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 2023

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 2023 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Notes	**2023** *RMB'000*	2022 *RMB'000* (Restated)
REVENUE	*3*	**244,703,884**	218,182,994
Cost of sales		**(206,366,398)**	(184,563,943)
GROSS PROFIT		**38,337,486**	33,619,051
Other income	*4*	**1,771,446**	1,221,281
Other gains and losses	*5*	**(1,564,959)**	(1,227,083)
Selling and distribution expenses		**(18,909,898)**	(16,395,235)
Administrative expenses		**(6,328,166)**	(5,578,623)
Other expenses, net		**(2,044,162)**	(1,878,362)
Finance income	*6*	**587,686**	721,177
Finance costs	*6*	**(2,386,312)**	(2,453,466)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
For the year ended 31 December 2023
(Expressed in RMB)

	Notes	**2023** *RMB'000*	2022 *RMB'000* (Restated)
Finance costs, net		**(1,798,626)**	(1,732,289)
Share of profits of associates and joint ventures		**417,106**	332,341
PROFIT BEFORE TAXATION	*7*	**9,880,227**	8,361,081
Income tax expense	*8*	**(2,105,224)**	(1,703,152)
PROFIT FOR THE YEAR		**7,775,003**	6,657,929
Attributable to:			
Equity shareholders of the Company		**3,854,247**	3,500,270
Non-controlling interests		**3,920,756**	3,157,659
		7,775,003	6,657,929
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY	*10*		
Basic and diluted (RMB)		**0.61**	0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Expressed in RMB)

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**7,775,003**	6,657,929
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of operations outside Mainland China	**(188,376)**	(808,143)
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of associates	**(15)**	–
Gain on remeasurement of a defined benefit plan	**11,261**	16,908
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**120,433**	47,212
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(56,697)**	(744,023)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,718,306**	5,913,906
Attributable to:		
Equity shareholders of the Company	**3,795,203**	2,758,381
Non-controlling interests	**3,923,103**	3,155,525
Total comprehensive income for the year	**7,718,306**	5,913,906

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in RMB)

	Notes	**2023**	2022	2021
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**20,117,615**	17,362,078	16,087,731
Right-of-use assets		**4,925,159**	4,335,435	4,383,482
Investment properties		**1,692,206**	1,492,168	1,542,841
Intangible assets		**8,016,756**	7,565,319	7,358,830
Goodwill		**21,454,280**	20,409,178	20,359,540
Interests in associates		**6,005,836**	5,902,085	5,609,283
Interests in joint ventures		**31,211**	8,258	10,417
Other non-current financial assets		**841,445**	711,831	791,262
Deferred tax assets		**1,773,365**	1,434,787	1,070,697
Other non-current assets		**3,344,593**	4,053,741	1,614,542
Total non-current assets		**68,202,466**	63,274,880	58,828,625
CURRENT ASSETS				
Inventories		**31,875,487**	26,546,652	24,272,942
Trade and other receivables	*11*	**79,188,302**	71,041,310	63,450,152
Other current financial assets		**34,615,717**	31,298,695	32,909,786
Amounts due from related parties		**1,061,519**	1,669,499	2,930,213
Tax recoverable		**118,997**	113,808	125,143
Pledged and term deposits		**7,018,574**	6,320,265	6,392,041
Cash and cash equivalents		**24,650,670**	15,223,726	14,315,973
		178,529,266	152,213,955	144,396,250
Assets classified as held for sale		**38,564**	45,538	–
Total current assets		**178,567,830**	152,259,493	144,396,250
CURRENT LIABILITIES				
Trade and other payables	*12*	**79,075,321**	69,365,216	61,764,276
Contract liabilities		**4,022,937**	3,537,916	2,908,168
Lease liabilities		**463,529**	495,952	477,320
Amounts due to related parties		**4,123,718**	11,344,211	10,483,252
Bank borrowings		**43,119,673**	36,203,271	38,054,801
Bonds payable		**2,640,387**	99,792	1,068,085
Tax payable		**730,031**	667,300	731,251
Defined benefit obligations		**57,159**	56,410	58,375
Total current liabilities		**134,232,755**	121,770,068	115,545,528
NET CURRENT ASSETS		**44,335,075**	30,489,425	28,850,722
TOTAL ASSETS LESS CURRENT LIABILITIES		**112,537,541**	93,764,305	87,679,347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2023
(Expressed in RMB)

	Notes	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Bank borrowings		**11,093,432**	4,541,903	3,371,382
Bonds payable		**3,999,046**	4,500,000	2,500,000
Lease liabilities		**844,894**	770,265	761,891
Deferred tax liabilities		**1,718,120**	1,587,416	1,606,860
Defined benefit obligations		**761,698**	828,948	889,904
Amounts due to related parties		**43,500**	–	–
Other non-current liabilities		**1,102,037**	978,429	890,048
Total non-current liabilities		**19,562,727**	13,206,961	10,020,085
NET ASSETS		**92,974,814**	80,557,344	77,659,262
CAPITAL AND RESERVES				
Share capital		**24,630,493**	24,630,493	24,630,493
Reserves		**21,329,112**	18,926,541	16,728,445
Total equity attributable to equity shareholders of the Company		**45,959,605**	43,557,034	41,358,938
Non-controlling interests		**47,015,209**	37,000,310	36,300,324
TOTAL EQUITY		**92,974,814**	80,557,344	77,659,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

China Resources Pharmaceutical Group Limited ("**The Company**") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited with effect from 28 October 2016. 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 address of the registered office and the principal place of business of the Company is Room 4104–05, 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries ("**The Group**") is principally engaged in the manufacture, distribution and retail of pharmaceutical and healthcare products.

