China's CHC market, the Group has eight categories including cold, gastrointestinal, dermatology, pediatrics, and orthopedics, etc., and its brands and products are well recognized by the market. In the top 20 list of sales of over-the-counter drugs and health products in China in 2021, five products of the Group were included: Dong-E donkey hide gelatin block, zinc

calcium, 999 Ganmaoling granule, Jiangzhong Jianwei Xiaoshi tablet, and Dong-E donkey hide gelatin compound donkey hide gelatin slurry, of which Dong-E donkey hide gelatin block ranked the first. In October 2021, at the Healthy China 2021 – The First China OTC Conference and TCM Promotion Conference, the establishment of the China OTC Brand Cluster was announced, and CR Sanjiu, CR Jiangzhong and Dong-E-E-Jiao under the Group were among the first batch of 18 finalists. The Comprehensive Ranking 2021 of Chinese OTC Drug Manufacturers and Products was also released at the OTC Conference, and CR Sanjiu once again topped the list. Many star products in the therapeutic areas of the Group's pharmaceutical segment have been selected into the "Gold List 2021 of China OTC Drugs". CR Sanjiu's 999 Ganmaoling Granules/Capsules have won the first place in the category of cold and cough (Chinese patent medicine) for ten consecutive years. CR Jiangzhong's Jiangzhong Jianwei Xiaoshi Tablets, with strong strength, ranked first in the Chinese patent medicine – digestive category for the 18th consecutive year. CR Zizhu's Jinyuting/Yuting Levonorgestrel Tablets won the second place in the lifestyle category (chemical drugs).

Digitalisation boosted business development, and sustainable development capabilities were recognized

Focused on business development needs, the Group accelerated digitalisation construction, drove business innovation with technology, and implemented new technologies such as big data, artificial intelligence and industrial Internet to boost key areas such as intelligent manufacturing, digitalisation empowerment, and online sales, etc. In addition, the Group continuously implemented the concept of green and sustainable development, actively fulfilled its social responsibilities, and strives to achieve a balance among social, environmental and economic benefits.

Taking into account its own business characteristics and brand advantages, the pharmaceutical manufacturing segment of the Group actively explored new Internet marketing models such as B2B, B2C and O2O, innovative brand communication methods, and expanded new retail business in line with market trends. Remarkable results from online sales were achieved. During the Reporting Period, the online sales revenue of various brands increased by 17% year-on-year. CR Sanjiu has completed the deployment of its diversified product channels in mainstream e-commerce companies such as JD.com, Ali, and Pinduoduo, and has simultaneously done the same on emerging e-commerce platforms such as Meituan, Douyin, and Kuaishou, etc. During the Reporting Period, its operation on mainstream e-commerce platforms shifted from agency operation to independent operation, and its digitalisation operation capabilities were enhanced. Dong-E-E-Jiao had built a digitalisation marketing platform for comprehensive development, mastering the core traffic entrances of major e-commerce platforms, and achieved digitalised and precise consumer insights through integration, analysis and application of consumer big data. During the

Reporting Period, Dong-E-E-Jiao launched live broadcast marketing on Kuaishou, Douyin, Xiaohongshu and other platforms. CR Jiangzhong opened flagship stores on Kuaishou and Douyin platforms, and continued to cooperate with Ali Health and JD.com for traffic co-construction. During the "Double Eleven" period, the products of CR Jiangzhong were included in the Ali Health Gastrointestinal Drug Top List and JD.com's Digestive System Drug Brand Top List. CR Zizhu integrated online and offline resources of O2O platforms, with annual sales of its Yuting and Jinyuting products on Meituan and Ele.me platforms increasing by 115% year-on-year, and strengthened publicity and sales on major B2C platforms, with the sales of its ovulation product lines increasing by 77% year-on-year. In addition, CR Zizhu also actively built a private domain platform with the theme of female reproductive health.

The Group has expedited its upgrading of intelligent manufacturing, and made constant enhancement of its automation, quality and efficiency. CR Sanjiu and Dong-E-E-Jiao were both selected as the "Intelligent Manufacturing Pilot Demonstration Factory" by the Ministry of Industry and Information Technology ("**MIIT**") in 2021, establishing themselves as benchmark projects for the intelligent manufacturing of pharmaceutical industry. During the Reporting Period, Phase I of CR Sanjiu Energy Project Management System (PMS) was launched. CR Sanjiu's TCM Formula Granules Intelligent Manufacturing Application Project, Chinese Patent Medicine Preparation Digitalised Workshop Application Project, TCM Injection Industry Chain Digitalised Manufacturing Technology Construction Project were accepted by the MIIT, and its technical applicability research and whole-process quality control system construction project were accepted by the Ministry of Science and Technology. CR Double-Crane accelerated the process of promoting business online, conducted planning and implementation of a number of business systems such as Quality Management System (QMS) and Manufacturing Execution System (MES), and successfully realized the linkage upgrade of production, sales and logistics. In addition, it has successfully piloted the construction of Double-Crane automated workshop for APIs in Shangqiu by applying industrial Internet technology, and enhanced its production capacity through big data algorithm analysis combined with optimized management. CR Jiangzhong has completed the implementation of equipment management system, developed a quantitative assessment APP with business characteristics, and realized the visualization and standardization of equipment and spare parts management. Dong-E-E-Jiao actively promoted the upgrading of equipment and technologies, and realized the digitalised quality inspection upgrading of Taohuaji production line and Ejiao production line through application of the AI technology, increasing the labor efficiency by more than 30%.

