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 2022

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 2022 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
REVENUE	*4*	**254,106,366**	236,806,169
Cost of sales		**(214,971,606)**	(201,425,883)
GROSS PROFIT		**39,134,760**	35,380,286
Other income	*5*	**1,422,099**	1,517,148
Other gains and losses	*6*	**(1,405,005)**	(1,275,010)
Selling and distribution expenses		**(19,033,096)**	(17,530,700)
Administrative expenses		**(6,479,027)**	(6,236,259)
Other expenses		**(2,152,545)**	(1,745,278)
Finance income	*7*	**833,876**	729,329
Finance costs	*7*	**(2,853,993)**	(2,744,681)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
For the year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 *HK$'000*
Finance costs, net		**(2,020,117)**	(2,015,352)
Share of profits of associates and joint ventures		**388,644**	313,597
PROFIT BEFORE TAX	*8*	**9,855,713**	8,408,432
Income tax expense	*9*	**(2,012,402)**	(1,761,026)
PROFIT FOR THE YEAR		**7,843,311**	6,647,406
Attributable to:			
Owners of the Company		**4,147,412**	3,768,889
Non-controlling interests		**3,695,899**	2,878,517
		7,843,311	6,647,406
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(HK$)*	*11*	**0.66**	0.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**7,843,311**	6,647,406
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	**(9,182,835)**	2,509,611
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain /(loss) on the remeasurement of a defined benefit plan	**19,736**	(27,106)
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**52,853**	16,618
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**72,589**	(10,488)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(9,110,246)**	2,499,123
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,266,935)**	9,146,529
Attributable to:		
Owners of the Company	**(774,933)**	5,178,469
Non-controlling interests	**(492,002)**	3,968,060
	(1,266,935)	9,146,529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,436,499**	19,676,743
Right-of-use assets		**4,853,433**	5,361,392
Investment properties		**1,670,453**	1,887,034
Goodwill		**22,847,667**	24,901,550
Intangible assets		**8,469,223**	9,000,511
Interests in joint ventures		**9,245**	12,741
Interests in associates		**6,607,266**	6,860,657
Other non-current financial assets		**796,880**	967,784
Deferred tax assets		**1,606,215**	1,309,559
Other non-current assets		**4,538,082**	1,974,730
Total non-current assets		**70,834,963**	71,952,701
CURRENT ASSETS			
Inventories		**29,718,446**	29,687,992
Trade and other receivables	*12*	**79,529,323**	77,612,680
Other current financial assets		**35,038,263**	40,251,630
Amounts due from related parties		**1,868,972**	3,576,481
Tax recoverable		**127,406**	153,061
Pledged deposits		**7,075,410**	7,814,631
Cash and cash equivalents		**17,042,657**	17,513,134
		170,400,477	176,609,609
Assets classified as held for sale		**50,978**	–
Total current assets		**170,451,455**	176,609,609
CURRENT LIABILITIES			
Trade and other payables	*13*	**77,652,962**	75,551,340
Contract liabilities		**3,960,635**	3,556,951
Lease liabilities		**555,208**	583,805
Amounts due to related parties		**12,699,620**	12,813,888
Bank borrowings		**40,528,838**	46,544,446
Bonds payable		**111,715**	1,306,364
Tax payable		**747,029**	894,385
Defined benefit obligations		**63,150**	71,397
Total current liabilities		**136,319,157**	141,322,576
NET CURRENT ASSETS		**34,132,298**	35,287,033
TOTAL ASSETS LESS CURRENT LIABILITIES		**104,967,261**	107,239,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings		**5,084,569**	4,123,504
Bonds payable		**5,037,660**	3,057,725
Lease liabilities		**862,296**	931,862
Deferred tax liabilities		**1,777,080**	1,965,334
Defined benefit obligations		**927,991**	1,088,433
Other non-current liabilities		**1,095,332**	1,088,610
Total non-current liabilities		**14,784,928**	12,255,468
NET ASSETS		**90,182,333**	94,984,266
EQUITY			
Equity attributable to owners of the Company			
Share capital		**27,241,289**	27,241,289
Reserves		**22,318,130**	23,740,198
		49,559,419	50,981,487
Non-controlling interests		**40,622,914**	44,002,779
TOTAL EQUITY		**90,182,333**	94,984,266

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 2022 and 2021 included in this announcement of 2022 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 2021 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 2022 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.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 device 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 2022	**Manufacturing segment** *HK$'000*	**Distribution segment** *HK$'000*	**Retail segment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue					
External sales	**40,166,618**	**205,062,184**	**8,836,775**	**40,789**	**254,106,366**
Inter-segment sales	**4,129,158**	**6,226,297**	**–**	**–**	**10,355,455**
	44,295,776	**211,288,481**	**8,836,775**	**40,789**	**264,461,821**
Elimination:					
Elimination of inter-segment sales					**(10,355,455)**
Segment revenue					**254,106,366**
Segment results	**11,736,153**	**8,256,229**	**17,388**	**20,934**	**20,030,704**
Other income *(Note 5)*					**1,422,099**
Other gains and losses *(Note 6)*					**(1,405,005)**
Administrative expenses					**(6,479,027)**
Other expenses					**(2,152,545)**
Finance income *(Note 7)*					**833,876**
Finance costs (other than interest on lease liabilities)					**(2,783,033)**
Share of profits of associates and joint ventures					**388,644**
Profit before tax					**9,855,713**

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

4. REVENUE

An analysis of revenue is as follows:

	2022 *HK$'000*	2021 *HK$'000*
Revenue from contracts with customers		
Sale of pharmaceutical products	**253,998,927**	236,609,142
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**107,439**	197,027
	254,106,366	236,806,169

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Service fee income	**679,204**	608,619
Government grants	**464,441**	564,986
Covid-19-related rent concessions from lessors	**–**	17,457
Remeasurement of lease	**8,033**	706
Dividend income	**17**	2,217
Compensation income	**18,481**	83,020
Others	**251,923**	240,143
	1,422,099	1,517,148

6. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Gain on disposal/deregistration of subsidiaries	**401,627**	3,174
(Loss)/gain on disposal of items of property, plant and equipment, net	**(958)**	6,439
Expenses relating to derecognition of trade and bills receivables measured at fair value through other comprehensive income	**(532,884)**	(544,698)
Impairment recognised on property, plant and equipment	**(123,698)**	(139,288)
Impairment recognised on intangible assets	**(18,107)**	(663)
Impairment recognised on interests in associates	**(205,495)**	(23,025)
Impairment recognised on trade receivables, net	**(601,268)**	(455,813)
Impairment recognised on other receivables, net	**(86,741)**	(101,123)
Impairment recognised on goodwill	**(94,940)**	(123,752)
Impairment recognised on right-of-use assets	**(20,986)**	(20,653)
Fair value changes on financial assets at fair value through profit or loss	**20,421**	147,817
Fair value changes on investment properties	**(143,017)**	18,920
Others	**1,041**	(42,345)
	(1,405,005)	(1,275,010)

7. FINANCE INCOME AND COSTS

	2022	2021
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings	**2,454,818**	2,371,608
Interest on bonds payable	**177,743**	250,336
Interest on borrowings from an intermediate holding company	**122,404**	21,894
Interest on lease liabilities	**70,960**	68,548
Interest on defined benefit obligations	**29,895**	33,641
Less: Interest capitalised in property, plant and equipment *(Note)*	**(1,827)**	(1,346)
Total finance costs	**2,853,993**	2,744,681
Finance income — Interest income	**(833,876)**	(729,329)
Net finance costs	**2,020,117**	2,015,352

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 3.80%-3.95% (2021: 4.79%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

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

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Directors' remuneration		**13,100**	13,426
Employee benefit expense			
(excluding directors' remuneration)			
Wages and salaries		**9,652,021**	9,054,221
Equity-settled share option expense		**116,202**	1,434
Defined benefit scheme expense		**(6,603)**	14,788
Retirement benefit scheme contribution*		**995,655**	939,613
Total		**10,770,375**	10,023,482
Auditors' remuneration		**23,602**	24,097
Depreciation of property, plant and equipment		**1,965,161**	1,750,160
Depreciation of right-of-use assets		**676,097**	719,131
Amortisation of intangible assets		**510,892**	352,599
Allowance for slow-moving and obsolete inventories		**107,005**	498,870
Cost of inventories recognised as cost of sales		**213,804,245**	199,777,372
Research and development expenditure (included in other expenses)		**2,089,518**	1,688,551
Lease payments not included in the measurement of lease liabilities		**159,139**	190,918
Foreign exchange gain, net		**(32,631)**	(118,994)
Donations		**59,817**	43,557
Dividend income		**(17)**	(2,217)
Government grants		**(464,441)**	(564,986)
Interest income		**(833,876)**	(729,329)
Gross rental income from investment properties		**(107,439)**	(197,027)
Less: Direct operating expenses arising from rental-earning investment properties		**67,529**	42,197
		(39,910)	(154,830)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 enterprise income tax rate of 15%.

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 tax.

	2022	2021
	HK$'000	*HK$'000*
Current		
PRC Enterprise Income Tax ("**PRC EIT**")	**2,473,203**	2,025,821
Hong Kong profits tax	**3**	13
Underprovision in prior years		
PRC EIT	**41,226**	113,926
	2,514,432	2,139,760
Deferred	**(502,030)**	(378,734)
Total tax charge for the year	**2,012,402**	1,761,026

10. DIVIDENDS

	2022	2021
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final 2021 — HK$0.15 per ordinary share (2021: Final 2020 — HK$0.12 per ordinary share)	**942,377**	753,902

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK$0.16 (2021: HK$0.15) per ordinary share, in an aggregate amount of HK$1,005 million (2021: HK$942 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, final dividends of subsidiaries for the year ended 31 December 2022 in respect of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. ("**CR Sanjiu**"), Dong-E-E-Jiao Company Limited ("**Dong-E-E-Jiao**"), China Resources Double-Crane Pharmaceutical Co., Ltd. ("**CR Double-Crane**"), Jiangzhong Pharmaceutical Co., Ltd. ("**Jiangzhong Pharmaceutical**") and China Resources Boya Bio-pharmaceutical Group Co., Ltd. ("**CR Boya Bio-pharmaceutical**") of RMB100.0 cents, RMB116.0 cents, RMB29.0 cents, RMB65.0 cents and RMB20.0 cents per ordinary share, in aggregate amounts of approximately RMB988,346,000 (equivalent to HK$1,106,434,000), RMB758,665,000 (equivalent to HK$849,310,000), undetermined*, RMB409,207,000 (equivalent to HK$458,099,000) and RMB100,850,000 (equivalent to HK$112,900,000), respectively, have been proposed by the directors of the subsidiaries, and are subject to approval by the shareholders of the subsidiaries in the forthcoming general meetings of the respective subsidiaries.

*As at the date of this announcement, CR Double-Crane has not been able to predict the total number of shares entitled to participate in this distribution, that is, the actual number of shares entitled to participate, and therefore the total amount of cash dividends in this distribution has not been determined.

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:

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**4,147,412**	3,768,889
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**	6,282,510,461

According to the calculation on the dilutive impact of the 2021 Restricted Stock Incentive Plan of Jiangzhong Pharmaceutical, the 2022 Restricted Stock Incentive Plan of CR Sanjiu and the 2022 Restricted Stock Incentive Plan of CR Double-Crane, the diluted EPS is generally equal to the basic EPS.