The financial information relating to the years ended 31 December 2023 and 2022 included in this announcement of 2023 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 2022 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 2023 in due course.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements are presented in RMB, rounded to the nearest thousand, while the functional currency of the Company is Hong Kong dollars ("**HK$**").

Change of presentation currency

The consolidated financial statements were presented in HK$ in prior years. Starting from the year ended 31 December 2023, the Group changed its presentation currency for the preparation of its consolidated financial statements from HK$ to RMB. The directors of the Company considered that the majority of the Group's transactions are denominated and settled in RMB. This enables shareholders and potential investors of the Company to have a more accurate understanding of the Group's financial performance and therefore the directors of the Company considers that it is more appropriate to adopt RMB as the presentation currency for the consolidated financial statements of the Group.

The change in presentation currency have been applied retrospectively. The Group has also presented the consolidated statement of financial position as at 31 December 2021 without related notes.

For the purpose of presenting the consolidated financial statements of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the respective reporting dates. Income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the year.

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest;

— investments in debt and equity securities.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of HKFRSs that have significant effect on the financial statements.

(c) Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The adoption of this amendments does not have a material impact on the Group.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

The adoption of this new guidance does not have a material impact on the Group.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sale of pharmaceutical products. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of pharmaceutical products	**244,569,688**	218,090,744
Revenue from other sources		
Gross rental income from investment property operating leases:		
— Lease payments, including fixed payments	**134,196**	92,250
	244,703,884	218,182,994

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

(b) Segment reporting

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 and others

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.

(i) Segment results, assets and liabilities

The board of directors assesses the performance of the operating segments on the following bases:

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), other than deferred tax assets and tax recoverable, are allocated to reportable segment assets; and

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

Disaggregation of revenue from contracts with customers by the information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

Year ended 31 December 2023	**Manufacturing segment** *RMB'000*	**Distribution segment** *RMB'000*	**Retail segment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue					
External sales	**39,190,495**	**195,858,229**	**9,578,797**	**76,363**	**244,703,884**
Inter-segment sales	**4,274,503**	**6,295,222**	**–**	**–**	**10,569,725**
	43,464,998	**202,153,451**	**9,578,797**	**76,363**	**255,273,609**
Elimination:					
Elimination of inter-segment sales					**(10,569,725)**
Segment revenue					**244,703,884**
Segment results	**12,082,710**	**7,139,353**	**123,952**	**25,297**	**19,371,312**
Other income *(Note 4)*					**1,771,446**
Other gains and losses *(Note 5)*					**(1,564,959)**
Administrative expenses					**(6,328,166)**
Other expenses					**(2,044,162)**
Finance income *(Note 6)*					**587,686**
Finance costs (other than interest on lease liabilities)					**(2,330,036)**
Share of profits of associates and joint ventures					**417,106**
Profit before tax					**9,880,227**

Year ended 31 December 2022	Manufacturing segment *RMB'000* (Restated)	Distribution segment *RMB'000* (Restated)	Retail segment *RMB'000* (Restated)	Others *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue					
External sales	34,488,207	176,072,256	7,587,508	35,023	218,182,994
Inter-segment sales	3,545,413	5,346,077	–	–	8,891,490
	38,033,620	181,418,333	7,587,508	35,023	227,074,484
Elimination:					
Elimination of inter-segment sales					(8,891,490)
Segment revenue					218,182,994
Segment results	10,054,509	7,073,214	14,897	17,934	17,160,554
Other income *(Note 4)*					1,221,281
Other gains and losses *(Note 5)*					(1,227,083)
Administrative expenses					(5,578,623)
Other expenses					(1,878,362)
Finance income *(Note 6)*					721,177
Finance costs (other than interest on lease liabilities)					(2,390,204)
Share of profits of associates and joint ventures					332,341
Profit before tax					8,361,081

4 OTHER INCOME

	2023 **RMB'000**	2022 *RMB'000* (Restated)
Service fee income	**792,996**	583,292
Government grants	**509,933**	398,856
Compensation income	**37,931**	15,871
Others	**430,586**	223,262
	1,771,446	1,221,281