In December 2021, the MIIT released the list of 2021 green manufacturing enterprises, on which, CR Zizhu Beijing Pharmaceutical Factory was enlisted as a national-level green factory, CR Double-Crane Beijing Industrial Park and Anhui CR Jinchan Pharmaceutical Co., Ltd., a subsidiary of CR Sanjiu Holdings were both enlisted as green supply chain management enterprises, and several subsidiaries of the Group were enlisted as green manufacturing enterprises, proving that the overall sustainable development concept of the Group has been recognized by the state. In the same month, Sina Finance ESG Rating Center and CCTV-1 "The Growing of the Great Brand" jointly released the first list of "Top 500 Chinese ESG Enterprises", on which the Group ranked No. 53, and its subsidiaries CR Sanjiu and Dong-E-E-Jiao were both enlisted, demonstrating that the Group's sustainable development competitiveness had been recognized by authoritative organizations. In addition, based on the outstanding performance in the field of toxic emissions and waste control, the management level improvement and continuous effective supervision in the field of product safety and quality, the expansion of emerging markets in the field of healthcare by multiple measures, and the proactive updating of data highlights and substantial progress through Sustainability Report and MSCI-ICP (Issuer Communications Portal) database, the Group's sustainable development level was comprehensively improved during the Reporting Period, thereby upgrading the Group's MSCI-ESG rating from BB to BBB for the first time, showing the capital market's affirmation and confidence in the Group's sustainable development performance.

2. 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$2,070.6 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, 4 State-certified enterprise technology centers and 20 research centers certified by provincial and municipal authorities, as well as post-doctoral research workstations with a R&D team comprising over 1,280 staff members.

The Group conducted continuous refinement of its R&D mechanism, established a market-oriented talent introduction mechanism and the mechanism for training of talents at different levels, and strengthened the introduction of leading talents. In 2021, Dr. Yang Jianguo and Dr. Wu Tao joined China Resources Biopharmaceutical Co., Ltd. ("**CR Biopharm**"), a subsidiary of the Group. Dr. Yang Jianguo, previously a research scientist at the School of Pharmacy, University of Illinois, a biochemist at Abbott, a senior scientist at AstraZeneca

and the chief scientist at Sanofi, who joined CR Biopharm as the chief strategic development officer, will help the Group to strengthen its R&D capabilities and promote external cooperation. More than 20 years of working for well-known companies such as Microchip, Kelun, Johnson & Johnson, and GlaxoSmithKline has accumulated Dr. Wu Tao rich drug R&D experience, abundant industry resources, profound project management experience and outstanding R&D and planning capabilities. He is familiar with the R&D management models and team operation methods in multiple product fields, and regarded as a leader in the R&D of macromolecular antibody drugs with strategic thinking and practical results, so his entry into CR Biopharm as the chief scientific officer will help the Group to strengthen its R&D capabilities. In addition, the Group established and improved its mechanism for introduction of external experts, and actively introduced experts and leading talents in the industry. During the Reporting Period, the Group hired external experts in the fields of oncology, immunity, ophthalmology, and gynecology, etc., and issued the External Expert Certificate of CR Pharmaceutical Technology Innovation. In the future, the Group will consistently introduce leading talents in the industry, strengthen the team of external experts, and continuously promote the innovation, transformation and sustainable development of the Group.

As of 31 December 2021, the Group had more than 200 ongoing research new product projects, including more than 70 new drug projects, mainly involving tumor and immunity, metabolism and endocrine, respiratory system, blood, angiocarpy, TCM classic prescription and other fields. During the Reporting Period, the Group obtained 120 patent authorizations and applied for 89 new patents; clinical trials were approved for intravenous immunoglobulin (10%) and NIP 142, a Class 1 new drug for non-small cell lung cancer, among which the approval of NIP 142 clinical trial established an important milestone for the R&D and construction of the Group's tumor pipeline; application for production registration were submitted to NMPA for 23 products including Tenofovir Alafenamide Fumarate Tablets, Ibuprofen Suspension, Urapidil Hydrochloride Injection, and Apremilast Tablets, etc. In addition, production approvals were obtained from NMPA for 10 products, including Tracing Injection of Mitoxantrone Hydrochloride, Medium and Long Chain Fat Emulsion Injection, Linezolid Tablets, Moxifloxacin Hydrochloride Eye Drops, Dienogest Tablets, Amlodipine Besylate and Atorvastatin Calcium Tablets, and Sildenafil Citrate Tablets, etc., in a further diversification of the product portfolio of the Group's pharmaceutical manufacturing business. Levetiracetam Tablets (0.25g) have been approved for supplemental application of drug. This approval is a further supplement to the specifications of Levetiracetam Tablets, which is conducive to improving the bid-winning probability and increasing market share of Levetiracetam products.

During the Reporting Period, the Group made significant progress in the research and development of a number of Class I small molecule chemical drugs and innovative drugs. NIP142, which is used to treat non-small cell lung cancer, has been approved for clinical trial, and has started Phase I clinical trial. It is currently in the forefront of research and development progress of similar targets in China, and has the potential to be "best in class". NIP292, which treats idiopathic pulmonary fibrosis, is the second oral ROCK inhibitor to enter clinical research in the world. The Group has global intellectual property rights and has been certified as an orphan drug by FDA of the United States. This project has been selected as "National Major Scientific and Technological Project" and "Beijing Key Innovation and Research and Development Project of Medical Health". During the Reporting Period, Phase I clinical single-dose climbing test has been completed, and the test results indicate optimal. NIP046 is designed for a variety of innate immunity diseases, ranking the top in research and development progress of similar targets in China. During the Reporting Period, Phase I single-dose climbing test was nearly completed, indicating good safety and tolerance. In March 2002, NIP003, a new generation of anticoagulant, received a notice of approval for clinical trial of drugs issued by NMPA, giving approval to the clinical trial for the prevention of arteriovenous thrombosis.NIP003 is a novel FXIa inhibitor with global intellectual property rights. At present, there is no drug for the same target points available at home and abroad. NIP001, a Class I new drug in blood field, has been approved for clinical trials.

During the Reporting Period, the Group accelerated the establishment of its presence in original biological drugs, modified innovative drugs and biosimilar drugs to balance the medium and long-term R&D risks and values of the ongoing research projects. At present, the biopharmaceutical business has three listed products (Baijieyi, Ruitongli and Jialinhao), all of which have been included in the National Reimbursement Drug List. As at the end of the Reporting Period, the Group had 14 biological drug projects under development, 11 of which were new biological drugs, focusing on anti-tumor, immunity , endocrine and other therapeutic fields. The research on the new indications of Ruitongli for treating acute stroke has entered the Phase III clinical trial stage, and the clinical research on the new indications for treating acute pulmonary embolism has been confirmed as a confirmatory clinical trial through communication with NMPA. During the Reporting Period, Phase I clinical trial of Class I biological new drugs in blood field has been completed, and Phase II clinical trials have been officially launched.