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Bills receivable	**1,435,566**	1,135,832
Contract assets	**23,402**	30,029
Trade receivables	**68,825,101**	68,144,016
Impairment allowance	**(2,451,623)**	(2,137,238)
	66,373,478	66,006,778
Prepayments	**5,507,354**	4,300,688
Other receivables	**6,580,909**	6,494,840
Impairment allowance	**(391,386)**	(355,487)
	6,189,523	6,139,353
	79,529,323	77,612,680

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$383,201,000 (2021: HK$235,574,000), HK$0 (2021:HK$645,000), HK$102,186,000 (2021:HK$51,354,000), HK$6 (2021: HK$177,218,000) and HK$0 (2021: HK$57,120,000), 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 2022 and 2021 is as follows:

	2022	2021
	HK$'000	*HK$'000*
0 to 30 days	**15,076,080**	16,073,144
31 to 60 days	**10,424,496**	10,701,002
61 to 90 days	**6,488,391**	7,548,790
91 to 180 days	**16,669,849**	16,142,140
181 to 365 days	**13,214,045**	12,463,039
Over 1 year	**4,500,617**	3,078,663
	66,373,478	66,006,778

An ageing analysis of the Group's bills receivable, based on the issue date, at 31 December 2022 and 2021 is as follows:

	2022	2021
	HK$'000	*HK$'000*
0 to 30 days	**640,258**	121,807
31 to 60 days	**216,588**	127,233
61 to 90 days	**97,999**	102,396
91 to 180 days	**480,721**	784,396
	1,435,566	1,135,832

As at 31 December 2022, the Group had pledged trade and bills receivables of HK$36,943,000 (2021: HK$0) to secure certain bank borrowings, and pledged bills receivable of HK$420,897,000 (2021: HK$492,740,000) to secure the bills payable (Note 13).

13. TRADE AND OTHER PAYABLES

	Note	**2022** *HK$'000*	2021 *HK$'000*
Trade payable	*(a)*	**39,713,952**	37,641,202
Bills payable	*(a)*	**14,817,283**	14,631,645
Accrued salaries		**3,211,660**	2,881,432
Interest payable		**12,857**	113,939
Other tax payables		**1,149,285**	822,688
Other payables		**18,249,398**	18,825,417
Refund liabilities		**57,805**	48,100
Payable for acquisitions of subsidiaries		**440,722**	586,917
		77,652,962	75,551,340

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 2022, the Group's bills payable of HK$393,950,000 (2021: HK$10,746,527,000) were secured by the Group's bills receivable, at fair value of HK$40,284,000 (2021: HK$52,988,000), the Group's bills receivable with an aggregate carrying amount of HK$420,897,000 (2021: HK$492,740,000) (Note 12) and pledged bank deposits of HK$4,976,930,000 (2021: HK$4,356,098,000).

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

	2022 *HK$'000*	2021 *HK$'000*
0 to 30 days	**18,759,111**	19,763,219
31 to 60 days	**7,645,847**	7,275,129
61 to 90 days	**3,664,413**	2,855,637
Over 90 days	**9,644,581**	7,747,217
	39,713,952	37,641,202

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

	2022 *HK$'000*	2021 *HK$'000*
0 to 30 days	**2,876,015**	1,156,647
31 to 60 days	**2,546,268**	3,031,932
61 to 90 days	**2,531,018**	2,559,597
Over 90 days	**6,863,982**	7,883,469
	14,817,283	14,631,645

14. BUSINESS COMBINATIONS

(a) Acquisition of Shenzhou Biology & Technology

In view of enriching brand and product portfolio, improving innovation and realising strategic objectives, CR Double-Crane, a subsidiary of the Group, acquired 50.11% equity interests in Shenzhou Biology &Technology Co., Ltd. ("**Shenzhou Biology & Technology**") from Shenzhou Space Biotechnology Group and other transferors at a cash consideration of RMB501,736,000 (equivalent to HK$571,533,000). The acquisition of Shenzhou Biology & Technology was completed on 31 August 2022.

Goodwill recognised on this acquisition of Shenzhou Biology & Technology amounted to HK$167,189,000.

(b) Acquisition of other subsidiaries and businesses

During the year, 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 RMB10,287,000 (equivalent to HK$12,121,000). 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
JiangXi Jiangzhong Pharmaceutical Packaging Co., Ltd ("**Jiangzhong Packaging**")	31 May 2022	100%
JiangXi Jiangzhong Anke Technology Co., Ltd. ("**Jiangzhong Anke**")	31 May 2022	51%

Goodwill recognised from the above acquisitions amounted to HK$2,705,000.

15. DISPOSAL OF SUBSIDIARIES

Disposal of other subsidiaries and businesses

In April 2022, the Group disposed of a 75.40% equity interest of Vector Gene Technology Company Ltd. to Tianjin Younuo Internet of Things Technology Co., Ltd. at a cash consideration of RMB18,920,000 (equivalent to HK$22,631,000).

In May 2022, the Group disposed of a 100% equity interest of Guilin Yuemei Packaging & Printing Co., Ltd. to Guilin Kechuang Precision Mold Products Co., Ltd. at a cash consideration of RMB21,800,000 (equivalent to HK$25,628,000).

In June 2022, the Group disposed of a 100% equity interest of Beijing Jiangzhong High-tech Investment Co., Ltd. to Shanghai Jiaodian Investment Management Co., Ltd. at a cash consideration of RMB11,374,000 (equivalent to HK$13,403,000).

In June 2022, the Group disposed of a 100% equity interest of Guilin Zizhu Latex Products Co., Ltd. to Winner Medical Co., Ltd. at a cash consideration of RMB450,000,000 (equivalent to HK $529,430,000).

In November 2022, the Group disposed of a 100% equity interest of Jiangxi Jiangzhong Pharmaceutical Packaging Co., Ltd. to Jiangxi Yatai Pharmaceutical Packaging Co., Ltd. at a cash consideration of RMB1,601,000 (equivalent to HK$1,742,000).

In December 2022, the Group disposed of a 100% equity interest of Guangzhou Caihuo Medical & Pharmaceutical Chain Co., Ltd. to Beijing Hangxin Operations Management Co., Ltd at a cash consideration of RMB430,000 (equivalent to HK$481,000).

In December 2022, the Group disposed of a 100% equity interest of Shenzhen Hua Yi Run Sheng Commercial and Trading Co., Ltd. to Beijing Hangxin Operations Management Co., Ltd at a cash consideration of RMB1,910,000 (equivalent to HK$2,137,000).

The above disposals resulted in a gain on disposal of subsidiaries of HK$401,627,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2022, given that the frequent disturbances caused by the pandemic and the complex and volatile international situation, China's relief measures for stabilizing growth continued to make efforts to promote the smooth operation of the industrial economy. Since December, the pandemic prevention policy in China has been adjusted, together with the implementation of the expansion of domestic demand strategy, which will create a better impetus for economic recovery and growth in China. According to the National Bureau of Statistics of China, the gross domestic product recorded a year-on-year growth of 3.0%, demonstrating the strong resilience, great potential and sufficient vitality of China's economy while proving that the fundamentals of China's economic long-term improvement remain unchanged.

According to the National Bureau of Statistics of China, as the recurrence of the pandemic in 2022 and a relatively high base in 2021, revenue and total profit of China's pharmaceutical manufacturing industry recorded decreases of 1.6% and 31.8% year-on-year, respectively. During the "14th Five-Year Plan" period, China's pharmaceutical industry will enter into the stage of high-quality development comprehensively. Top-level plans, such as the Development Plan for the Pharmaceutical Industry and the Development Plan for the Bio-economy under the "14th Five-Year Plan", were rolled out successively, providing guidance on the development direction for the pharmaceutical and health industry in China. It is expected that the average annual growth rate of revenue and total profit of China's pharmaceutical industry will remain at 8% during the "14th Five-Year Plan" period, with the positive long-term trend for the pharmaceutical market in China.

"Healthy China" strategy is being fully promoted as evidenced by the change of focus of the health sector from disease treatment to people's health. Meanwhile, the industry is affected by the profound impact of a new round of technological development, which is reflected by the maturity and wide application of new generation of biotechnology as well as the acceleration of reshaping of the pharmaceutical industry chain and supply chain, thereby creating more innovation cooperation opportunities. Policies from the central to local governments have been introduced to encourage the development of traditional Chinese medicines (TCM) and thus the scale of the TCM market continues to expand. Few revisions were made to the centralised procurement policy recently, showing that the combination of national and regional centralised procurement has become a new normal, with the scope of procurement expanded to cover high-value medical consumables, TCM and biological drugs.

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 new normal of the post-pandemic era, and a major driving force 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.

With the acceleration of population aging, the comprehensive promotion of the "Healthy China" strategy and the upgrading of residents' healthy consumption, 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, demonstrating that the long-term positive trend of China's pharmaceutical market remains unchanged. While comprehensive centralised procurement, drug approval policies guided by clinical value and intense competition in sub-segments will set extremely high requirements for pharmaceutical enterprises. Driven by policy, technology and capital, the pharmaceutical industry will continue to encounter enormous challenges as well as opportunities. The differentiation and high qualitative innovation emerge as crucial factors to excel in competition, which will further drive the integration and concentration of the pharmaceutical industry.

GROUP RESULTS

In 2022, the Group vigorously implemented the "Healthy China" strategy led by innovation and empowered by technology. We sought new growth engine through extensive development and external cooperation, accelerated the adjustment and optimization of business structure as well as sector and regional deployment, accelerated the deployment in emerging fields, and continuously optimized resource allocation and synergy integration with digital power to enhance operational quality and efficiency and further improve our market competitiveness, thereby realizing our green, high-quality and sustainable development.

During the Reporting Period, the Group proactively responded to market and industry changes and accelerated innovation and transformation, driving steady growth in our results. We recorded total revenue of HK$254,106.4 million, representing an increase of 7.3% (10.8% in RMB terms) compared to HK$236,806.2 million for 2021. In 2022, revenue of the Group's three major business segments, namely pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail businesses, accounted for 15.8%, 80.7% and 3.5% of the Group's total revenue, respectively.

During the Reporting Period, the Group recorded gross profit of HK$39,134.8 million, representing a 10.6% (14.2% in RMB terms) increase from HK$35,380.3 million for 2021. The overall gross profit margin was 15.4%, representing an increase of 0.5 percentage point compared to 14.9% for 2021. This was primarily due to the increase in the proportion of revenue from the pharmaceutical business with higher gross margin during the Reporting Period.

In 2022, the Group recorded a net profit of HK$7,843.3 million, representing a 18.0% (20.4% in RMB terms) increase from HK$6,647.4 million for 2021. The Group generated a profit attributable to owners of the Company of HK$4,147.4 million, representing an increase of 10.0% (11.7% in RMB terms) compared with that of HK$3,768.9 million for 2021. Basic earnings per share were HK$0.66 during the Reporting Period (2021: HK$0.60). The Board recommended the payment of a final dividend of HK$0.16 per share for the year ended 31 December 2022.

1. Pharmaceutical Manufacturing Business

The Group strengthened extensive development and resource integration in its pharmaceutical manufacturing business. It deployed fast-growing sectors, strengthened the development of the entire value chain of the Chinese medicine business, continuously increased R&D investment, accelerated innovation, transformation and external cooperation, optimized product and business structure, and promoted the digitalisation and intelligent transformation of the entire value chain, to further enhance brand influence and market competitiveness.

During the Reporting Period, the Group's pharmaceutical manufacturing business generated segment revenue of HK$44,295.8 million, representing an increase of 14.7% (18.4% in RMB terms) compared with that for 2021. All business segments, such as biologics, TCM and chemical drugs, recorded a general increase in revenue. The gross profit margin of the pharmaceutical business was 57.3%, representing a slight decrease of 0.3 percentage point compared with the same period last year.