5 OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Impairment recognised on property, plant and equipment	**(122,401)**	(110,732)
Impairment recognised on right-of-use assets	**(13,144)**	(18,554)
Impairment recognised on intangible assets	**(450,930)**	(16,237)
Impairment recognised on goodwill	**(82,814)**	(85,138)
Impairment recognised on interests in associates	**(199,349)**	(183,569)
Impairment recognised on trade receivables	**(243,405)**	(490,315)
Impairment recognised on other receivables	**(23,885)**	(71,213)
Gain on disposal of subsidiaries	**38,686**	335,640
Loss on disposal of items of property, plant and equipment	**(12,196)**	(799)
Gain on disposal of right-of-use assets	**26,548**	–
Gain on disposal of investment properties	**10,814**	–
Loss on derecognition of trade receivables measured at fair value through other comprehensive income	**(450,667)**	(478,746)
Fair value changes of financial assets at fair value through profit or loss	**(21,337)**	17,413
Fair value changes of investment properties	**(24,649)**	(125,582)
Others	**3,770**	749
	(1,564,959)	(1,227,083)

6 FINANCE COSTS, NET

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Finance costs:		
Interest on bank borrowings	**2,041,417**	2,103,974
Interest on bonds payable	**184,344**	157,059
Interest on borrowings from an intermediate holding company	**85,565**	105,129
Interest on lease liabilities	**56,276**	63,262
Interest on defined benefit obligations	**23,798**	25,611
Less: Interest capitalised in property, plant and equipment	**(5,088)**	(1,569)
Total finance costs	**2,386,312**	2,453,466
Finance income — Interest income	**(587,686)**	(721,177)
Net finance costs	**1,798,626**	1,732,289

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 3.30–4.60% (2022: 3.80%–3.95%) per annum to expenditure on qualifying assets.

7 PROFIT BEFORE TAXATION

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

(a) Staff costs

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Directors' remuneration	**8,088**	11,224
Employee benefit expense (excluding directors' remuneration)		
Salaries and other allowances	**9,181,351**	8,268,991
Equity-settled restricted stock incentive plan expense	**141,891**	99,552
Defined benefit scheme expense	**(19,662)**	(5,657)
Retirement benefit scheme contribution*	**978,094**	852,988
Total	**10,289,762**	9,227,098

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

(b) Other items

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Auditors' remuneration		
— Audit services	**17,600**	19,070
— Other services	**1,190**	1,150
	18,790	20,220
Depreciation of property, plant and equipment	**1,948,020**	1,530,525
Depreciation of right-of-use assets	**625,810**	611,468
Amortisation of intangible assets	**590,535**	416,448
Allowance for slow-moving and obsolete inventories	**210,282**	91,672
Cost of inventories*	**206,509,696**	183,168,412
Research and development expenditure (included in other expenses)	**2,072,354**	1,813,880
Lease expenses not included in the measurement of lease liabilities	**138,610**	136,336
Foreign exchange gain, net	**(206,471)**	(27,955)
Donations	**61,955**	51,246

* Cost of inventories relating to staff costs and depreciation are also included in the respective total amounts disclosed separately above.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current-PRC Enterprise Income Tax ("**PRC EIT**")		
Provision for the year	**2,354,759**	2,111,631
Current-Hong Kong Profits Tax		
Provision for the year	**12**	3
Deferred tax		
Origination and reversal of temporary differences	**(249,547)**	(408,482)
	2,105,224	1,703,152

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for 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.

Pursuant to tax relief policies issued by Ministry of Finance and State Taxation Administration of the PRC in 2022, certain companies of the Group established in the PRC (excluding Hong Kong), which meet the stipulated small scale operations are subject to preferential tax rates of 5% to 20% for their taxable profits for the year ended 31 December 2023 (2022: ranged from 5% to 20%).

According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 75% of such expenses in first nine month of 2022. For the period from 1 October 2022 to 31 December 2023, qualified research and development expenses are allowed for additional tax deduction based on 100% of such expenses.

9 DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
Final 2022 — HK$0.16 per ordinary share (2022: Final 2021 — HK$0.15 per ordinary share)	**879,965**	813,072

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.154 (2022: HK$0.16) per ordinary share, in an aggregate amount of RMB968 million (2022: RMB880 million), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB3,854,247,000 (2022: RMB3,500,270,000) and the weighted average of 6,282,510,461 ordinary shares (2022: 6,282,510,461 shares) in issue during the year, calculated as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**3,854,247**	3,500,270
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 Co., Ltd., the 2022 restricted stock incentive plan of China Resources Sanjiu Medical & Pharmaceutical Company Limited ("**CR Sanjiu**") and the 2022 restricted stock incentive plan of China Resources Double-Crane Pharmaceutical Co., Ltd., the basic and diluted EPS are the same as the restricted shares had an anti-dilutive effect on the basic EPS.

11 TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Bills receivable	**993,646**	1,282,351
Contract assets	**2,448**	20,904
Trade receivables	**69,497,239**	61,479,529
Impairment allowance	**(2,427,487)**	(2,189,966)
	67,069,752	59,289,563
Prepayments	**4,764,592**	4,919,565
Other receivables	**6,725,735**	5,878,541
Impairment allowance	**(367,871)**	(349,614)
	6,357,864	5,528,927
	79,188,302	71,041,310

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.