The Group attaches great importance to promoting the consistency evaluation of the quality and efficacy of generic drugs. As at the end of the Reporting Period, 64 projects had been earmarked for consistency evaluation, while more than 30 projects had undergone bioequivalence clinical trials, among which application for Mannitol and Sodium Chloride Injection, Allopurinol Tablets, Folic Acid Tablets, Levonorgestrel Tablets/Levonorgestrel and other varieties

had been completed. During the Reporting Period, eight products including Extended Release Nifedipine Tablets (II), Lrbesartan Dispersible Tablets, Sodium Valproate Tablets, Fluconazole and Sodium Chloride Injection and Enalapril Maleate Tablets, passed the consistency evaluation, as the Group became the first domestic manufacturer to have passed the evaluation for Lrbesartan Dispersible Tablets and Zopicloue Tablets.

In March 2021, the "Medical Effective Substances of Ilex Medicinal Plants and Kudingcha and Their Effects in Ganmaoling" jointly declared by CR Sanjiu, a subsidiary of the Group, and Peking University, Shenzhen University, Beijing University of Chinese Medicine, etc., won the first prize of Science and Technology Progress Award issued by the Ministry of Education.

During the Reporting Period, in addition to the improvement of the existing R&D technology platform, an early-stage R&D platform for new small molecule drugs and antibody drugs has been completed. The small molecule innovative drug R&D platform had covered all key technologies for the preclinical and early clinical development stages of small molecule new drugs and formed fully proprietary R&D capabilities, and a R&D technology platform for peptide drugs and biochemical drugs has been obtained through merger and acquisition. In December 2021, CR Pharmaceutical Shenzhen R&D Center was officially put into operation. The Center has two R&D platforms for bio-innovative drugs and chemical innovative drugs. The bio-innovative drug R&D platform is mainly dedicated to the new drug design and molecular construction of AI technology empowering monoclonal antibodies, double antibodies, nanobodies and polypeptide drugs, and the development of CMC varieties of yeast expression system, as well as the establishment of differentiated competitive advantages of products. The chemical innovative drug R&D platform focuses on new targets in major diseases such as tumor and autoimmunity, integrates target discovery, AIDD/CADD, compound synthesis, drug screening and optimization, etc., and strives to become a domestic first-class R&D platform for small molecule innovative drugs. In January 2022, China Pharmaceutical R&D Center Co., Ltd., a subsidiary of the Group, successfully received the national high-tech enterprise certification.

During the Reporting Period, the Group continued to diversify and optimise its innovative R&D pipeline through full use of external resources, exploration of innovative R&D models, proactive response to national strategies, active exploration of cooperation with national innovation highlands and top biotechnology companies, research of cutting-edge technologies, development of original products, and authorized introductions and industry-academia-research alliances, in an active effort to enhance external innovation and cooperation.

In July 2021, CR Double-Crane and Ningbo University established Joint Innovation Institute and Academician Zhao Yufen Work Station, which is principally engaged in the coordinated R&D on innovative polypeptide drugs with a special focus on peptide drug conjugate, peptide drug for respiratory distress treatment, polypeptide separation and purification and its higher order structure characterisation. The research was based on the screening of lead compound, whereby target compounds with development value were identified, followed by foundation research focused on drug developability, manufacturing and preparation technology and commercialisation.

In September 2021, a joint laboratory for innovative crystal drug research was jointly established in Beijing by CR Double-Crane and the Institute of Materia Medica, Chinese Academy of Medical Sciences. Through the operation of the joint laboratory, the close cooperation and complementary advantages formed between the enterprise and the scientific research institute will further strengthen the Group's capabilities in crystal form R&D of innovative drugs.

The Group participated in the construction of the National Center for Cardiovascular Diseases with innovative medical projects and technologies as the carrier. While acquiring projects and technologies, the Group conducted planning and development together with a group of top experts. In November 2021, the Group signed a strategic cooperation agreement with Fuwai Hospital, Chinese Academy of Medical Sciences. The Group will focus on cardiovascular disease prevention, R&D of molecular targets and typical drugs, original (implantable) devices and equipment, key technologies for clinical consultation and treatment, as well as strategic cooperation on critical technical issues such as the construction of an intelligent information platform that are related to the overall, advanced, and applicable clinical needs in the field of public health, and jointly promote the construction of national medical center, in order to open up new channels for the Group to obtain innovative products.

During the Reporting Period, the Group signed the strategic cooperation agreement with China Resources Research Institute of Science and Technology and the Global Health Drug Discovery Institute. In the future, we will jointly explore the establishment of an open and innovative drug R&D cooperation model, and carry out cooperation in such aspects as cooperative development of new drugs, technical services and commissioned development, seeking government resource support, talent training and exchanges, etc.

In November 2021, CR Pharmaceutical signed a strategic cooperation agreement with MingMed Biotech, and held a ceremony for appointment of external scientific innovation experts. In the future, the Group will carry out in-depth cooperation in research, production, sales, etc. to achieve mutual benefit and win-win by integrating mutual advantageous resources.

In June 2021, Respirent Pharmaceuticals Co., Ltd. ("**Respirent Pharmaceuticals**"), which is jointly owned by CR Sanjiu and China Resources Pharmaceutical Industrial Investment Fund LLP ("**CR Pharmaceutical Fund**"), submitted an ANDA application for Advair Diskus generic drug to the US FDA. The application has been admitted by FDA and is currently in the vetting process. As a product type that had not more than three similar counterparts, the application was given the status of priority review by FDA. Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation is a high-end generic drug for Advair® Diskus® of GSK used for maintenance therapy of asthma and airflow blocking and reducing acute exacerbation of chronic obstructive pulmonary disease (COPD) for patients aged four or above. CR Sanjiu obtained the China region dealership for Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation after its launch, which will help to fill up CR Sanjiu's void in the inhaler segment.