The Group owns comprehensive portfolio of pharmaceutical products with the wide coverage of therapeutic areas, including chemical drugs, biopharmaceutical drugs, TCM 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, pediatrics, genitourinary system, dermatological diseases as well as blood products, therapeutic infusions, antitumor drugs, medicine for cough and cold, anti-infection drugs, etc. As at the end of the Reporting Period, the Group manufactured a total of 626 products, of which 342 were included in the National Reimbursement Drug List and 152 were included in the National Essential Drug List. All of the Group's pharmaceutical manufacturing subsidiaries have formed professional sales and marketing teams, covering over 100,000 medical institutions.

Sales revenue from pharmaceutical manufacturing business by product categories *(HK$ million)*	**2021**	**2022**	**Year-on-year growth**
TCM	**18,928.1**	**21,236.9**	**12.2%**
Of which: OTC drugs	12,650.4	15,149.1	19.8%
Prescription drugs	6,277.7	6,087.8	–3.0%
Chemical drugs	**16,052.0**	**18,030.1**	**12.3%**
Of which: OTC drugs	2,966.4	4,270.6	44.0%
Prescription drugs	11,696.0	12,228.4	4.6%
APIs	1,389.6	1,531.1	10.2%
Biopharmaceutical drugs	**438.6**	**2,219.0**	**405.9%**
Nutritional and healthcare products, and others	**3,195.8**	**2,809.8**	**-12.1%**
Total	**38,614.5**	**44,295.8**	**14.7%**

In terms of product categories, the revenue from the TCM business of pharmaceutical manufacturing business segment of the Group was HK$21,236.9 million during the Reporting Period, representing a year-on-year increase of 12.2% (15.8% in RMB terms), of which revenue from the TCM OTC drugs business increased by 19.8% year-on-year (23.6% in RMB terms), mainly due to the solid year-on-year growth in revenue from the E-Jiao product line, cold, gastroenterology and orthopedics businesses; while the revenue from the TCM prescription drugs business slightly decreased by 3.0% (0.1% increase in RMB terms) year-on-year, however, the revenue from the TCM decoction pieces and anti-tumor businesses increased. The chemical drugs business recorded revenue of HK$18,030.1 million, representing a year-on-year growth of 12.3% (15.9% in RMB terms), of which revenue from the chemical OTC drugs business significantly increased by 44.0% (48.6% in RMB terms) year-on-year, mainly attributable to the revenue growth in the dermatology, pediatrics and reproductive health businesses; while the revenue from the chemical prescription drugs business increased by 4.6% (7.9% in RMB terms) year-on- year, mainly due to the significant revenue growth in the large volume parenteral (LVP), anti-infection, glucose-lowering and other businesses; and the revenue from API business increased by 10.2% (13.7% in RMB terms) year-on-year. During the Reporting Period, the biopharmaceutical drugs business achieved revenue of HK$2,219.0 million, a rapid growth of 405.9% (422.3% in RMB terms) as compared to the same period last year, mainly due to the completion of the merger and acquisition of China Resources Boya Bio-pharmaceutical Group Company Limited ("**CR Boya Bio-pharmaceutical**") and Jincheng Haisi Pharmaceutical Co., Ltd. (晉城海斯製藥有限公司) ("**Haisi Pharmaceutical**") by the Group in the second half of 2021.

Accelerating extension development to unlock the potential for growth and strengthening business integration to realize resource synergy

The Group has strong capabilities and rich experience in M&A integration. During the Reporting Period, the Group accelerated its extension development in the fields of TCM, biopharmaceutical drugs and commercial insurance and further optimized its business structure and product mix, so as to deploy high-growth sectors as well as expand its business model and development space. Meanwhile, leveraging on its advanced management concepts, operational capabilities and effective business models, the Group improved the operational quality and management level of the acquired enterprises, and strengthened the effective integration of internal resources to realize synergy.

In May 2022, the Group, China Resources Sanjiu Medical & Pharmaceutical Company Limited ("**CR Sanjiu**") and Holley Pharmaceutical Group Co., Ltd. (華立醫藥集團有限公司) ("**Holley Pharmaceutical**") entered into a strategic cooperation agreement and a share transfer agreement respectively, pursuant to which the parties would initiate a comprehensive strategic cooperation in TCM, health industry and other related businesses. CR Sanjiu proposed to purchase 28% interest of the shares of KPC Pharmaceuticals, Inc (昆藥集團股份有限公司) ("**KPC**"), a subsidiary of Holley Pharmaceutical. In January 2023, CR Sanjiu completed the acquisition of the shares of KPC and became its controlling shareholder. CR Sanjiu has good synergy with KPC, and such acquisition will realize the organic combination of both parties in the upstream supply chain, marketing platform, channel terminal and other advantages, achieve resource sharing and collaborate to build the quality TCM brand of "Kun TCM 1381 (昆中藥1381)", as well as collaborative planning the development of the pseudo-ginseng industry chain by centering on pseudo-ginseng.

In August 2022, China Resources Double-Crane Pharmaceutical Co., Ltd. ("**CR Double-Crane**") completed the acquisition of 50.11% equity interest in Shenzhou Biology & Technology Co., Ltd (神舟生物科技有限責任公司) ("**Shenzhou Biology & Technology**"). Shenzhou Biology & Technology is a high-tech company mainly engaged in R&D, production and sales of biological fermentation products. Such acquisition of Shenzhou Biology & Technology will help the Group rapidly enter the field of biological fermentation through the access to technology platform. The additional biological fermentation technology platform can improve our ability to obtain products in the field of biological fermentation to enrich its product pipeline and expand its business layout. Besides, it will also help CR Double-Crane implement the integration strategy of raw materials and preparations so as to further improve its earning power.

In September 2022, CR Double-Crane completed the acquisition of 31.25% equity interest in Dongying Tiandong Pharmaceutical Co., Ltd. (東營天東製藥有限公司) ("**Tiandong Pharmaceutical**") held by CR Pharmaceutical Industry Fund, after which CR Double-Crane held an aggregate of 70% of the shares of Tiandong Pharmaceutical and became its controlling shareholder. Tiandong Pharmaceutical focuses on the field of heparin with promising market prospects, which is in line with the development strategy of CR Double-Crane. Such equity acquisition will help CR Double-Crane further enhance the in-depth resource integration of Tiandong Pharmaceutical in respect of R&D, production and sales, so as to enhance the earning power and comprehensive competitiveness of Tiandong Pharmaceutical, thereby facilitating the rapid development of Tiandong Pharmaceutical. Besides, it also fully reflects that CR Pharmaceutical Industry Fund, as one of the diversified investment channels of the Group, will help the Group improve its business layout and realize synergistic value with existing business in terms of extension development.

In November 2022, the Group, jointly with CR Sanjiu and China Resources Pharmaceutical Commercial Group Company Limited ("**CR Pharmaceutical Commercial**"), strategically invested in Yibao Technology (Shanghai) Limited (熠保科技(上海)有限公司) ("**Yibao Tech**") by way of capital increase, after which they held an aggregate of approximately 10% equity interest in Yibao Tech. Yibao Tech is a service provider focusing on the urban customized commercial health insurance platform. Through this strategical investment, the parties will join forces and develop a "Urban Health Guarantee Platform" to make health insurance and innovative healthcare more accessible, thereby contributing towards the establishment of a multi-level healthcare protection system. By leveraging Yibao Tech as a bridge to realize the mutual empower between commercial insurance business and pharmaceutical enterprises, link the product side to the payment side, enhance ability in covering out-of-hospital sales channels, the Group is able to lower patients' bill pressure in the field of innovative drugs and innovative medical devices usage. Meanwhile, it will introduce new business models to provide quality services for patients in chronic disease management, disease screening, etc.

In November 2021, the Group became the controlling shareholder of CR Boya Bio-pharmaceutical and positioned it as the blood products business platform of the Group. After the acquisition of CR Boya Bio-pharmaceutical, the Group helped it to establish "14th Five-Year" strategic development plan and actively promoted the all-round and in-depth management integration of CR Boya Bio-pharmaceutical in terms of strategic planning, corporate governance, fundamental management and corporate culture. During the Reporting Period, the overall post-investment management progressed smoothly. With its strong resource integration capabilities, the Group promoted business integration and resource integration with CR Boya Bio-pharmaceutical in terms of upstream resources, production capacity expansion and downstream channels to further promote its business development. The Group actively assisted CR Boya Bio-pharmaceutical to conduct cooperation and communication with various provinces at the provincial level and obtained approvals for the establishment of plasma collection station from several county and municipal. In December 2021, CR Boya Bio-pharmaceutical set up a new plasma collection station in Yangcheng County, Shanxi Province. In May 2022, CR Boya Bio-pharmaceutical entered into the strategic cooperation framework agreement with Shenzhen Gaotejia Investment Group Co., Ltd. (深圳市高特佳投資集團有限公司) in relation to the investment and construction and business management improvement of plasma collection stations. In order to meet the production capacity needs of CR Boya Bio-pharmaceutical due to the rapid growth of plasma collection in the future, the Group and CR Boya Bio-pharmaceutical established a joint project group of intelligent factory to build a new blood products production base in Fuzhou, Jiangxi through the application and improvement of existing technologies, with a designed capacity of 1,800 tons/year of plasma for the first phase. The intelligent factory has commenced the construction work during the Reporting Period. In August 2022, CR Boya Bio-pharmaceutical received the Drug Registration Certificate issued by NMPA for "Human Coagulation Factor VIII". Technical reform project of human prothrombin complex concentrate (PCC) production line is going well. In addition, in September 2021, CR Boya Bio-pharmaceutical entered into the equity transfer framework agreement and the entrusted management agreement with CR Pharmaceutical Commercial, pursuant to which CR Boya Bio-pharmaceutical intends to transfer its 75% equity interests in Guangdong Fuda Pharmaceutical Co., Ltd. (廣東複大醫藥有限公司) to CR Pharmaceutical Commercial, and conduct in-depth business integration. At present, the relevant synergistic integration is progressing smoothly. In April 2022, CR Boya Bio-pharmaceutical entered into the framework cooperation agreement with China Resources Pharmaceutical Commercial Group International Trade Company Limited (華潤醫藥商業集團國際貿易有限公司) for a long-term strategic partnership to jointly promote the development of the products manufactured by CR Boya Bio-pharmaceutical in international markets other than Mainland China. During the Reporting Period, CR Boya Bio-pharmaceutical recorded an excellent results, with an increase of 25% in its overall net profit attributable to the parent company.

In September 2021, China Resources Jiangzhong Pharmaceutical Group Co., Ltd. ("**CR Jiangzhong**") acquired 51% equity interest of Jincheng Haisi Pharmaceutical Co., Ltd. ("**Haisi Pharmaceutical**"), whose core product, Bifid Triple Viable Capsules Dissolving at Intestines ("**BIFIDO**"), is mainly used for symptoms such as acute and chronic diarrhea and constipation caused by enteric dysbacteriosis. This acquisition complemented CR Jiangzhong's shortcomings in gastrointestinal medicines, and further consolidated its core competitiveness in gastrointestinal category. Upon completion of the acquisition, CR Jiangzhong actively promoted integration and synergy with Haisi Pharmaceutical while strengthening the original business of Haisi Pharmaceutical. Haisi Pharmaceutical further enhanced its core business competitiveness, and proactively participated in national and provincial centralised procurement with products such as BIFIDO, Rabeprazole Sodium Enteric-coated Tablets succeeded in the tender for centralised procurement in Guangdong Alliance. Meanwhile, Haisi Pharmaceutical is actively developing potential products such as CoAprovel. In terms of integration and synergy, CR Jiangzhong promoted synergy on their channels and terminals with Haisi Pharmaceutical, and strengthened the conceptual association between "Bu Jun" and "Yang Jun" through the products of BIFIDO and "Lihuo" Lacidophilin Tablets, taking advantage of consumers' recognition of "Lihuo" Lacidophilin Tablets. The introduction of BIFIDO for sale in the existing OTC retail channels of CR Jiangzhong across more than 10 provinces has enriched gastrointestinal product mix in retail pharmacy terminals, and enabled Haisi Pharmaceutical to explore its OTC channel resources. Meanwhile, CR Jiangzhong achieved cost reduction through lean management and reducing energy consumption. During the Reporting Period, net profit of Haisi Pharmaceutical realized a relatively rapid growth.