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
0 to 30 days	**16,672,296**	13,467,039
31 to 60 days	**10,809,757**	9,311,909
61 to 90 days	**5,987,431**	5,795,897
91 to 180 days	**13,720,722**	14,890,708
181 to 365 days	**14,690,137**	11,803,735
Over 1 year	**5,189,409**	4,020,275
	67,069,752	59,289,563

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
0 to 30 days	**345,154**	571,924
31 to 60 days	**161,282**	193,472
61 to 90 days	**177,176**	87,540
91 to 180 days	**310,034**	429,415
	993,646	1,282,351

As at 31 December 2023, the Group had pledged trade and bills receivables of RMB1,160,992,000 (31 December 2022: RMB703,277,000) to secure certain bank borrowings, and pledged bills receivable of RMB342,430,000 (31 December 2022: RMB375,975,000) to secure the bills payable.

12 TRADE AND OTHER PAYABLES

		2023	2022
	Note	***RMB'000***	*RMB'000*
			(Restated)
Trade payable	*(a)*	**38,640,057**	35,475,360
Bills payable	*(a)*	**15,810,964**	13,235,864
Accrued salaries		**3,398,034**	2,868,886
Interest payable		**10,974**	11,485
Other tax payables		**765,317**	1,026,624
Other payables		**18,650,042**	16,301,676
Refund liabilities		**1,093,443**	51,636
Payable for acquisitions of subsidiaries		**706,490**	393,685
		79,075,321	69,365,216

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 2023, the Group's bills payable of RMB14,161,123,000 (31 December 2022: RMB13,046,434,000) were secured by the Group's bills receivable with an aggregate carrying amount of RMB407,244,000 (31 December 2022: RMB411,960,000) and pledged bank deposits of RMB4,683,298,000 (31 December 2022: RMB4,445,751,000).

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
0 to 30 days	**17,875,722**	16,756,988
31 to 60 days	**8,530,311**	6,829,821
61 to 90 days	**2,993,099**	3,273,317
Over 90 days	**9,240,925**	8,615,234
	38,640,057	35,475,360

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
0 to 30 days	**4,940,452**	2,569,064
31 to 60 days	**2,917,952**	2,274,510
61 to 90 days	**2,167,192**	2,260,887
Over 90 days	**5,785,368**	6,131,403
	15,810,964	13,235,864

13 BUSINESS COMBINATIONS

For the year ended 31 December 2023

(a) Acquisition of KPC Pharmaceuticals, Inc ("KPC")

On 19 January 2023, CR Sanjiu, a subsidiary of the Group, acquired 28.00% equity interest in KPC, at a cash consideration payment of RMB2,611,800,000 in 2022 and RMB290,200,000 in 2023. Acquisition-related costs amounted to RMB9,975,000, of which RMB2,190,000, and RMB7,785,000, were recognised in administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2023 and 2022, respectively.

(b) Acquisition of China Resources Kelun Medicine & Trade Group Co., Ltd. ("CR Kelun")

On 25 September 2023, China Resources Pharmaceutical Commercial Group Co., Ltd., a subsidiary of the Group, acquired 51.00% equity interests in CR Kelun from Sichuan Ke lun Medicine & Trade Group Co., Ltd., and other transferors at a cash consideration of RMB885,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Amidst the complex international economic situation, China's macro-economy has shown resilience, significant potential, and ample vitality. The long-term positive fundamentals remain unchanged. Both the supply and demand sides have steadily improved, and strong and effective measures have been taken to ensure people's well-being, promoting high-quality development in a stable manner. According to the National Bureau of Statistics of China, in 2023, the gross domestic product increased by 5.2% year-on-year, while the annual revenue of the pharmaceutical manufacturing industry decreased slightly by 3.7% year-on-year.

The pharmaceutical industry plays a crucial role in people's livelihood and national security, and is a strategically important sector that is vitally supported by the nation. The Action Plan for the High-quality Development of the Pharmaceutical Industry (2023-2025) (《醫藥工業高質量發展行動計劃(2023–2025年)》) issued in 2023 aims to strengthen the resilience and modernisation of the pharmaceutical industry, promote the development of innovative drugs, foster cooperation among industry, academia, and research institutions, steer the growth of top pharmaceutical companies, boost industrial concentration, and improve market competitiveness. Moreover, the coordinated reform of the three sectors of healthcare, pharmaceutical and medical insurance is gaining momentum towards improving healthcare and medical systems, contributing to the expansion of the pharmaceutical market. Drug approval policies increasingly emphasize the importance of high-level innovation guided by clinical value, which are conducive to the approval of new and effective drugs. The centralized procurement policy and adjustments to the National Reimbursement Drug List are being implemented in normalized manner. The long-term mechanism for compliance management in the pharmaceutical field will be strengthened, which will benefit enterprises with comprehensive strength and strong R&D and marketing capabilities featuring fast transformation and upgrading. China vigorously promotes the inheritance and innovation of traditional Chinese medicine (TCM) by successively introducing a series of policies such as the Implementation Plan for the Major Projects for the Revitalization and Development of Traditional Chinese Medicines (《中醫藥振興發展重大工程實施方案》) and the Special Administrative Rules for the Registration of Traditional Chinese Medicines (《中藥註冊管理專門規定》). These policies were favorable for fostering the high-quality development of the TCM industry.