In July 2021, CR Double-Crane obtained exclusive authorization from U.S. company Novita for the development, production and commercialisation of NP-G2–044 fascin protein inhibitor, a new target medicine, in Greater China (Mainland China, Hong Kong China, Macau China and Taiwan China). As the world's first molecular fascin inhibitor, NP-G2–044 can effectively curb the protein function of fascin, thereby lowering tumor invasion and blocking tumor metastasis. Having completed Stage I clinical trial in the United States and currently being prepared for Stage II clinical trial, this chemical compound is a prospective oral medicine for controlling tumor metastasis that could fill the void in tumor metastasis therapy field. At present, the IND application of this project has been admitted in China.

In October 2021, CR Double-Crane and Ligand Pharmaceuticals from the United States reached an agreement to jointly develop a new oral small molecule drug project for the treatment of COVID-19. This project is a RNA polymerase inhibitor discovered using Ligand's BEPro technology and is currently in the preclinical research stage. In the future, CR Double-Crane will obtain the exclusive rights to develop and commercialise this drug in major Asian regions. BEPro technology is the latest generation of prodrug technology developed by Ligand, which is suitable for improving the efficacy of oral administration of nucleoside antiviral drugs. The antiviral drugs developed by BEPro technology have the characteristics of good oral bioavailability and improved lung drug concentration, which has potential clinical value for the development of small-molecule oral drugs for the treatment of COVID-19.

During the Reporting Period, a number of ongoing research projects licensed-in by CR Sanjiu progressed smoothly. QBH-196, a new Class I small-molecule targeted anti-tumor drug introduced from Shenyang Pharmaceutical University in 2019, has started Phase I clinical trial. The new drug ONC201 for H3K27M mutant glioma introduced from Oncoceutics, Inc. at the end of 2020 is currently in an accelerated process for the registration application in China.

In March 2022, CR Biopharm and Ab Studio Inc., an US company, reached an exclusive cooperation regarding the neutralizing antibody project ABS-VIR-001 against Covid-19, and CR Biopharm obtained the authorization for the development and commercialization of the project on a worldwide basis.

3. Pharmaceutical Distribution Business

As for pharmaceutical distribution business, the Group has strengthened its professional capabilities in equipment distribution business, through integrated management of supply chain, active participation in centralised procurement, expansion of product categories and upstream resources, enhancement of market access capabilities, comprehensive promotion of digitalisation transformation and upgrading, establishment of its presence in Internet medical business, and constant optimization of its business structure, with an aim to implement regional development strategy.

During the Reporting Period, the Group's pharmaceutical distribution business generated segment revenue of HK$199,125.4 million, representing an increase of 17.9% compared with that for 2020. The gross profit margin of the distribution business for 2021 was 6.2%, representing a decrease of 0.9 percentage point as compared to the same period of last year, which was mainly attributable to the decrease in revenue from export of anti-pandemic supplies, which had a higher gross profit margin, following the easing of the pandemic.

The Group comprehensively promoted digitalisation transformation, expedited the transformation of its medical business through Internet innovation, and established its presence in the new track for "Internet+" business. During the Reporting Period, the Group built a vertical operation service system (COE) for precision medicine for special diseases/rare diseases, and the "Run Xiaoyi" centralised digital platform, to provide a full range of patient care solutions for special disease/rare disease patients, and provide customized patient care plan for upstream customers. Commercial insurance projects "Meirun Care" (美潤關懷) and "Purun Care"(普潤關懷) made a breakthrough in transforming the profit model into service fee charges, serving 12,000 patients and generating over RMB75 million in service fees. The Group constantly upgraded the cooperation and innovation model with first-class hospitals, intervened in hospital value services by agency construction and operation, and realized the contract-signing and implementation of the country's first science and technology innovation center (SCITech) in Shandong Provincial Hospital, which brought about the rapid application of new medical technologies through the hospital-enterprise cooperation model characterised by "industry, academia, institute, finance and application". The Group and China Resources Medical Holdings Company Limited ("**CR Medical**") jointly built a digital medical technology company to obtain proprietary Internet hospital license, and launched in joint venture the "Jiangong Hospital" Internet hospital project which allowed multi-point medical

practices. Meanwhile the Group cooperated with upstream pharmaceutical enterprises in projects such as "scientific laboratory construction and clinical competence enhancement" and undertook the online consultation business of CR Medical. The Group signed establishments on in-depth strategic cooperation with companies such as Immunotech Biopharm and LinkDoc Technology (Beijing) Co., Ltd., and expedited strategic cooperation on technological innovation platform, center for Internet medical care and digitalised COE innovation for special diseases, etc. During the Reporting Period, CR Pharma e-Store, the Group's B2B online platform, covering 28 provinces, recorded a transaction amount of RMB28.5 billion during the year, with a year-on-year growth of 14%, and accumulated 48,000 active customers and 1.17 million orders.

In 2021, the Group constantly improved its supply chain capacity, established a supply chain management center, continuously improved its ability to coordinate and obtain product resources, strengthened the construction of integrated drug procurement and sales nationwide, and reinforced the supply chain integration from import to patients. In addition, the Group entered into strategic cooperation with a number of internationally renowned enterprises and secured national general distributorship, strategic distributorship and import agency for several major products. During the Reporting Period, the Group's centralized procurement increased 15% year-on-year. This contributed to the further enrichment of the product portfolio of the Group's distribution business in tumor treatment, blood products and testing and analytical instruments. Using central market access, omni-channel coverage, innovative payment and patient services, etc., the Group tapped and met the new needs of upstream manufacturers' strategic transformation, by introducing more than 30 new innovative drugs throughout the year, with acquisition rate of centralised procurement varieties exceeding 60%. A large system for management and control of medical business, the Group's presence in grassroots chronic disease market, and the capabilities in academic promotion in subdivided business areas such as chronic diseases centered on county patients were established, and a differentiated competition pattern was formed, with relevant sales increasing by more than 40% year-on-year. In the meantime, the Group actively developed capabilities for customs import service and registration tests, and established Hainan port for increasing cooperation with high-calibre international partners to enhance the import of different product types. The annual sales of imported products amounted to approximately RMB12.7 billion, and 17 new products were introduced (including the general distributorship for import of 3 medicines, 7 medical devices and 5 Great Health varieties). The Group has also started cross-border cooperation with Mitsui to drive international business development.