To strengthen the development of the whole industry chain of TCM business; consolidate and enhance the leading position of consumer healthcare business

The inheritance, innovation and development of TCM have been elevated to a national strategic level, and the development of the TCM industry has ushered in a period of opportunity with increasing national support for TCM in top-level design and continued favourable policies in the industry. Digitalisation empowers the transformation of TCM industry.

The Group carried out the whole industry value chain management of TCM in a systematic manner, adopted modern technology to deeply explore the value of TCM. The Group continuously upgraded the industrial chain, enhanced self-innovation ability, strengthened quality management, and carried out broad cooperation in sections of the whole industry chain to establish leading position in TCM and promote the inheritance and innovation of TCM. In June 2022, CR Sanjiu, CR Jiangzhong and Dong-E-E-Jiao Company Limited ("**Dong-E-E-Jiao**")under the Group were recognised as the first batch of "TCM High Quality Development Promotion Community Member Units" (中醫藥高質量發展促進共同體成員單位), which demonstrated the Group's commitment and determination to promote the continuous upgrading of the TCM industry and achieve high-quality development.

With the philosophy of inheritance, innovation and development of TCM, CR Sanjiu strengthened the whole industry value chain management of TCM and constantly integrated the various resources of the TCM industry chain. It established a dominant position in the TCM field as an industry leader by promoting the basic foundation, technology replenishment, integration and optimization of the industry chain. Attaching great importance to the upstream raw material resources, CR Sanjiu put more efforts in the management of medicinal material resources, so as to improve the basic capacity and standardization of Chinese medicine agriculture. In addition, genuine medicinal materials and fresh-processing bases were allocated to help the construction of a traceability system. In terms of midstream, CR Sanjiu focused on key innovation areas, continuing to create core products with technological barriers. CR Sanjiu facilitated the intelligent development of TCM manufacturing by optimizing the production layout and accelerating the construction of TCM industry clusters, to built a benchmark demonstration of TCM manufacturing. At the same time, CR Sanjiu integrated consumer data and clinical evidence-based medical research in the downstream to optimize the industrial chain.

CR Jiangzhong has been building its core competitiveness in the gastrointestinal category in the health sector of TCM. CR Jiangzhong continued to improve the quality of medicinal materials. It established a price and flow monitoring system for TCM materials and promoted the construction of a standardized base for TCM materials with a focus on the Radix Pseudostellariae, a vital medicinal herb of the core product Stomachic tablet. CR Jiangzhong also actively explored and promoted industrial cooperation models and joined the collaborative development alliance of the whole industry chain of Chinese medicine in Hunan, Jiangxi, Guangdong-Hong Kong-Macao area. With emphasis on the innovative research and development and manufacturing of TCM, CR Jiangzhong constantly enhanced the research and development of new TCM and comprehensive health products and the secondary development of large and exclusive varieties, and promoted the green and intelligent manufacturing. In terms of downstream, CR Jiangzhong carried out more cooperation with the leading pharmaceutical chains, commercial companies and B2B platforms to accelerate online transformation. The "Jiangzhong-Lihuo" marketing case was awarded as one of the top 10 outstanding brand cases in China in 2022.

Dong-E-E-Jiao led in framing E-Jiao industry standards and developing selective market through the implementation of industrial chain extension, value chain improvement and supply chain connection. In terms of upstream, Dong-E-E-Jiao continued to expand its control at source through implementation of quality management standards for TCM materials in a comprehensive manner, in order to monitor the quality of raw materials at source and establish a quality control system for freezing preservation of donkey skin, which enhanced the whole process of quality control from medicinal materials to preparations. In terms of midstream, Dong-E-E-Jiao insisted on high tech and high standards to implement the whole process of quality control. Focusing on the core business of E-Jiao, it conducted several researches, including the assessment of the clinical value of Dong-E-E-Jiao in the treatment of premature ovarian insufficiency, and assessment of sedative and hypnotic activity of compound E-Jiao based on neurotransmitter regulation. In terms of downstream, Dong-E-E-Jiao developed its great health service industry, combined technology with marketing, with a view to build a tourism characteristic industry chain.

As an industry leader in China's consumer healthcare (CHC) market, the Group has covered areas including cold, gastrointestinal, dermatology, pediatrics, and orthopedics, etc., and is highly competitive and outstanding in terms of brand influence, core category market share, channel network and other aspects, and its brands and products are well recognized by the market. CR Sanjiu has won the first place for many years in a comprehensive ranking of China's non-prescription medicines manufacturers released by China Non-prescription Medicines Association. Our several CHC products were listed in the "2022 Healthcare Brands List" and "2022 Valuable Healthcare Brands" at the 15th China Health Ecology Organization, ranking the top among peers. Both Jiangzhong Jianwei Xiaoshi tablet (江中健胃消食片) and "Lihuo" Lacidophilin Tablets ("利活"乳酸菌素片) under Jiangzhong Pharmaceutical Co., Ltd. ("**Jiangzhong Pharmaceutical**") were listed among "2022 Valuable Healthcare Brands", while Dong-E-E-Jiao continued to rank first in the "Healthcare Brands List" and "Valuable Healthcare Brands" for the 8th consecutive year. Meanwhile, CR Zizhu's Yuting • Jinyuting was awarded the "2022 Top Healthcare Brand Award".

During the Reporting Period, the Group has accelerated the launch of new products in the field of CHC, carried out external cooperation, and optimized marketing systems, to continuously enhance its brand influence. The revenue in the field of CHC amounted to HK$20.66 billion, representing a year-on-year increase of 23.5%, which further consolidated its leading position and competitive advantage in the industry. In response to consumers' health management needs, CR Sanjiu has continuously launched new products in its CHC business. CR Sanjiu has launched 999 Wenweishu Granule (Low Sugar) (999溫胃舒低糖裝) particularly for female, newly released "999 Aonuo" Vitamin D3 ("999澳諾"維生素D3) and Calcium Carbonate and Vitamin D3 Granules (小兒碳酸鈣D3顆粒) in its paediatrics business, and also extended several new segments in big health sector, such as collagen and probiotics. CR Sanjiu entered into a strategic cooperation with Winner Medical Co., Ltd. (穩健醫療用品股份有限公司), under which, both parties will exploit the potential synergy and jointly expand business in the big health industry. CR Jiangzhong has completed the launch of several new items in terms of spleen-stomach treatment and probiotic products, creating four new products with sales revenue exceeding RMB10 million, namely Hawthorn and Endothelium Corneum Gigeriae Galli (ECGG) Extract Gummies (山楂雞內金軟糖) and Blueberry Lutein Ester Gummies (藍莓葉黃素酯軟糖). Dong-E-E-Jiao further explored traditional nutritious products by launching the upgraded E-Jiao Red Dates and Black Sesame Ball (阿膠紅棗黑芝麻丸) and Chrysanthemum Dandelion Tea (菊花蒲公英茶) that contains natural herb essence.

Accelerated innovation of business layout, optimization of product mix, and expansion of international markets

During the "14th Five-Year Plan" period, the Group accelerated innovation and transformation and promoted the development of innovation platforms. Leveraging the advantages of capital, brand and channels, the Group has increased cooperation with external parties, and speeded up to new products roll out and product upgrades to enrich its product lines. Besides, the Group progresses business optimization and technology upgrades of products to drive high-quality development in the long term with a focus on high-growth and high-potential sectors by strengthening and consolidating industry chains in biopharmaceutical and innovative chemical medicines, etc.

CR Double-Crane, a subsidiary of the Group, established the Innovation Division in 2021 to build a commercialization platform for new drug R&D, focusing on the unmet clinical needs for major diseases and the development and introduction of high-potential targets and peptides in tumor, pediatrics and rare diseases. In 2022, CR Double-Crane further established the Science and Technology Innovation Committee. In the short and medium term, the new drug pipeline of CR Double-Crane is primarily dedicated to the introduction of new drug assets that have completed pre-clinical R&D or initial clinical trials, so as to efficiently industrialize and commercialize innovative drugs; in the long term, it will build up independent R&D capabilities on disease areas of priority concerns and strengthen the cooperation and collaborative innovation with research institutions and colleges and universities, so as to create the original technical source base.

During the Reporting Period, CR Double-Crane focused on developing innovative technology platforms for anti-tumor and anti-virus with independent intellectual property rights. In respect of the anti-tumor platform, DC05F01, which is introduced by CR Double-Crane from a U.S. company Novita, is expected to be the first FIC new drug specializing in the treatment of tumor metastasis in the world. The Phase II clinical trial of DC05F01 is in progress in the United States and it had also been approved by NMPA for commencing clinical trials in China in March 2022. During the Reporting Period, the substantial portion of Phase I clinical trial has been completed, and safety profile has also been obtained. CR Double-Crane had obtained the exclusive authorization to develop, manufacture and commercialize the product in Greater China. CR Double-Crane were also actively building anti-virus platform by taking the R&D of oral anti-coronavirus drugs as the starting point. In May 2022, CR Double-Crane executed an agreement with Ligand Pharmaceuticals from the United States to obtain the exclusive rights to develop, manufacture and commercialise the oral anti-coronavirus RdRp inhibitor drug candidate named CX2101A in major Asian regions (except for Israel, Russia and Turkey), which is expected to be a Best-in-class Class 1 new drug by its advantages in anti-coronavirus efficiency and the absorption, activating and safety that showed during the pre-clinical studies, and Phase I clinical trial has commenced during the Reporting Period. Meanwhile, leveraging on the development of this project, CR Double-Crane shall access the BEPro prodrug technology, and develop new anti-virus and anti-tumor products based on such core technology.

During the Reporting Period, the Group was granted the Drug Registration Certificates by NMPA for several products in chemical and bio-pharmaceutical fields. CR Boya Bio-pharmaceutical's Human Coagulation Factor VIII was approved for production, which further enriched the product line of blood products, improved the comprehensive utilization rate of raw material plasma, and increased the output value of plasma per ton. The Perflutren Lipid Microsphere Injection, declared by CR Double-Crane as the exclusive agent in China, has been approved for launch. The drug is a contrast medium that can provide cardiac chamber imaging and improve endocardial border imaging and evaluation of regional ventricular wall motion, and was developed by Lantheus Medical Imaging, Inc. This is the first time that a product of this type to be approved in domestic market. CR Sanjiu's milrinone injection was approved for launch, registering as a Class 3 chemical drug which enriched CR Sanjiu's product mix in the cardiovascular and cerebrovascular (critical care) field. Besides, the listing of Mitoxantrone Hydrochloride Injection for tracking purposes of a Class 2 new drug for new indications was approved, which can be used for the tracking of sentinel lymph nodes in breast cancer. The chemical pharmaceutical products line of the Group will thus be further enriched, thereby contributing to improve the market competitiveness.

The Group kept improving its deployment 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 the end of the Reporting Period, the biopharmaceutical business manufactured ten products, i.e. Baijieyi, Ruitongli, Jialinhao, BIFIDO, human serum albumin, intravenous immunoglobulin, human coagulation factor VIII, etc.

In March 2022, China Resources Biopharmaceutical Co., Ltd. ("**CR Biopharm**") and Nuance Biomedical Technology (Shenzhen) Co., Ltd. (優鋭生物醫藥科技(深圳)有限公司) reached an exclusive cooperation on the cooperative product development of the world's first precision targeting and holistic immunity start-up project PTIA1, and CR Biopharm would be the Marketing Authorization Holder (MAH) of the product once listed. In August 2022, CR Biopharm entered into a collaboration agreement with Shenzhen Immvira Pharma Co., Ltd. to acquire exclusive co-development rights in Greater China for the pioneer lytic virus products for curing central nervous system tumors.