The growing aging population, better livelihood and increased health awareness in China contribute to the development of a highly integrated market with significant potential for the pharmaceutical industry. The further implementation of the "Healthy China" strategy drives the comprehensive development of the pharmaceutical and health industry, encompassing fields of prevention, healthcare, therapy and recovery. The pharmaceutical industry is shifting towards individualized, precise therapies and prevention. With the rapid development of technology and in areas such as novel antibodies, cell and gene therapy, nucleic acid medicines, radiopharmaceuticals, as well as the application of artificial intelligence and big data technology, the pharmaceutical industry is entering a more intelligent and efficient era. People also demonstrate a greater inclination towards health consumption, including medical devices, medications, traditional nourishment and nutrition, and health services. The scenarios and categories of health consumption by both individuals and households continue to expand.

Overall, the internal and external environments of the pharmaceutical industry are facing complex and significant changes. The industry is experiencing growth momentum, undergoing structural changes and adjusting for high-quality development. Driven by factors such as increasing demand from the aging population, consumption upgrades and technological advancements, and with the comprehensive promotion of the "Healthy China" strategy, the PRC pharmaceutical market continues to expand. On the other hand, increased benchmarks for innovative drug R&D, comprehensive centralized procurement, implementation of payment methods reform, and enhanced regulatory compliance requirements have set higher standards for competitiveness of pharmaceutical enterprises. Due to the combined effects of end-users' demand, technology, policy and capital, the pharmaceutical industry will encounter enormous challenges and opportunities. Differentiation and high-quality innovation will be the key elements for success in this competitive landscape, and will further promote integration and consolidation within the pharmaceutical industry.

GROUP RESULTS

In 2023, in response to the industrial policies and the changes in market demands, the Group vigorously implemented the "Healthy China" strategy, driven by innovation and empowered by technology. The Group promoted extensive development, improved industry layout, increased R&D investment, and strengthened digitalization and intellectualization. Meanwhile, the Group continuously optimized resource allocation and synergy integration to deepen the mixed-ownership reform of state-owned enterprises. The Group also insisted on corporate governance improvement, thereby achieving our high-quality and sustainable development.

During the Reporting Period, the Group recorded total revenue of RMB244,703.9 million, representing an increase of 12.2% compared to RMB218,183.0 million for 2022. In 2023, the revenue of the Group's three major business segments, namely pharmaceutical manufacturing, pharmaceutical distribution, and pharmaceutical retail businesses, accounted for 16.0%, 80.0% and 3.9% of the Group's total revenue, respectively.

During the Reporting Period, the Group recorded a gross profit of RMB38,337.5 million, representing an increase of 14.0% from RMB33,619.1 million in 2022. The overall gross profit margin was 15.7% in 2023, which marked an increase of 0.3 percentage point compared to 15.4% in 2022. This was primarily due to the increase in gross profit margin of the pharmaceutical manufacturing business during the Reporting Period.

In 2023, the Group recorded a net profit of RMB7,775.0 million, representing an increase of 16.8% from RMB6,658.0 million for 2022. The Group generated a profit attributable to owners of the Company of RMB3,854.2 million, representing an increase of 10.1% compared to the RMB3,500.3 million for 2022. Excluding the effect of one-off items, such as the disposal of subsidiaries and the investment-related impairment, the profit attributable to the owners of the Company showed a solid increase of 21.7% year-on-year during the Reporting Period. Basic earnings per share were RMB0.61 during the Reporting Period (2022: RMB0.56). The Board recommended the payment of a final dividend of RMB0.154 per share for the year ended 31 December 2023.

Optimizing business layout through extensive development, mergers and acquisitions, and enhancing competitive edge by integrating resources