During the Reporting Period, the Group advanced the specialisation of its medical device distribution business with vigorous efforts through the further optimisation of its business structure, the establishment of nationwide specialised platforms, specialised product lines, specialised service companies and specialised medical device headquarters, with the establishment of independent medical device companies in 17 provinces, while continuing to pursue in-depth development of key segments such as orthopedics, interventional supplies, IVD in vitro diagnostics and general supplies. In addition, the Group continuously enhanced its capabilities in professional marketing of product lines, established 14 orthopedic sub-warehouses in Guangdong, Jiangsu, Shandong and other provinces, and set up professional marketing organizations in 14 regions. During the Reporting Period, the Group's medical device distribution business reported sales revenue of approximately RMB21.7 billion, representing an increase of close to 10% as compared to the same period of last year. The Group actively extended its medical device business to the production side. During the Reporting Period, China Resources (Beijing) Medical Device Supply Chain Management Co., Ltd. was established through joint venture, as a professional orthopaedic platform company. In addition, the Group established professional platforms for orthopedic product line nationwide, and provided integrated value chain services, which established its leader position in orthopedic subdivision market segment. A technology company in Shanghai was established to focus on holding the license for marketing or obtaining the right of import agency of device products, and transform from a distributor to a manufacturer with the rights of product production, pricing, sales, logistics and regional agency, as well as a bridge for domestic and foreign technology interworking. In the meantime, the Group further enhanced its innovative service capability for device business. During the Reporting Period, 42 intensive service projects for hospitals were established, and supply chain management (SPD) services for pharmaceutical devices were provided. 12 new regional inspection centers and inspection departments were jointly established.

In addition, the Group implemented a regional development strategy, created a number of key regional markets, and met the requirements for specialised promotion for medical specialties and treatment of broad chronic diseases in the primary market, through continuous improvement of its academic capabilities and innovation of digitalised marketing, with an aim to increase the terminal market share. 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 more than 130,000 clients, including 9,421 second- and third-class hospitals and close to 70,000 grass root medical institutional clients.

The Group consistently strengthened the construction of an integrated, specialised, large-scale and standardised modern logistics system, promoted the integrated operation of its logistics nationwide from aspects including regularity and standardisation of cost accounting and operation indicators, and improved its logistics capabilities and effectiveness through strategic cooperation with various parties. As at the end of the Reporting Period, the Group's distribution business had 208 logistics centers, with main warehouses in Beijing and Shanghai, which are responsible for the drug distribution during the Beijing Winter Olympics, and capable of the storage and distribution of temperature-controlled drugs throughout the nation, as well as business data feedback and the transmission of purchase orders via the proprietary smart logistics platform ILP, integrated WMS, TMS and cold chain systems, allowing the Group to provide end-to-end management of vaccines, blood products and other products requiring specific temperature control. In the meantime, the Group commenced a special digitalisation project for its logistics platform to integrate logistics resources through digitalisation and intelligentisation, as well as to provide digitalised and visualised third-party logistics service to manufacturers and other clients. During the Reporting Period, CR Pharma Comm's revenue from third-party logistics business increased by nearly 23% year-on-year.

4. Pharmaceutical Retail Business

In the pharmaceutical retail business, the Group improved the supply chain system, enriched and optimized business categories, promoted digitalisation transformation, actively expanded online business, strengthened the construction of an integrated operation system and the development of new retail business, to foster competitive strengths in terms of standardisation, differentiation and specialisation.

During the Reporting Period, the Group's retail pharmaceutical business recorded revenue of HK$7,605.2 million, representing an increase of 17.6% compared with that for 2020, mainly due to faster growth in revenue from the high-worth drug direct-to-patient ("**DTP**") business. The Group's DTP business achieved revenue of approximately RMB4,315.2 million in 2021, representing an increase of approximately 12.7% year-on-year. The gross profit margin of the retail business was 9.2%, representing a decrease of 1.1 percentage points as compared with the same period of last year. The decrease in gross profit margin was attributable to the increase in the weighting of revenue from DTP business which had a lower gross profit margin.

The establishment of the "dual-channel" management mechanism for negotiating drugs for inclusion in National Reimbursement Drug List further accelerated the outflow of prescriptions, and put forward higher requirements for the professional service capability and drug management level of retail pharmacies. Designated medical insurance resources were tilted towards premium pharmacies, contributing to the further accelerating concentration of the retail market. During

the Reporting Period, the Group vigorously expanded the network of specialty pharmacies for the DTP business, to seek "dual channel" qualification, and made preparations to undertake the outflow of prescriptions. More than 20 new DTP varieties were introduced, and infusion centers were established in nine cities including Jiangsu, Guangdong, Jilin, etc. During the Reporting Period, the Group established 9 pharma-diagnosis-healthcare complexes in Jiangsu, Zhejiang, Wuhan, etc., aiming to provide customers with comprehensive services such as intelligent inspection and test, online consultation and chronic illness management, among others. As of 31 December 2021, the Group had a total of 801 self-operated retail pharmacies, including 211 DTP specialty pharmacies (including 87 "dual channel" pharmacies).

The Group continued to enhance the fostering of specialised capabilities and standardised control in store operation and management in a persistent effort to build standardised and high-quality pharmacies. The backstage integrated operation of retail pharmacies has been initially formed, including membership management system, online mall, DTP system, ERP system upgrade, etc. CR drugstores accounted for 34 places in the "2020–2021 Top 100 Standalone Pharmacies in China", a nearly two-fold year-on-year increase in the number of stores making the list. In the latest league table of domestic top 100 pharmacies in terms of revenue per ping, CR drugstores took all top three spots.

The pandemic has propelled the penetration increase of Internet-based medical consultation services, while the "Internet+" development of the pharmaceutical industry was gaining pace. The Group actively promoted digital transformation, built a new platform for retail operation and explored new servicing models through joint ventures with competent partners. "Run Yao Bao (潤藥寶)", an exclusive product for patients' benefit, was launched to establish four major patient-centric service regimes.