The Group continued to accelerate its international business layout by synergistically integrating the international market and channel resources of various business segments, establishing international sales teams and actively expanding international markets. During the Reporting Period, the export value of the pharmaceutical segment reached almost HK$1 billion. CR Boya Bio-pharmaceutical achieved zero breakthrough in the export of iVIG products in 2019 and has recorded a steady growth in export value in recent years. In 2022, it achieved a milestone in international product certification and plans to obtain registration certificates in various countries to further increase its export scale. CR Double-Crane proactively built up professional international teams and strengthened the development of new products and new markets to accelerate the international business layout. Tiandong Pharmaceutical has completed registration in 48 countries, with export sales accounting for 60% of revenue in 2022, and as for Shenzhou Biology's main product, Coenzyme Q10 API, over 90% of the revenue came from export sales. Taking advantage of the integration of steroid hormone APIs and preparations, China Resources Zizhu Pharmaceutical Co., Ltd. ("**CR Zizhu**") promoted the upstream and downstream extension of the API industry chain and entered the international market of healthcare products.

Technology drives innovation and transformation, and digitalization enables business development

The Group continued to accelerate digital construction through combining the development trend of the pharmaceutical industry and information technology, and focusing on business and management needs. By virtue of the value chain comprised research and development, production and manufacturing, supply chain, and sales and service, the Group applied new technologies such as big data, artificial intelligence and industrial internet to meet the digital needs of business scenarios, and focused on intelligent manufacturing, digital empowerment, online sales and other key areas, thereby continuing to improve its intelligent and digitalized operation management and promote business transformation and upgrade.

Driven by data and technology, the pharmaceutical manufacturing segment of the Group focused on developing the core advantage of "intelligent manufacturing" to continuously improve production efficiency and product quality while reduce operating costs. CR Sanjiu became the first enterprise in the pharmaceutical industry to pass the "Level 4 Assessment of Matured Intelligent Manufacturing Capability" of the Ministry of Industry and Information Technology of China ("**MIIT**"). During the year, CR Sanjiu not only expedited the implementation of intelligent manufacturing strategy, but also promoted the drug quality management system and production energy management system in an orderly manner, coupled with its extension of the TCM traceability platform to the upstream of the industrial chain. CR Sanjiu (Zaozhuang) Pharmaceutical Co., Ltd., CR Sanjiu (Ya'an) Pharmaceutical Co., Ltd. and Anhui CR Jinchan Pharmaceutical Co., Ltd., the subsidiaries of CR Sanjiu, were selected as one of "Outstanding Scenarios of Intelligent Manufacturing 2022" by the MIIT. TCM Intelligent Factory in Chenzhou, which is planned to be built as the extraction center of CR Sanjiu in South China, has been completed and accepted in 2022, so as to promote the upgrading and transformation of TCM manufacturing. CR Double-Crane carried out information construction for the core business of supply chain, quality system and production management, and promoted the implementation of Manufacturing Execution System (MES), Laboratory Information Management System (LIMS) and Quality Management System (QMS). The industrial park division of CR Double-Crane was selected as one of the "Outstanding Scenarios of Intelligent Manufacturing Demonstration Factory 2022" jointly announced by the MIIT and other departments. CR Jiangzhong's TCM Science and Technology Innovation City project in Ganjiang New Area is expected to be put into operation in 2023. With the foresight planning of intelligent manufacturing, the project has completed the construction of intelligent warehousing, production coding, artificial intelligence (AI) visual inspection, industrial internet and other systems in 2022. Dong-E-E-Jiao realized online visual inspection through AI technology, achieving an increase of 40% in labor efficiency, and realized automatic monitoring and early warning of temperature and humidity in the drying process of E-jiao production line through IOT technology, thereby improving product quality and stability. The Blood Products Intelligent Factory of CR Boya Bio-pharmaceutical has laid the foundation, aiming to be the largest single blood products workshop in Asia. The project refers to the advanced Industry 4.0 Technology, in order to realize the intelligentization of production, logistics and warehousing, production equipment, product and service systems to meet the company's future business development needs. Biological drug production lines with automated equipment and intelligent key production steps are built in the industrial park of CR Biopharm. At present, the pilot workshop has been put into operation.

The Group proactively enriched its omni-channel digital channels. In particular, it continuously improved the digitalization process of marketing and sales and advanced the academic marketing, B2B and B2C businesses shifting to online to build the brand recognition innovatively. It also increased its market share by optimizing consumers' experience and service quality using precision marketing and digitalized services. During the Reporting Period, the online sales of the pharmaceutical manufacturing segment recorded a remarkable increase of 44% in revenue year-on-year.

CR Sanjiu kept building its digitalized product selection capabilities, strengthening digital channel expansion, and built a professional new media operation team, leveraging on which, the sales of online B2C business had surpassed 4% in the Company's CHC business sales. Specifically, the sales of medicines for cold, the liver and gall as well as pediatric medicines all ranked top in the "618" and "Double Eleven" events. CR Double-Crane promoted the process of digitalization and established a direct supply and marketing system with e-commerce platforms such as JD.com. In terms of academic promotion, it combined both online and offline channels to maximize the effects and launched online doctor to issue online prescription for end consumers. CR Jiangzhong engaged in multi-channels for its online marketing and sought values in traditional e-commerce, distribution channels, live streaming platforms and so on. It also developed new products based on channel characterises. During the Reporting Period, the revenue generated from Lacidophilin Tablets reached approximately HK$60 million, representing a year-on-year increase of 160%. Dong-E-E-Jiao upgraded its overall brand marketing strategy by investing in several digital advertising projects and making precision marketing through clarifying its target consumers. It ranked first in the nourishing vitality and blood brand category in Tmall and the OTC nourishing vitality and blood brand category in JD.com, respectively in the "618" event, and ranked first in the nourishing and healthcare products in JD.com in the "Double Eleven" event in terms of sales and recorded a year-on-year increase of 12% during the later. CR Zizhu was actively exploring its online marketing model to strengthen its branding system. The sale volume of Jinyuting/Yuting products held a resilient lead in O2O market for oral contraceptives with online sales increasing 36% year-on-year in 2022. The ovulation test products under Yuting also made significant progress in e-commerce B2C market.

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. The total R&D expenditure for the Reporting Period amounted to approximately HK$2,545.8 million, representing an increase of 22.9% on year-on-year basis (up by 29.0% in RMB terms). Guided by national policies, development trends of industry technology and market demands, the Group enhanced its core competitiveness through the emphasis on innovation-oriented products as well as 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 five State-certified engineering technology research centers, three State-certified enterprise technology centers and approximately 50 research centers certified by provincial and municipal authorities, as well as post-doctoral research workstations with a R&D team comprising over 2,300 members.

The Group conducted continuous refinement of its R&D mechanism, established a market-oriented talent introduction mechanism and the mechanism for training talents at different levels, and strengthened the introduction of leading talents. In addition, the Group has been continually improving its mechanism for introduction of external experts, and actively introducing experts and leading talents in the industry to strengthen the team of external experts, and continuously promoted the innovative transformation and sustainable development of the Group.

As at the end of the Reporting Period, the Group had approximately 300 ongoing new product R&D projects, including approximately 100 new drug projects, mainly involving oncology and immunity, metabolism and endocrine, respiratory system, hematology, angiocarpy, TCM classic prescription and other fields. In 2022, the Group has been granted with more than 230 patents; clinical trials were approved for five products, including NIP003 (a Class 1 chemical innovation drug for thrombus), NIP001 (a Class 1 chemical innovation drug for renal anemia), DC05F01 (a Class 1 chemical innovation drug for solid tumor), Jiangshi Granule (姜石顆粒) (a Class 1.1 TCM innovative drug for irritable bowel syndrome under spleen-stomach deficiency) and CX2101A (a Class 1 chemical innovation drug for COVID-19); application for drug registration were submitted to NMPA for 31 products, including Brivudine Tablets, Olmesartan Medoxomil and Amlodipine Besylate Tablets, Silodosin Capsules, etc.; drug registration approvals were obtained from NMPA for 16 products, including Mitoxantrone Hydrochlorid Injection (used as lymphatic tracer), Human Coagulation Factor VIII, Nifedipine Controlled-release Tablets and Ibuprofen Suspension, in a further diversification of the product portfolio of the Group's pharmaceutical manufacturing business.

During the Reporting Period, the Group made significant progress in the research and development of a number of Class 1 innovative drugs. NIP003, a novel FXIa inhibitor with global intellectual property rights for the prevention of arteriovenous thrombosis, has started Phase I clinical trial. At present, there is no drug for the same target points available domestically or abroad. NIP001, a Class 1 new drug in blood field, has been approved for clinical trials for the treatment of renal anemia. The current clinical treatment protocol for renal anemia in China has a relatively low hemoglobin achievement rate, and NIP001 is expected to improve the existing treatment protocol in terms of efficacy and safety. Jiangshi granule, a Class 1 innovative TCM drug, has been approved for clinical trials for the treatment of irritable bowel syndrome with spleen and stomach weakness, and the Group has several Class 1 innovative TCM R&D projects in pipeline currently. The drug is effective in the treatment of functional diarrhea and performing well in drug tolerance and safety. It can be used as a long-term drug beneficial to chronic diarrhea with spleen deficiency. NIP292, which treats idiopathic pulmonary fibrosis, is the second oral ROCK inhibitor to enter clinical research in the world. The drug, for which the Group has global intellectual property rights, 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 in Medicine and Health", and has completed Phase I clinical MAD (multiple arising dose) study during the Reporting Period, indicating good results. NIP046 is designed for a variety of autoimmune diseases, ranking at the first echelon in research and development progress of similar targets in China. During the Reporting Period, the drug has completed Phase I clinical MAD trial study, indicating good safety and tolerability. NIP142, which is used to treat mutant non-small cell lung cancer, started Phase I clinical trial and completed the first enrollment during the Reporting Period.

As at the end of the Reporting Period, the Group had 38 biological drug projects under development, 20 of which were new biological drugs focusing on anti-tumor, immunity, endocrine and other therapeutic fields. The Phase III clinical trial of Ruitongli for treating the new indication of acute stroke is progressing rapidly, with 1,300 cases enrolled. Its treatment for the new indication of acute pulmonary embolism has entered Phase II clinical trial and progressed well. The Class 1 new biological drug in blood field has completed 30% enrollment under the Phase II clinical trial. The intravenous immunoglobulin (10%) has completed the first enrollment under the Phase III clinical trial.

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. During the Reporting Period, 13 products passed the consistency evaluation, among which Gliquidone Tablets and Levofloxacin and Sodium Chloride Injection were the first to pass the evaluation for the same product.

CR Pharmaceutical Shenzhen R&D Center is in sound operation, with two major R&D platforms of bio-innovative drugs and chemical innovative drugs. The bio-innovative drugs platform is mainly dedicated to new drugs design and molecular construction of monoclonal antibodies, double antibodies, nanobodies and polypeptide drugs empowered by AI technology, and development of CMC varieties of yeast expression system, for exploring the competitive advantage of product differentiation. Currently, the innovative pichia pastoris expression system technology of East China University of Science and Technology has been verified and transferred, and seven R&D projects of new biological products have been established with good progressing. The chemical innovative drugs R&D platform focuses on novel targets for tumor, autoimmunity and other major diseases, and integrates target discovery, AIDD/CADD (AI-Driven Drug Design/Computer-Aided Drug Design), compound synthesis, drug screening and optimization. At present, four pre-research projects, targeting at tumor have been established, and are well under way.