The Group actively promotes the implementation of high-quality extensive development, mergers and acquisitions by expanding its business coverage, broadening its business footprint, and increasing market share. In January 2023, China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司) ("**CR Sanjiu**") acquired 28% equity interests in KPC Pharmaceuticals, Inc. (昆藥集團股份有限公司) ("**KPC**") and became its controlling shareholder, which further strengthened the market competitiveness of the Group's TCM business. In May 2023, China Resources Pharmaceutical Commercial Group Company Limited (華潤醫藥商業集團有限公司) ("**CR Pharmaceutical Commercial**") acquired 51% equity interests in Anhui Lifang Pharmaceutical Co., Ltd. (安徽立方藥業有限公司) through a capital injection, thus becoming its controlling shareholder. Such acquisition has enabled the Group to enhance its competitive advantage in the out-of-hospital market in Anhui Province. In September 2023, CR Pharmaceutical Commercial completed an acquisition of 51% equity interests in Sichuan Kelun Medicine & Trade Group Co., Ltd. (四川科倫醫貿集團有限公司) ("**Kelun Medicine & Trade**"), a company ranked in the top 20 in China's pharmaceutical distribution industry, through capital injection, making CR Pharmaceutical Commercial the controlling shareholder of Kelun Medicine & Trade. Such acquisition has provided strong support for the market expansion and network layout of the Group's distribution business in the Southwest region, especially in Sichuan Province, and has helped the Group improve its comprehensive competitiveness and market share in the Southwest region. In December 2023, the Group completed the acquisition of approximately 9.21% of the shares of China Resources Jiangzhong Pharmaceutical Group Co., Ltd. (華潤江中製藥集團有限責任公司) ("**CR Jiangzhong**"), a subsidiary of the Company, increasing the Group's total shareholding to approximately 60.55%. Through this acquisition, the Group can enhance its control over CR Jiangzhong, thereby providing additional support for the long-term development of CR Jiangzhong and its subsidiaries. In February 2024, CR Sanjiu announced its intention to increase its shareholding in its associated company, Respirent Pharmaceuticals Co., Ltd. (潤生藥業有限公司) ("**Respirent Pharmaceuticals**"). Respirent Pharmaceuticals is an enterprise focusing on the R&D and manufacturing of respiratory medicine products. Such investment will enable CR Sanjiu to fill the gap in inhalation products and further develop inhalation powder products which have high entry barrier, and will also be beneficial for enriching the Group's portfolio of respiratory medicines.

The Group continuously promotes the synergy integration of internal resources to enhance the overall operational efficiency by refining the business layout and streamlining the business structure. In September 2023, CR Pharmaceutical Commercial completed the acquisition of 75% equity interests in Guangdong Fuda Pharmaceutical Co., Ltd. (廣東複大醫藥有限公司) ("**Fuda Pharmaceutical**") held by China Resources Boya Bio-pharmaceutical Group Company Limited (華潤博雅生物製藥集團股份有限公司) ("**CR Boya Bio-pharmaceutical**"). In November, China Resources Double-Crane Pharmaceutical Co., Ltd. (華潤雙鶴藥業股份有限公司) ("**CR Double-Crane**") completed the acquisition of approximately 89.68% equity interests in Guizhou Tianan Pharmaceutical Co., Ltd. (貴州天安藥業股份有限公司) held by CR Boya Bio-pharmaceutical. The internal business reorganizations mentioned above enabled CR Boya Bio-pharmaceutical to focus more on its core operations and expand and strengthen its blood product business, allowed CR Pharmaceutical Commercial to strengthen its distribution business and enrich its upstream resources of blood products, and at the same time, enabled CR Double-Crane to enhance its development in the field of chronic diseases, such as diabetes. In December 2023, CR Sanjiu and Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司) ("**Jiangzhong Pharmaceutical**") announced that, considering their respective development strategies and to concentrate on their respective core fields and products, they have discontinued the production and sales of products with identical name, which resolves the previous issue of business competition. Jiangzhong Pharmaceutical had therefore ceased its production and sales of Feng Han Gan Mao Granule (風寒感冒顆粒), Ban Lan Gen Granule (板藍根顆粒), Qiang Li Pi Pa Oral Solution (強力枇杷露), Xiao Cai Hu Granule (小柴胡顆粒) and Fu Fang Dan Sen Tablet (複方丹參片), and CR Sanjiu ceased its production and sales of Xiao Shi Jian Wei Tablet (消食健胃片), Jian Er Xiao Shi Oral Liquid (健兒消食口服液) and Shen Shi Tong Granule (腎石通顆粒). In January 2024, CR Sanjiu and China Resources Biopharmaceutical Co., Ltd. (華潤生物醫藥有限公司) ("**CR Biopharm**") entered into a product sales cooperation agreement, pursuant to which, Sichuan Sanjiu Pharmaceutical Trade Co., Ltd. (四川三九醫藥貿易有限公司), a wholly-owned subsidiary of CR Sanjiu, becomes the exclusive promotion service provider for CR Biopharm's products, including Ruitongli (瑞通立), Baijieyi (百傑依), and Jialinhao (佳林豪). Such cooperation is beneficial for enhancing the commercialization capability and market competitiveness of relevant products, as well as increasing market share. In February 2024, CR Double-Crane announced its proposal to acquire 100% equity interests of

China Resources Zizhu Pharmaceutical Co., Ltd. (華潤紫竹藥業有限公司) ("**CR Zizhu**"), a wholly-owned subsidiary of the Group. The internal business reorganization will contribute to achieving the scale and synergy benefits in channel marketing, product layout, international business, and retail business for both CR Double-Crane and CR Zizhu, and strengthening and expanding the chemical drug business of the Group with the release of synergistic value between the two parties.