DEEPEN MIXED OWNERSHIP REFORM, AND IMPLEMENT MARKET-ORIENTED INCENTIVE MECHANISM

During the Reporting Period, a number of subsidiaries of the Group promoted the implementation of equity incentive plans. In October 2021, Jiangzhong Pharmaceutical announced the 2021 Restricted Stock Incentive Plan (Revised Draft), which proposed to grant 6.3 million restricted shares to the incentive objects, accounting for 1.0% of the 630 million shares of the company's total share capital upon the announcement of this incentive plan. In December 2021, CR Sanjiu announced the 2021 Restricted Stock Incentive Plan (Draft), which proposed to grant 9,789,000 restricted shares to the incentive objects, accounting for 1.0% of the 978.9 million shares of the company's total share capital upon the announcement of this incentive plan. In December 2021, CR Double-Crane announced that it intended to repurchase the company's shares in a centralized bidding transaction. The total repurchase funds will not exceed RMB431,695,000. The repurchased shares will be used to implement an equity

incentive plan. The equity incentive plans implemented by a number of companies under the Group are mainly aimed at directors, supervisors, senior management and core employees, which is conducive to establishing a sound, continuous and stable long-term incentive and restraint mechanism, further improving corporate governance structure, and fully mobilizing the enthusiasm of core employees, so that their benefits are more closely integrated with the long-term development of the company, and it can better attract, retain and motivate outstanding managers and core technical staff, which will help the Group achieve sustainable development and bring returns to shareholders.

In addition, as a pilot enterprise for "Exemplary Scientific Reform Actions", CR Biopharm, a wholly-owned subsidiary of the Group, completed A round financing of several hundred million Yuan in December 2021, and Cowin Capital, among the first batch of well-known domestic investment institutions in China, officially became an strategic investor of CR Biopharm. This round of financing helps CR Biopharm to expedite the launch of the products under research, through comprehensive and rapid impelling of its R&D pipeline, broadened presence in biopharmaceuticals, accelerated project approval, focused on tumors and autoimmune antibodies and advantageous fields, focused development of antibody technology, and entry into the field of vaccines, in an effort to provide patients with more and better treatment options and create a new development engine for the Group.

OUTLOOK AND FUTURE STRATEGIES

The "14th Five-Year Plan" is a critical period for the nation's new journey in the comprehensive development into a modernised socialist country, as well as a crucial period for the transformation, upgrade, phasing-out and innovation of the pharmaceutical industry. Fully leveraging this important period for industry consolidation, the Group will seize opportunities and establish its presence at vantage points to open up new frontiers amidst an evolving landscape in tandem with the trend. With ongoing efforts to reinforce our fundamentals and cement our industry position, the Group will accelerate innovation and transformation to enhance the quality of our development. R&D investment will be increased to strive for breakthroughs in innovation; stronger efforts will be made in external merger and acquisition with a special focus on reinforcing, complementing and strengthening our business chain; internal improvement will also be emphasised to enhance the quality of development; the development of digitalisation and intelligentisation capabilities will be strengthened and model innovation will be encouraged to enhance management efficiency; risk control measures will be fortified to ensure stable operations and provide a solid foundation for developments during the "14th Five-Year Plan".

1. To increase effort in R&D innovation, expedite development of key regional innovation R&D platform and enhance capability in innovation R&D

The Group will seize sound opportunities presented by the national development of pharmaceutical innovation to achieve breakthroughs in 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:

1) In connection with R&D investment: To substantially increase the Group's total R&D investment as a proportion of revenue. Regarding the direction of R&D investment, the development of innovation platform capabilities will be strengthened on the one hand, such as further improving the construction of R&D platforms for chemical drugs and innovative biopharmaceuticals and advancing the construction of the TCM innovation platform. Meanwhile, the Group's product pipelines will be diversified as the Group steps up with developments in anti-tumor, immunity and cardiovascular drugs. The development of products such as antibody, vaccine and recombinant protein will be a major focus.

2) In connection with the construction of innovation platform: Leveraging the nation's regional policies and resource advantages, mature-different-frontier and other types of innovation R&D platforms built in Beijing-Tianjin-Hebei, Yangtze River Delta Region, the Greater Bay Area, Hainan and other places, to enhance the overall R&D capabilities. The construction of an innovation R&D platform for chemical drugs and biopharmaceuticals will be accelerated in Guangdong-Hong Kong-Macao and Yangtze River Delta Region, the construction of a TCM innovation platform will be advanced at a faster pace, and capabilities in innovation R&D will be enhanced. High-end preparation technology, sophisticated synthetic technology and products with special packaging will be developed. A platform of differentiated technologies for products such as oral sustained-release preparation, inhaler and emulsion injection preparation will also be built.

3) In connection with innovation incentive mechanism: To develop a market-oriented incentive mechanism that will enhance the effect of appraisal and incentive, with a special emphasis on the development of innovative capabilities and the commercialisation of innovative efforts. As a pilot enterprise for "Exemplary Scientific Reform Actions", CR Biopharm will promote follow-up financing plans in good time, introduce well-matched strategic investors which share the same goals and offer significant synergies to increase the efficiency of capital allocation and corporate operation.

4) In connection with project introduction: To consistently diversify our internal innovative product pipeline, enhance external cooperation as well as strengthen R&D cooperation with national leading R&D institutions based on the model of "self-innovative research + introduction", to help solve the country's "bottleneck" problems such as drugs, and undertake national strategic needs. The Group will strengthen the development of industry-academia-research alliances with top-notch domestic and

international R&D institutions, such as National Center for Nanoscience and Technology, Tsinghua University, Nankai University and other leading scientific research institutions, to forge long-term, comprehensive cooperation with a strong focus on technology R&D, commercialisation, resource sharing and talent training for the advancement of project cooperation and commercialized application. The Group's ability to integrate resources for innovation will be further enhanced. Dong-E-E-Jiao strengthened research on Ejiao-like fast-moving consumer goods and personalized paste recipes with focus on customer needs, so as to provide high-quality product support for the extension and exploration of the company's business. CR Double-Crane has established multiple pipelines of innovative drug projects through self-research and business development.

5) In connection with R&D teams: To place a stronger emphasis on innovation R&D in talent recruitment and training, with a view to the rapid enhancement of R&D capability through the recruitment of high-calibre personnel and merger and acquisition of R&D teams. A talent development regime compatible with the Group's business development planning and innovative enterprises will be developed. The talent supply mechanism will be facilitated through two approaches, namely "external recruitment + internal training". We will step up with the acquisition of high-calibre R&D technical personnel, with a special focus on chief scientists, professional leaders, etc., and strengthen the acquisition of technical experts in drug discovery and clinical program formulation, etc.