In March 2022, China Pharmaceutical R&D Center Co., Ltd. was selected as one of the "Small Giant" enterprises with specialized, sophisticated techniques and unique, novel products in Beijing, and in November of the same year, Tiandong Pharmaceutical was selected as one of the first batch of "Small Giant" high-tech enterprises in Shandong Province. The selection criteria for "Small Giant" enterprises is extremely stringent as the candidates must be the leading enterprises within the specialist-tech or high-tech industry that focus on segmented markets and have achieved industry-leading standards in terms of innovation, professionalism, business management and other special conditions. Such selection demonstrates that our innovation and research capabilities are well recognized by the government authorities, which is conductive to the enhancement of industry position, brand image and rapid development of the Group.

During the Reporting Period, the Group, proactively explored innovation and corporation, established business development synergy mechanism to give full play to its overall advantages in external innovation resource development and sharing, project evaluation, project negotiation and coordination, and explored innovative R&D mode through taking full advantage of external resources. With focus on expanding corporation with national innovation hubs and top biotech companies, the Group managed to diversify and optimize innovative R&D pipelines through developing cutting-edge technologies and original products under model of license-in and joint development.

The Group devoted in promoting the strategic cooperation with national innovative institutions such as National Medical Center and top biotechnology companies with innovative medical projects and technologies as the carrier, accessing top external expert resources while acquiring projects and technologies. During the Reporting Period, the Group proactively advanced strategic cooperation with Fuwai Hospital Chinese Academy of Medical Sciences on critical core technical issues relating to the overall, advanced and applicable clinical needs in the field of cardiovascular disease, and jointly promoted the construction of National Medical Center, so as to open up new channels for the Group to obtain innovative products. In March 2022, the Group signed a strategic cooperation agreement with National Clinical Research Center for Infectious Diseases of Shenzhen and The Third People's Hospital of Shenzhen to develop a strategic cooperation in the research and development of new drugs, diagnostic reagents and innovative vaccine products in the field of infectious diseases. In June 2022, the Group signed a strategic cooperation agreement with Wenzhou Medical University and Wenzhou Ouhai District Government to jointly promote the strategic cooperation with the National Engineering Research Center for Cell Growth Factor Drugs and Protein Agents and explore the cooperation on new target discovery, upstream design and the development of critical downstream engineering technology; the Group also signed a strategic cooperation agreement with Wenzhou Longwan District Government to cooperate in the fields of eye health and Alzheimer's disease. Meanwhile, CR Zizhu signed strategic cooperation agreements with Ouhai District Government and Longwan District Government on ophthalmic medicine, respectively, pursuant to which they will conduct in-depth cooperation on talents cultivation, research and innovation consortium, transformation of scientific and technological achievements and cooperation of "industry-academia-research" in the field of ophthalmology. The letters of intent for cooperation have been signed for eight innovation projects. In November 2022, the CR Sanjiu — Shenzhen Bay Laboratory Joint Research Centre was inaugurated to promote in-depth cooperation between the two parties in biomedicine, AI, new materials and medical devices. Through establishing an industry-academia-research team to carry out technical research and other manners, both parties will jointly boost the research and innovation on critical technologies, thus providing strong support for industries in Guangdong-Hong Kong-Macao Greater Bay Area in terms of scientific research and achievement transformation. In November 2022, the Group signed a strategic cooperation agreement with Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) to cooperate in the research and industrialization of Chinese innovative drugs and high-end medical devices with a focus on clinical needs and advanced biotechnologies.

Tapping into the strengths of Hong Kong in science, technology, talent and innovation, the Group has actively explored and carried out the establishment of scientific research platform and cooperation in research and development projects, as well as reserved innovative R&D cooperation projects with renowned universities, innovative biopharmaceutical companies and other technological innovation institutions in Hong Kong. In December 2022, CR Jiangzhong signed a letter of intent for cooperation in the research project of Shenlingcao in treating COVID-19 with Hong Kong Baptist University and China Resources Research Institute of Science and Technology, in order to jointly promote the clinical research of CR Jiangzhong's Shenlingcao Oral Solutions in improving the immunity and fatigue of COVID-19 patients.

In April 2022, CR Jiangzhong entered into a cooperation agreement with Jinan University and Institute of Material Medical Chinese Academy of Medical Science to launch a joint study on "anti-Alzheimer's Disease candidate innovative drug IMMJNU-018", to enrich the pipeline of TCM new drugs.

In December 2022, CR Zizhu introduced an anti-tumor Class 2 innovative drug in the field of reproductive health, with the clinical trial starting soon.

During the Reporting Period, a number of projects under development 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, is in Phase I clinical dose-escalation study.

3. Pharmaceutical Distribution Business

In terms of the pharmaceutical distribution business, the Group actively promoted the business transformation, implemented the regional development strategy, made innovations in the business model, continuously improved the capabilities of production, marketing and value-added services, and enhanced the professional development of the entire industry chain for the medical device business. Moreover, it has been constantly improving the online and offline integrated business model by strengthening integrated and standardized logistics development, actively expanding international business, and empowering business development and management optimization with digitalization.

During the Reporting Period, the Group's pharmaceutical distribution business recorded a segment revenue of HK$211,288.5 million, representing an increase of 6.1% compared with that for 2021 (an increase of 9.5% in RMB). The gross profit margin of the distribution business was 6.2%, remaining stable as compared with the previous year.

For the distribution business, the Group has been continuously improving its integrated procurement and sales system by reinforcing the integration of the entire supply chain and transforming as well as upgrading to commercial expansion to enhance its ability to coordinate product acquisition. It obtained upstream quality resources by using central market access, omni-channel coverage and innovative payment. During the Reporting Period, by accelerating the product introduction and optimizing the product structure, the Group gained multi-channel marketing rights for 24 significant products, with an acquisition rate of the key innovative drugs newly approved for marketing and commercialization of 97%. The Group also entered into a cooperation agreement with well-known companies, in respect of the patient service, innovative payment and in-depth marketing. Besides, the Group actively participated in the centralised procurement, gathered superior resources, conducted integrated and classified acquisition of the centralised procurement products, and the average regional product acquisition rate of the Group reached 81% during the sixth centralised procurement of insulin. Meanwhile, the Group strengthened the development of the out-of-hospital supply chain system to build the "Runyao" brand, and introduced more than 70 exclusive distribution/product specifications in 2022. Moreover, it actively expanded the primary chronic disease market and acquired exclusive marketing rights for insulin products of Sanofi and Novo Nordisk across several provinces.

The Group constantly strengthened the port construction, optimized the resource coordination and complemented the advantages among various ports, stimulated the channels and vitality for port business expansion, and greatly expanded the international business. During the Reporting Period, through the "multi-port, one-stop" (多口岸、一站式) service model, the Group improved its imported product acquisition capability. In 2022, the Group achieved imported products sales of approximately HK$15.3 billion, with 14 new imported products; assisted domestic manufacturers to expand their overseas business by adopting joint venture model, actively explored the export of major healthcare products such as TCM materials, and realized export sales of approximately HK$900 million in 2022, of which the export value of dendrobium granules and other major healthcare products exceeded HK$100 million. Meanwhile, overseas innovative drugs were imported based on the policy advantage of the pioneer medical treatment demonstration area in the Greater Bay Area, Hainan Lecheng and Tianjin Free Trade Area. Pursuant to the "Hong Kong and Macao Medical Instrument Connect" policy, it has assisted five hospitals to obtain a total of 37 clinical urgently needed drug approvals and 11 clinical urgently needed medical device approvals, introduced anti-tumor drugs made by Taiho Oncology, Inc to Hainan Lecheng, and introduced innovative drugs made by Roche Pharmaceutical (羅氏製藥) and BeiGene to Tianjin Free Trade Area.

During the Reporting Period, the medical device distribution business of the Group expanded rapidly and recorded revenue of approximately HK$35.4 billion, representing a year-on-year increase of over 35%, reflected by the rapid growth of IVD diagnostic reagents, orthopedics operating and interventional supplies business in revenue. The Group constantly promoted the integrated control of the medical device business, and strengthened professional management. It set up 30 independent medical equipment companies covering 29 provinces, and established business relationships with more than 3,000 upstream medical equipment manufacturers and 20,000 downstream hospitals. In 2022, the Group accelerated the development of specialized capability of orthopedics, interventional supplies, IVD diagnostic reagents and general supplies, invested in 20 distribution companies in specialized areas, and actively established a professional distribution network across the country. As for the orthopedics business, the Group established a nationwide supply chain and service integrated platform, set up 71 sub-warehouses in various provinces, and cooperated with nearly 50 hospitals in the insurance of orthopedic surgery. It has established seven professional inspection companies in the IVD field, and actively built up an integrated capability from product R&D all the way to inspection and application terminal. During the Reporting Period, the Group accelerated product introduction in terms of medical devices business by acting as the general agency of over 20 manufacturers. It also extended to the upstream of the industry chain, built self-owned brands through franchise or registration, concluded 18 franchised products, and obtained eight self-owned product registration certificates. In the meantime, the Group further enhanced its innovative service capability for the device business, with 50 innovative projects including new SPD (Supply — Processing — Distribution) projects, a newly established professional SPD company, self-owned SPD service software and a new regional comprehensive inspection center project launched during the Reporting Period. At present, the Group has more than 120 SPD and centralised distribution innovative projects.

The Group actively advanced its innovative services for its distribution business, i.e. Center of Excellence, Contract Sales Organization (CSO), C+ Digital Pharma and Commercial Insurance Payment, expanded the business innovation model, conducted in-depth marketing services, remolded the value of traditional medical channels, and provided diversified solutions for upstream pharmaceutical companies. During the Reporting Period, the Group connected the value chain through innovative services of special disease centers, and concluded 56 special disease centers covering key fields, including departments of thoracic surgery, medical oncology, rheumatology and immunology, hematology and neurology. Among them, the Center of Pharmaceuticals and Specialized Diseases of Shanghai Tongji Hospital (上海同濟醫院藥學專病中心) and the Center of Specialized Diseases of the Neurology Department of Shandong Provincial Hospital (山東省立醫院神經內科專病中心) entered into the trial operation phase. By the end of the Reporting Period, the Group operated more than 80 CSO projects including the Sanofi Depakine (Sodium Valproate Injection) project, involving over 80 upstream enterprises, and continuously expanded its profit model. In 2022, its sales revenue exceeded HK$900 million with a year-on-year increase of approximately 140%. The Group has signed contracts with five hospitals to establish science and innovation centers, with an aim to increase customer stickiness through innovative cooperation models such as "joint discipline building" and "agent construction and operation", and has formed data assets by reaching doctors and patients through "Run Xiaoyi (潤小醫)", a centralised digital platform for special/rare diseases. It also cooperated with different upstream manufacturers to explore innovative commercial insurance payment models for high-end specialty drugs. In addition, the Group's B2B online platform "CR Pharma e-Store (潤藥商城)" implemented a nationwide integrated operation model covering 24 provinces, recorded a transaction amount of HK$35.3 billion during the Reporting Period, and accumulated 59,000 active customers and 1.84 million orders.

Meanwhile, the Group implemented its regional development strategy and established a "digital healthcare business operation management platform" to manage products and clients by category; constantly optimized its business structure with a focus on enhancing the market share of high-quality Grade A tertiary hospitals and oncology and other specialty hospitals with high academic reputation; and greatly expanded the out-of-hospital market and strengthened its channel and terminal capabilities. During the Reporting Period, sales revenue from out-of-hospital distribution business increased by 17% year-on-year. As at the end of the Reporting Period, the Group's pharmaceutical distribution network has covered 28 provinces across the country with approximately 150,000 clients, including 9,543 secondary and tertiary hospitals and over 70,000 grass-roots medical institutions.