At the same time, CR Pharmaceutical Industry Investment Fund (華潤醫藥產業基金) ("**CR Pharmaceutical Industry Fund**"), as one of the diversified investment approaches of the Group, has continued to incubate new industry opportunities to enhance the business layout in alignment with the Group's development strategies. It has successfully established synergy between industry and financing within the Group through various activities such as investments, mergers and acquisitions, research and development, pharmaceutical manufacturing, and distribution. At present, the Group is actively promoting the establishment of CR Pharmaceutical Industry Fund II.

Deepening the reform of state-owned enterprises, and enhancing their capability for sustainable development

The Group continuously deepened the reform of state-owned enterprises by implementing market-oriented incentive mechanisms. By optimizing resource allocation, the Group effectively stimulated its empowerment and vitality, achieving high-quality development and releasing its performance potential. In January 2024, CR Pharmaceutical Commercial successfully introduced strategic investors. This move was conducive to further optimizing the capital structure of the Group, improving resource allocation and operational efficiency in the commercial sector, enhancing corporate governance, and accelerating the release of performance potential. The consideration for such transaction totalled RMB6.26 billion, of which seven strategic investors paid a consideration of RMB5.26 billion. After the completion of the transaction, the Group held approximately 80.13% of the shares of CR Pharmaceutical Commercial. Several subsidiaries of the Group continued to promote the implementation of restricted stock incentive plans, enabling them to better attract, retain, and motivate outstanding managers and core technicians. In January 2024, Jiangzhong Pharmaceutical introduced the Phase II restricted stock incentive plan (draft), and Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司) ("**Dong-E-E-Jiao**") introduced the Phase I restricted stock incentive plan (draft). In addition, restricted stock incentive plans for CR Sanjiu and CR Double-Crane have also been steadily progressing. During the Reporting Period, CR Biopharm completed its B-round financing of RMB600 million, which further enhanced its mixed-ownership reform. In the annual assessment of enterprises for Exemplary Scientific Reform Actions in 2022 for state-owned enterprises, CR Sanjiu was evaluated as a benchmark, while Jiangzhong Pharmaceutical and CR Biopharm were both evaluated as outstanding.

With the continuous improvement in the development of an ESG system specific to the pharmaceutical industry, the Group has received significant recognition from authoritative institutions and capital markets for its management capabilities and governance performance in ESG. Specifically, the Company has been rated as A in the MSCI ESG Rating for two consecutive years; the Wind ESG Rating was upgraded from A to AA; and the Group ranked 27th in the Central Enterprise ESG Pioneer 100 Index of SASAC. In January 2024, the Group was newly included in three Major Hang Seng ESG Indexes of Central State-owned Enterprises, such as the China State-owned Enterprise ESG 40 Index of Hang Seng Stock Connect. This demonstrates the recognition from the capital markets on the Group's status as a state-owned enterprise and its ESG performance.

Adhering to the concept of sustainable development, the Group promoted green transformation of industrial development and accelerated the construction of energy-saving and environmentally-friendly projects, and adopted new technologies to enhance environmental protection and environmental governance capabilities. This strategy enhanced its competitive edge in sustainable development. The Group consistently increased the proportion of green and low-carbon energy. During the Reporting Period, grid connection and power generation were achieved in 10 rooftop-distributed photovoltaic power generation projects, resulting in a reduction of carbon emissions by approximately 6,700 tons per year. Moreover, emissions of pollutants and greenhouse gases have been reduced as the Group established green industrial bases, green low-carbon logistics and other models. During the Reporting period, the Group obtained authoritative certifications in green development. In particular, China Resources Sanjiu (Ya'an) Pharmaceutical Co., Ltd. (華潤三九(雅安)藥業有限公司), Beijing China Resources High-Tech Natural Drugs Co., Ltd. (北京華潤高科天然藥物有限公司), and Shanghai Changzheng Fumin Jinshan Pharmaceutical Co., Ltd. (上海長征富民金山製藥有限公司) were all received the national-level Green Factory qualification. Additionally, the logistics centre of China Resources Henan Pharmaceutical Co., Ltd. (華潤河南醫藥有限公司) was granted Level I (Three-Star) Green Warehouse status, and Dong-E-E-Jiao was recognized as a Green Supply Chain Management Enterprise.

Meanwhile, the Group continuously improved its corporate governance and ensured effective performance of duties by the Board, and promoted greater independence and impartiality through enhancement of the Board's functions. Moreover, the Group ensured stable operation and sustainable development by continuously enhancing risk monitoring and management capabilities to safeguard Shareholders' rights and interests.

1. Pharmaceutical Manufacturing Business

The Group systematically enhanced its R&D capabilities in its pharmaceutical manufacturing business by increasing R&D investment. By facilitating the optimization of its product structure and the upgrading of industrial technology, the Group established a product echelon deeply engaged in intelligent manufacturing. The Group also promoted the innovation and transformation in its marketing models, continuing to strengthen its brand influence and channel control. This effort aimed to further consolidate and enhance its market share and market position.