2. To expedite investment in merger and acquisition in order to seize opportunities presented by deepened industry reform and enhance our presence in innovation and high growth areas

External mergers and acquisitions have always been one of the key engines of the Group's rapid development. Seizing the historic opportunity presented by the Chinese pharmaceutical industry with the increasing concentration, the Group will accelerate its merger and acquisition. In the pharmaceutical manufacturing business, the Group will aim to consolidate premium resources in the industry with a special focus on corporate goals in consumer healthcare (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 devices, retail and new retail businesses, improve management efficiency leveraging digital empowerment, and explore model innovation, 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.

1) The Group will accelerate its merger and acquisition and continue to increase and enhance its merger and acquisition investment in areas such as innovative drugs, biopharmaceuticals, vaccines and medical devices to accelerate its presence in new fields. Taking Boya Bio-pharmaceutical as a platform, we will expand and strengthen the blood products platform through self-establishment of blood stations and merger and acquisition of other targets in the industry, build a platform for vaccine industrialization, further expand the presence in cell therapy industry, and explore fields such as medical devices and medical beauty.

2) At the same time, the Group will seek to establish our presence in new technologies commanding high growth through a diversified range of investment means. The Group will hold projects with strategic value and performance contribution value, and establish presence in innovation tracks by seizing qualitative resources through strategic equity participation. By putting a special emphasis on establishing presence in unclaimed areas with sound potential, the Group will be able to incubate new business opportunities to form synergy with existing business.

3) The Group will strengthen the construction of investment system and post-investment management: a back-office of a large investment team will be established, and post-investment evaluation will be carried out through sound post-investment management system, to strengthen the supervision on the operation of, provide support and empowerment to, and incorporate culture into the invested companies, thereby maximizing the value of project investment and prevent investment risks.

3. To enhance the quality of internal development by facilitating quality and efficiency enhancement and seeking a major uplift in management standards with a view to sustainable healthy development

In tandem with policy changes and structural market adjustments, the Group will continue to optimise and drive the transformation and upgrading of its business mix in active response to the impact of such policies as centralised procurement and health insurance cost control. The Group will benchmark against first-rate enterprises for optimisation of corporate management regime and a major uplift in management competence.

1) Normalisation of cost reduction and efficiency enhancement: through a range of measures such as green low-carbon recycling development, the Group will build an operational regime for green production. The deployment

of production capacity will be optimised, whereby outdated capacity will be phased out. 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.

2) Ongoing product mix optimisation: to stabilise cornerstone product, while actively developing new products and expanding into new businesses to diversify our product lines in continuous optimisation of our business portfolio according to consumers' requirements. The Group will improve the Group's 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 and medical devices to foster new business growth niches. Active investigations will be made in "+Internet" applications for the development of new models, with a view to enhancing the Group's overall supply chain servicing capability and fostering core competitive strengths.

3) The Group will benchmark against first-rate enterprises for a major uplift in management competence: Efforts will be made to conduct comprehensive analysis on the best practices of first-rate international enterprises, achieve comprehensive enhancement of our management competence and business standard, optimise corporate management regime, reinforce management foundation and strengthen management innovation, with a view to achieving notable improvements in overall management competence.

4. To drive reforms with effective outcomes and release business vitality by seizing the opportunity presented by SOE reform

To deepen mixed ownership reform in an active and cautious manner, introduce active strategic investors, promote the transformation of operating mechanisms, improve capital allocation and operational efficiency, and advance the mixed ownership reform of CR Biopharm. To optimise business deployment and structure adjustments, actively leveraging opportunities for cooperation in strategic reorganisation and merger and acquisition among central enterprises, the central government and local governments in areas such as blood products, vaccines, bio-diagnostic reagents, innovative drugs and innovative medical devices. To increase management efficiency by optimising management control hierarchy, enhancing effort to reduce institutions at the headquarters and streamlining and clarifying the powers and responsibilities and subject and scope of operational control of subsidiaries. To improve corporate governance structure, implement the powers and responsibilities of the board of directors, and improve the revision of supporting management regimes, with a view to securing the exercise of

powers and performance of responsibilities by managers. In addition, to achieve breakthroughs in incentive mechanism, by implementing medium and long-term incentives for employees, building a more flexible incentive and restraint mechanism for employees, mobilizing the enthusiasm, initiative and creativity of core backbone employees, with a review to sustainable and healthy development of the enterprise.

5. To improve the level of intelligentisation and digitalisation and empower business transformation and development

In tandem with the development of digitisation and intelligentisation, the Group will take intelligentisation and digitalisation as the new driver and engine for the Group's innovation, transformation and development, promote the comprehensive digitalisation and intelligentisation of the production and operation of the enterprise, and transform and enhance traditional development power, to cultivate new development power. The Group will digitally upgrade, transform and reshape the core links and key elements of the industrial chain, continue to explore intelligent and digital application solutions in the R&D field, and improve the overall management level. Continuously efforts will be made to improve quality and efficiency in production through digital transformation, with a view of rapid development towards intelligent manufacturing, optimisation of supply chain process and enhanced customer experience. The construction of platform in new retail will be strengthened, to mine data value and improve customer interaction and demand insight. The application of the Internet in medical care and medicine, etc., will be explored to help improve the overall innovation and development capability, customer service capability and business management capacity of enterprises, boost the modernization level of the industrial chain and supply chain, and promote the intelligent upgrade of governance, thereby empowering the qualitative development of enterprises.

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

The Group will unleash further synergies, to develop a cross-regional, multi-dimensional and multi-model synergy mechanism and drive the implementation of synergy projects.

1) Promote resource planning and synergy: to exploit the role of the Group's management platform, promote the optimal allocation of resources, focus resources on innovative and high-potential businesses such as biological drugs, presence in new businesses, innovative development, etc., and strengthen support for R&D innovation and business cultivation, with a view of building a big business development (BD) ecosystem. To promote regional development synergy, and internal and external resource synergy, etc. through various modes, with a view of maximised overall benefits.