The Group continued to promote the integrated operation and management of its logistics, improved the efficiency of circulating channels by establishing a specialized, large-scale and standardized modern logistics system, and also proceeded with the standardized collection and management of logistics cost and synergistic integration of regional logistic resources. As at the end of the Reporting Period, the Group's distribution business had over 200 logistics centers, which are capable of the storage and distribution of temperature-controlled drugs across the country, allowing the Group to provide end-to-end management of the vaccines, blood products and other products requiring specific temperature control. The Group continued to strengthen the digitalized operation and visualized management and built logistics transport resource pool to realize resource coordination, while providing third-party digital logistics services through multi-warehouse synergy. During the Reporting Period, revenue of CR Pharmaceutical Commercial from the third-party logistics business was approximately HK$400 million.

4. Pharmaceutical Retail Business

In terms of the pharmaceutical retail business, the Group constantly optimized business categories, strengthened the construction of an integrated and intelligent operation system, and improved the operating quality of specialty pharmacies. By strengthening the integrated development of online and offline business, the Group created new digital retail pharmacies to maintain its competitiveness in terms of standardization, differentiation and specialization.

During the Reporting Period, the Group's pharmaceutical retail business recorded revenue of HK$8,836.8 million, representing an increase of 16.2% compared with that for 2021 (an increase of 19.9% in RMB), which was mainly due to the increase in sales volume of anti-epidemic products. In 2022, the Group's DTP business achieved revenue of approximately RMB5.9 billion, representing an increase of 14% year-on-year. The gross profit margin of the retail business was 8.1%, representing a decrease of 1.1 percentage points as compared with that for the same period of last year, which was mainly attributable to the changes in product structure.

In 2022, the "dual-channel" management mechanism was carried out in a stable manner. The number of varieties included in the mechanism was on the increase, further promoting prescription outflow, which not only expanded the market space, but also placed higher demands on the professionalism and service capability of retail pharmacies, therefore further accelerating concentration of the pharmaceutical retail market. The Group continued to strengthen the construction of specialty pharmacies. During the Reporting Period, it introduced seven new DTP varieties, and assisted pharmacies in various regions to obtain the "dual-channel" qualification so as to prepare for the outflow of prescriptions; Runyao Garden — Runyao Pharmacist Training were provided for all specialty pharmacies under the Group to achieve continuous improvement regarding professional pharmacists service standard. As of 31 December 2022, the Group had a total of 793 self-operated retail pharmacies, of which the total number of DTP specialty pharmacies reached 228 (including 138 "dual-channel" pharmacies).

The Group continued to strengthen the integrated operation management and standardized control of stores for improving its operational quality through establishing professional, standardized and high-quality pharmacies and actively developing innovative value-added services. During the Reporting Period, the Group built the standardized and systematized service of specialty pharmacy under Teck Soon Hong (德信行); set up nine pharma-diagnosis-healthcare complexes to provide customers with comprehensive services such as intelligent inspection and testing, online consultation and chronic disease management. The Group's drugstores accounted for three places in the "2021–2022 Top 10 Standalone Pharmacies in China", and ranked No. 2 in the "2022 Pharmaceutical Retail • DTP Top 10" of China Health Ecology Organization.

The Group fully grasped the development trend of "Internet +" in the pharmaceutical industry to actively accelerate its digital transformation of drugstores, enhance the rate of online stores, and promote the integrated online and offline business model. During the Reporting Period, the Group set up a team for integration and digitization operation of warehouse and e-commerce for customers, and actively explored private operations, and the online business sales to customers grew over 166% year-on-year. In November 2022, the Group formally launched the online e-commerce platform "Bai Run Overseas Flagship Store (佰潤海外旗艦店)" for import and export business, focusing on the medicine usage for liver protection, digestion and eye treatment. Meanwhile, it initially introduced popular OTC and healthcare products made by Kobayashi, Sato Pharmaceutical and Santen.

MSCI-ESG RATING JUMPED TO A, ACTIVELY FULFILLED SOCIAL RESPONSIBILITIES, AND EARNED RECOGNITION FOR ITS SUSTAINABLE DEVELOPMENT CAPACITY

In January 2023, the MSCI ESG Rating of China Resources Pharmaceutical upgraded from BBB to A, which demonstrated the unremitting development of its management capability in the environmental, social and corporate governance field, as well as the recognition of the global capital market for the ESG management capability and long-term investment value of the Group.

The Group has always adhered to the concept of green and low-carbon development, actively practiced green responsibilities as a corporate citizen, and continued to improve its environmental protection and governance capabilities. By accelerating up the construction of energy conservation and environmental protection projects and the application of new technologies, and enhancing the energy utilization efficiency, the Group has enhanced its competitive advantage in sustainable development. In terms of the construction of energy conservation and environmental protection projects, the Group actively deployed distributed photovoltaic power generation projects with the benefits of energy conservation and environmental protection to enhance the proportion of green and low-carbon energy. In June 2022, the roof top distributed photovoltaic power generation project with an installed capacity of 1.3 MW of Double-Crane Pharmaceutical (Hainan) Co., Ltd., a subsidiary of CR Double-Crane, achieved grid-connected power generation, and the Henan Branch of CR Pharmaceutical Commercial also launched the warehouse roof-top distributed photovoltaic power generation project with an installed capacity of 1.1 MW, which can provide more than 2.43 million kilowatts of clean electricity per year and reduce carbon emissions by approximately 1,540 tons per year. The Group actively developed green production models. CR Sanjiu's Shenzhen Guanlan Industrial Park was selected as a pilot demonstration project of Shenzhen's 2022 industrial "peak carbon dioxide emissions" work and the pilot enterprise of the second batch of nearly zero emission area of Shenzhen City; CR Jiangzhong's "Energy Intelligent Analysis, Diagnosis and Energy Conservation Standardization Demonstration Project for TCM Enterprises" became the first national energy conservation standardization demonstration project to pass the inspection and acceptance in Jiangxi Province, which provides a model for the standardization of energy conservation in the TCM preparation industry; in June 2022, Jiangzhong Pharmaceutical won the 11th "China Environmental Excellence Award", which was established by the China Environmental Protection Foundation and is the highest award in the field of environmental protection in China.

During the Reporting Period, the Group fully leveraged its advantages brought by its whole industrial chain and efficient organization and ensured the timely supply of pharmaceutical products and medical devices for pandemic prevention and control, thereby contributing to the combat against the pandemic in multiple ways and fully protecting public health and demonstrating our corporate responsibility and social responsibility as a state-own enterprise. A working group on medical supplies was established in March 2022 to manage the supply of materials for pandemic prevention in Hong Kong with an order amount exceeding HK$800 million. In December 2022, the demands for medical supplies were on the sharp rise with the gradual optimization of the domestic pandemic prevention and control policies. In order to adapt to the new situations of pandemic prevention and control, the Group made every effort to ensure production and supply. In order to ensure the production, the Group coordinated resources from over 60 production bases all over the country to overcome the difficulties such as personnel shortage, material shortage and cost inflation, accumulatively producing more than 160 million boxes/bottles of anti-pandemic products. In order to guarantee supply, the Group made full use of the upstream resources and supply chain capacity to coordinate the domestic and overseas medical treatment medicine and resources, and actively expanded the supply channels of pharmaceutical products and medical devices, accumulatively supplying more than 220 million boxes/bottles/pieces/portions per person of key anti-pandemic materials. While making every effort to ensure the production and supply of anti-pandemic products, the Group also accelerated its deployment in antiviral therapy field through R&D and external cooperation. In May 2022, CR Double-Crane and Henan Genuine Biotech Co., Ltd. ("**Genuine Biotech**") entered into the strategic cooperation agreement and framework agreement on the entrusted processing and production of Azvudine, pursuant to which the processing and production of Azvudine products were entrusted to CR Double-Crane; in October 2022, CR Double-Crane completed the first entrustment order of Genuine Biotech.

The Group is committed to improve its corporate governance, and optimize the incentive mechanism to effectively stimulating the empowerment and vitality of the Company, achieving high-quality development and safeguarding the shareholders' rights and interests. The restricted stock incentive plans of CR Sanjiu, CR Double-Crane and Jiangzhong Pharmaceutical were carried out in a stable manner, which better attracted, retained and motivated outstanding managers and core technicians. CR Biopharm completed its B-round financing of RMB600 million, which further deepened the mixed ownership reform. The Authorization Management System of the Board was reviewed and formulated by the Board in March 2022, with six functions and powers of the Board being incorporated into the Company's articles of association. By the end of June, all relevant system construction work was completed, and the work reports of the Board and performance reports of external Directors were completed. At present, the Group has initiated the formulation of the performance appraisal system of the Board and external directors of the Group, and supervised its directly managed enterprises to formulate the relevant systems. Through the implementation of this corporate governance measure, the Group can further enhance the standardization, effectiveness and overall function of the Board, and strengthen the Company's position as an independent market player.

OUTLOOK AND FUTURE STRATEGIES

During the "14th Five-Year Plan" period, the State has made comprehensive deployment to accelerate the construction of a new development pattern, promote high-quality development and realize the effective quality improvement and reasonable economic growth. The pharmaceutical industry will have new development opportunities in the new development phase. As the strategic industry of vital importance to the national economy and the people's livelihood, economic development and national security, the pharmaceutical industry is an important foundation for the construction of a "Healthy China". China Resources Pharmaceutical will further optimize the business layout, greatly promote the innovative R&D, investment and acquisition, accelerate the digital transformation of the industry, attach importance to the talent team building, further supplement, strengthen, consolidate and extend the industrial chain by taking scientific and technological innovation as the core driving force, responding to the people's demand for drugs and following the national strategy of "The Pillars of a Great Power" and "People's Livelihood of a Great Power", with an aim of becoming the world-class pharmaceutical enterprise through high-quality development.

1. **To implement the national strategy and the "Healthy China" strategy**

The Group will actively implement the national strategy, and provide comprehensive and high-quality healthcare products and services to meet people's health demands. In response to the new requirements of the development of the biomedical industry, the Group will continue to explore new development opportunities, create business layout in combination with the national layout for emerging strategic industries, the regional development strategy and the technology used to solve the country's "bottleneck" problems, actively develop the biomedical industry in the field of "The Pillars of a Great Power", and strongly develop blood products, striving to become the leading enterprise in the industry, and to achieve breakthrough in the vaccine business. In the field of "People's Livelihood of a Great Power", the Group will constantly enrich its product portfolio, improve its product quality, and provide comprehensive and high-quality healthcare products and services. Meanwhile, we will explore the development and breakthrough in the fields such as high-end medical devices by making use of new opportunities in the innovative development, people's livelihood, expansion of domestic demands and green economy. In addition, the Group will constantly promote the public-welfare Healthy Village Program, expand the expert team, enrich the curriculum system and improve the quality health for all.

2. **To drive the development with innovation for improving core competitiveness**

Focusing on "establishing the source of original technology", the Group will consistently increase its R&D investment, introduce more scientific research personnel, diversify and innovate its product pipelines through independent R&D and multi-level diversified external cooperation model, improve the R&D and clinical capability of new drugs, and accelerate the R&D and transformation of innovative technology and products. The key measures include:

(1) **To enhance innovation and R&D capabilities and achieve internal progress**. On one hand, the Group will continuously increase the investment in R&D with a significant increase in the overall innovation investment of which the investment in biopharmaceutical research and development exceeded 50%; optimize and classify the R&D pipeline, establish the digital project management system; centralise resources to promote the key projects. On the other hand, we will strengthen R&D team, and rapidly enhance the R&D capability through recruitment of high-caliber personnel, merger and acquisition of R&D teams with a special focus on chief scientists, professional leaders. A talent development regime compatible with the Group's business development planning and innovative enterprises will be developed.