2) Regional synergy: to forge overall competitive advantages through acquisition of superior resources, cooperation in advantageous businesses, building of regional advantages, and swift expansion of regional markets in the context of the Group's regional strategic planning.

3) Resources sharing: To form a regional business profile underpinned by top-to-bottom joint actions and complementary advantages and a synergetic platform for the pharmaceutical segment to develop in-depth synergies in government affairs, market channels and customer resources by fully leveraging the combined advantage of the Group, CR Holdings and each profit centres in regional resources.

4) Synergistic operation through a multi-model approach: To select the best models based on two major criteria, the market-oriented principle and innovation, which include joint negotiations, joint equity investment, uniform media communication, shared logistics and the building of technology platforms, etc.

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 2021, the Group had bank balances and cash of HK$17,513.1 million (2020: HK$11,231.5 million), which were primarily in RMB and HKD.

As at 31 December 2021, the RMB-denominated, and HKD-denominated bank borrowings accounted for approximately 83.0% (2020: 87.5%) and 17.0% (2020: 12.5%), respectively, of the Group's total bank borrowings. Among the Group's total bank borrowings as at 31 December 2021, a substantial portion of approximately 91.9% (2020: 97.8%) 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 2021 (2020: 1.2:1).

As at 31 December 2021, the Group's gearing ratio (being the ratio of net debt divided by total equity) was 51.5% (2020: 52.6%).

In 2021, the Group's net cash from operating activities increased solidly, amounting to HK$12,842.5 million (2020: HK$8,206.3 million). The Group's net cash used in investing activities in 2021 and 2020 amounted to HK$9,190.8 million and HK$2,254.6 million, respectively. In 2021, the Group's net cash from financing activities amounted to HK$3,005.4 million (net cash used in financing activities in 2020 amounted to HK$6,414.5 million).

PLEDGE OF ASSETS

As at 31 December 2021, the Group's total bank borrowings amounted to HK$50,668.0 million (31 December 2020: HK$36,249.3 million), of which HK$110.2 million (31 December 2020: HK$101.1 million) were secured and accounted for 0.2% (31 December 2020: 0.3%) of the total borrowings.

Certain of the Group's trade and bills receivables with an aggregate net book value of HK$0 million (31 December 2020: HK$112.5 million) have been pledged as security.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities (31 December 2020: 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 2021 amounted to HK$3,213.2million (2020: HK$2,758.9 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 2021, the Group employed around 65,000 staff (31 December 2020: 64,000 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 recommends the payment of final dividend of HK$0.15 per Share in cash for the year ended 31 December 2021 (2020: HK$0.12 per Share). 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 27 May 2022 (the "**AGM**") and the final dividend will be distributed on or about 25 July 2022 to the Shareholders whose names appear on the register of members of the Company on 9 June 2022.

The final dividend will be payable in cash to each shareholder in HK$ by default. Shareholders will also be given the option to elect to receive all or part of the final divi-dend in RMB at the exchange rate of HK$1.0: RMB0.81354, being the average benchmark exchange rate of HK$ to RMB as published by the People's Bank of China during the five business days immediately before 29 March 2022 (Tuesday). If shareholders elect to receive the final dividend in RMB, such dividend will be paid to shareholders at RMB0.122031 per share. To make such election, shareholders should complete the Dividend Currency Election Form which is expected to be despatched to shareholders in mid-June 2022 as soon as practicable after the record date of 9 June 2022 (Thursday) to determine shareholders' entitlement to the final dividend, and lodge it with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 July 2022 (Monday).

Shareholders who are minded to elect to receive all or part of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment up-on presentation outside Hong Kong. The cheques are expected to be posted to the rele-vant shareholders by ordinary post on 25 July 2022 (Monday) at the shareholders' own risk.

If no duly completed Dividend Currency Election Form in respect of the shareholder is received by the Company's share registrar by 4:30 p.m. on 4 July 2022 (Monday), such shareholder will automatically receive the final dividend in HK$. All dividend payments in HK$ will be made in the usual way on 25 July 2022 (Monday).

If shareholders wish to receive the final dividend in HK$ in the usual way, no additional action is required.

Shareholders should seek professional advice with their own tax advisers regarding the possible tax implications of the dividend payment.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2022 to 27 May 2022, 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 23 May 2022.

The register of members of the Company will also be closed from 8 June 2022 to 9 June 2022, both days inclusive, 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 7 June 2022.

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 (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.2.1 of the CG Code, during the period from 1 January 2021 to 3 December 2021, the chairman of the Board and the chief executive officer of the Company were two separate positions held by Mr. Wang Chuncheng and Mr. Han Yuewei, respectively. After 3 December 2021, both the chairman of the Board and the chief executive officer of the Company were held by Mr. Han Yuewei. The Board believed that with the support of the management, vesting the roles of both the chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under

the supervision by the Board, the interests of the Shareholders will be adequately and fairly represented. In order to devote more time and attention to approve and monitor the Group's strategies and policies, Mr. Han Yuewei ceased to be the chief executive officer of the Company and has been re-designated from an executive Director to a non-executive Director and continued to serve as the chairman of the Board on 14 January 2022, Mr. Bai Xiaosong has been appointed as the chief executive office of the Company on the same day. Since 14 January 2022, the Company had fully complied with the requirements under the then code provision A.2.1.

In respect of code provision A.4.1 of the CG Code, all 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 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 28 May 2021 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, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results 2021 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 2020 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 2021 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 2021 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 2021 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

PUBLICATION OF THE ANNUAL RESULTS AND 2021 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 2021 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
Han Yuewei
Chairman

Shenzhen, 29 March 2022

As at the date of this announcement, the Board comprises Mr. Han Yuewei as chairman and non-executive Director, Mr. Bai Xiaosong, Mdm. Weng Jingwen and Mr. Tao Ran as executive Directors, Mr. Lin Guolong, Mr. Tan Ying, Mr. Hou Bo and Mdm. Jiao Ruifang as non-executive Directors and Mdm. Shing Mo Han Yvonne, Mr. Kwok Kin Fun, Mr. Fu Tingmei and Mr. Zhang Kejian as independent non-executive Directors.