(2) **To stimulate the vitality of innovation and R&D and improve the mechanism**. We will improve our expert team, deepen the integrated business development working mechanism, gather multiple resources to establish various forms of exchange and cooperation, improve the industrial influence, strengthen the project reserve, and accelerate the introduction of original products and cutting-edge technologies. Moreover, we will systematically classify the technical graph of the biomedical industry and determine the focus of development according to the national requirements for "establishing the source of original technology". We will develop a market-oriented incentive mechanism that will enhance the appraisal and incentive effect, especially focusing on the development of innovation capabilities and the commercialization of innovative efforts.

(3) **To conduct diversified external cooperation model and introduce resources**. Adhering to the model of "self-innovative research + introduction", the Group will consistently diversify our internal innovative product pipeline and enhance external cooperation by strengthening strategic cooperation with national/regional innovation hubs, national leading R&D institutions and outstanding innovative pharmaceutical companies, with the aim of helping solve the country's "bottleneck" problems, and enhancing the innovative and R&D capabilities and product acquisition capability through the cooperation in technology R&D, commercialization, resource sharing and talent training.

(4) **To speed up the construction of differentiated technological platforms and build a favorable platform**. We will classify the key technology spectrum, build the "proven-differentiated-cutting edge" and other types of innovation R&D platforms, strengthen the screening of antibody medicine, innovative small-molecule anti-tumor drugs and construction of core technology platforms for special preparations, improve the overall R&D capability. Meanwhile, we will develop high-end drug technologies, products with advanced synthesis technology and special packaging, and establish differentiated technological platforms such as oral sustained-release preparations, inhalants and injection emulsion drugs.

3. **To accelerate investment and merger & acquisition; integrate external superior resources**

The Group will actively grasp the opportunities of the industrial development, and continue to speed up the external mergers and acquisitions as one of the key drivers for development. In the pharmaceutical manufacturing business, the Group will aim to consolidate premium resources in the industry, particularly focusing on corporate goals in CHC, biopharmaceuticals and innovative 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, and leverage digital empowerment to improve management efficiency 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) **To actively supplement, strengthen, consolidate and extend industrial chain**. We will enhance our investment and merger and acquisition in areas such as innovative drugs, biopharmaceuticals, vaccines, medical devices and innovative business models, consolidate our core advantages, and make our presence in untapped fields. Meanwhile, we will actively seek deployment opportunities of innovative drugs, and promote cooperation in the antibody business, the technical platform for oral protein administration, cell therapy and nucleic acid drugs; further explore the opportunities for the deployment in the vaccine and high-end medical devices; taking CR Boya Bio-pharmaceutical as a platform, we will expand and strengthen the blood products platform through self-establishment of plasma stations and merger and acquisition of other targets in the industry.

(2) **To enrich investment measures and deploy high-quality innovation**. The Group will hold projects with strategic value and performance contribution value, explore innovation arenas by seizing high-quality resources through strategic equity participation, and focus on new business areas with good potential to incubate new industrial opportunities, which will form synergy with existing business. The Group will also give full play to the guiding role and industrial synergy advantage of the industrial fund.

(3) **To strengthen the post-investment management and prevent investment risks**. We will improve the post-investment management system, set up a specialized department and form the post-investment integration model. Post-investment evaluation will be carried out to strengthen the supervision on the operation of, provide support and empowerment to, and incorporate culture into the investee companies, thereby maximizing the value of project investment. Moreover, we shall strengthen the post-investment management of joint-stock enterprises, provide empowerment for promotion of development, enhance the synergy with existing business, and realize win-win development.

4. To focus on internal development and enhance operation quality

The Group will benchmark against first tier enterprises for optimization of corporate management system and enhancement of management competence in response to policy changes, industrial upgrading and market structural adjustments. We also actively address the impact of policies such as normalized and institutionalized centralised procurement, reinforce fundamental management, promote transformation and upgrading, constantly reduce cost, improve quality and efficiency, deeply explore the potential of internal development, and enhance the healthy and sustainable development of the enterprise.

(1) **To continue to optimize product mix and business structure**. We will strengthen the incubation of major brands in the industry, stabilize cornerstone products, consolidate core competitive strengths, explore the clinical value of products, and enrich product mix according to consumers' requirements. Efforts will be made to strengthen the layout and ability in specialist areas, and enhance our presence in high-potential areas such as anti-tumor and psychiatric/neurological drugs, in order to improve the market competitiveness of products. The Group will also facilitate expansion into new businesses such as commercial segments and medical devices to foster new business growth points. We will actively transform the medical treatment business, comprehensively promote the building of innovative service system, expedite the digital transformation, and establish its presence in "Internet+" business.

(2) **To constantly reduce cost, enhance efficiency and improve quality**. Intelligent manufacturing will be upgraded, and technology innovation and process innovation will be continuously pursued, in order to enhance production efficiency and product quality, and reduce the operation cost. Meanwhile, 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 logistics efficiency, and establish a flexible and stable industrial chain and supply chain. We build the green production and operation system through several measures such as green, low carbon and circular development, optimize the capacity layout and close down outdated production facilities.

(3) **To continue to improve management**. By benchmarking against the first-rate enterprises, and conducting comprehensive analyses on the outstanding practices of first-rate international enterprises, the Group will promote the establishment of a complete, scientific, standardized and efficient corporate management system, to improve management and achieve a notable improvement in overall management competence.

5. To release business vitality by deepening state-owned enterprise reform

The Group will continue to deepen the mixed ownership reform, in order to provide momentum for the high-quality development of the enterprise, and highlight the reform effects. We will deepen the mixed ownership reform in an active and prudent manner, promote the business layout optimization and business structure adjustment, improve the modern corporate governance, fulfill the Board's authorities, optimize the authorization management system, conduct classified management of the subordinate enterprises, and strengthen the pertinent management with the aim of promoting the innovative transition and development. The incentive mechanism will be optimized and medium and long-term incentives will be expanded and enhanced to arouse the enthusiasm, initiative and creativity of core employees, so as to ensure the sustainable and healthy development of the enterprise.

6. **To empower business development with improving the level of intellectualization and digitalization**

Taking digitalization and intellectualization as one of the key strategic measures, the Group will grasp the trend of digitalization and intellectualization, and actively promote the digital transformation and upgrade of core areas along the value chain. The Group will promote the high-quality development through digitalization and empower the transformation and innovation of the enterprise through digitalized enhancement of operation efficiency and innovation in business model. We continuously explore digitalized and intellectualized solutions in the research and development area to enhance the overall R&D efficiency and level. Efforts shall be made to constantly enhance production efficiency, achieve intelligent manufacturing, strengthen the optimization of supply chain process, and raise the level of modernization in both industry and supply chains. We will facilitate the establishment of a platform in new retail area, utilize the value of information, explore the application of internet in medical care and pharmaceuticals, in a view to improving its overall capability in innovation and development. We will also strengthen the post-investment management by digital means, enhance the digital level in the compliance field, effectively enhance the management quality, focus on the cultivation of intellectualized capability, stimulate the high-quality development of the enterprise, and help build the core competitiveness.

7. **To strengthen business synergies and maximize overall efficiency**

The Group will promote the comprehensive advantage of integrated industrial chain and powerful industrial base, and promote regional synergetic development, coordinate internal and external resources and maximize overall efficiency through various modes. We will also develop a cross-regional, multi-dimensional and multi-model synergy mechanism and accelerate the implementation of synergistic projects. By comprehensively integrating the resource advantages of the Group, CR Holdings and each profit center, we will form a business layout that connects up and down streams and enjoys complementary advantages, and forge a synergetic platform for the pharmaceutical segment to deepen the synergistic effect in terms of government affairs, market channels, customer resources and innovation resources, and form the synergy for development. In response to CR Holdings' regional strategic planning, we will acquire superior resources to facilitate cooperation in advantageous businesses and establish regional advantages, thereby rapidly expanding the regional market and enhancing overall competitiveness. Efforts will also be made to build an integrated business development (BD) ecosystem, forming a large team synergy system for investment to promote project sharing, project recommendation and classified management mechanism, also enhancing the synergy between industrial funds and businesses for accelerating the effective acquisition of external resources.

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 2022, the Group had bank balances and cash of HK$17,042.7 million (2021: HK$17,513.1 million), which were primarily in RMB and HKD.

As at 31 December 2022, the RMB-denominated, and HKD-denominated bank borrowings accounted for approximately 99.1% (2021: 83.0%) and 0.9% (2021: 17.0%), respectively, of the Group's total bank borrowings. Among the Group's total bank borrowings as at 31 December 2022, a substantial portion of approximately 88.9% (2021: 91.9%) would be due within one year.

The Group's current ratio (being the ratio of total current assets to total current liabilities) was 1.3:1 as at 31 December 2022 (2021: 1.2:1).

As at 31 December 2022, the Group's gearing ratio (being the ratio of net debt divided by total equity) was 49.6% (2021:51.5%).

In 2022, the Group's net cash from operating activities amounted to HK$12,631.0 million (2021: HK$12,842.5 million). The Group's net cash used in investing activities in 2022 and 2021 amounted to HK$945.6 million and HK$9,190.8 million, respectively. In 2022, the Group's net cash used in financing activities amounted to HK$11,730.7 million (net cash from financing activities in 2021 amounted to HK$3,005.4 million).

PLEDGE OF ASSETS

As at 31 December 2022, the Group's total bank borrowings amounted to HK$45,613.4 million (31 December 2021: HK$50,668.0 million), of which HK$1,380.7 million (31 December 2021: HK$110.2 million) were secured and accounted for 3.0% (31 December 2021: 0.2%) of the total borrowings.

Certain of the Group's trade and bills receivables with an aggregate net book value of HK$36.9 million (31 December 2021: HK$0 million) have been pledged as security.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: 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.

HUMAN RESOURCES

As at 31 December 2022, the Group employed around 67,000 staff (31 December 2021: 65,000 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$0.16 per Share in cash for the year ended 31 December 2022 (2021: HK$0.15 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 29 May 2023 (the "**AGM**") and the final dividend will be distributed on or about 21 July 2023 to the Shareholders whose names appear on the register of members of the Company on 8 June 2023.

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 dividend in RMB at the exchange rate of HK$1.0: RMB0.8748, being the average benchmark exchange rate of HK$ to RMB as published by the People's Bank of China during the five business days immediately before 30 March 2023 (Thursday). If Shareholders elect to receive the final dividend in RMB, such dividend will be paid to Shareholders at RMB0.14 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 2023 as soon as practicable after the record date of 8 June 2023 (Thursday) to determine Shareholders' entitlement to the final dividend, and lodge it with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 30 June 2023 (Friday).

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 upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant Shareholders by ordinary post on 21 July 2023 (Friday) 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 30 June 2023 (Friday), such Shareholder will automatically receive the final dividend in HK$. All dividend payments in HK$ will be made in the usual way on 21 July 2023 (Friday).

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 23 May 2023 to 29 May 2023, 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 22 May 2023.

The register of members of the Company will also be closed from 7 June 2023 to 8 June 2023, 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 6 June 2023.

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 C.2.1 of the CG Code, during the period from 1 January 2022 to 13 January 2022, 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 officer of the Company on the same day. Since 14 January 2022, the Company had fully complied with the requirements under the code provision C.2.1.

In respect of code provision C.3.3 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

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 2022 and 2021 included in this preliminary announcement of annual results 2022 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 is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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 2022 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 2022 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 HKICPA 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 2022 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

PUBLICATION OF THE ANNUAL RESULTS AND 2022 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 2022 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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Han Yuewei as chairman and non-executive Director, Mr. Bai Xiaosong, Mr. Tao Ran and Mdm. Weng Jingwen as executive Directors, Mr. Lin Guolong, Mdm. Guo Wei, 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.