During the Reporting Period, the Group's pharmaceutical manufacturing business generated segment revenue of RMB43,465.0 million, representing a steady increase of 14.3% compared with that of 2022. All business segments, including TCM, chemical drugs, nutritional and healthcare products, and biopharmaceutical drugs, recorded a general increase in revenue. The gross profit margin of the pharmaceutical business was 59.1%, representing an increase of 1.7 percentage points compared with the same period last year. This improvement was mainly attributable to the optimization of product and business structures, technological advancements, and enhanced production efficiency.

The Group owns a comprehensive portfolio of pharmaceutical products covering a wide range of therapeutic areas, including chemical drugs, biopharmaceutical drugs, TCM and nutritional and healthcare products. These fully cover all major therapeutic and disease areas that offer significant potential for business growth, such as cardiovascular and cerebrovascular diseases, alimentary tract, endocrine diseases, respiratory diseases, orthopedics, nephrology, rheumatology and immunology, medical nutrition, pediatrics, genitourinary system, dermatological diseases, blood products, therapeutic infusions, antitumor drugs, medicine for cough and cold, and anti-infection drugs. As at the end of the Reporting Period, the Group manufactured a total of 796 products, out of which 435 were included in the National Reimbursement Drug List and 205 were included in the National Essential Drug List. All of the Group's pharmaceutical manufacturing subsidiaries have established professional sales and marketing teams that cover over 100,000 medical institutions.

Sales revenue from pharmaceutical manufacturing business by product categories *(RMB million)*	**2023**	**2022**	**Year-on-year growth**
TCM	**21,592.8**	**18,045.8**	**19.7%**
Of which: OTC drugs	13,868.9	12,030.8	15.3%
Prescription drugs	7,723.9	6,015.0	28.4%
Chemical drugs	**17,032.0**	**15,563.3**	**9.4%**
Of which: OTC drugs	3,846.2	3,291.1	16.9%
Prescription drugs	11,824.3	10,961.2	7.9%
APIs	1,361.5	1,311.0	3.9%
Biopharmaceutical drugs	**2,135.8**	**1,899.1**	**12.5%**
Nutritional and healthcare products, and others	**2,704.4**	**2,525.4**	**7.1%**
Total	**43,465.0**	**38,033.6**	**14.3%**

In terms of product categories, the revenue from the TCM business of the pharmaceutical manufacturing business segment of the Group was RMB21,592.8 million during the Reporting Period, representing a year-on-year increase of 19.7%, of which revenue from the TCM OTC drugs business increased by 15.3% year-on-year, with significant growth in revenue from the cold, gastroenterology, oropharynx, gynecology businesses and the E-Jiao products; while revenue from the TCM prescription drugs business increased by 28.4% year-on-year, with significant growth in the revenue from the cardiovascular and cerebrovascular sector. The chemical drugs business recorded revenue of RMB17,032.0 million, representing a year-on-year growth of 9.4%, of which revenue from the chemical OTC drugs business increased by 16.9% year-on-year, mainly attributable to the revenue increase in the pediatrics, gastroenterology, reproductive health, and oropharynx sectors; revenue from the chemical prescription drugs business also increased by 7.9% year-on-year, primarily due to revenue growth in the large volume parenteral business; and revenue from API business increased by 3.9% year-on-year. During the Reporting Period, the biopharmaceutical drugs business achieved revenue of RMB2,135.8 million, representing a growth of 12.5% as compared to the same period last year. This growth was primarily driven by increased revenue from the gastrointestinal business and the sales of blood products. The revenue from nutritional and healthcare products and other businesses recorded revenue of RMB2,704.4 million, representing a growth of 7.1% as compared to the same period last year, with significant growth in the revenue from the liver healthcare products as well as Taohuaji (桃花姬) and E-Jiao powder products.

Promoting the layout of the "Silver Economy" business and the development of the TCM industry chain

The Group has continued to expand "Silver Economy" business, improve its product portfolio of chronic disease drugs and enhance its chronic disease management and service capabilities. Currently, the Group has formed a portfolio of medications for chronic diseases, with a particular focus on cardiovascular, cerebrovascular, and metabolic conditions. The Group has a product line consisting of various categories of chronic disease medications for elderly patients, targeting the "Silver Economy". During the Reporting Period, the Group advanced its marketing model transformation, established a multi-channel marketing system with internal and external integration, continuously enhanced a patient-centered, precise, and efficient chronic disease management system, and delivered professional academic services to patients. After CR Sanjiu completed the acquisition of KPC, progress was made in the integration of brand, product, channel, terminal, and management system during the year. Through strategic review, KPC will anchor the new strategic goal of "silver health industry leader, boutique TCM leader, aging health/chronic disease management field leader". Both companies will consolidate their resources to promote the development of the Notoginseng industry chain. KPC, with the support of CR Sanjiu, focused on the important chronic disease market of "stroke prevention and control" and continued to enhance its brand awareness for professionalism. KPC officially launched the new brand "777" for the product group with Notoginseng as the core ingredient. During the Reporting Period, CR Double-Crane continued to enrich its portfolio of chronic diseases in the fields of blood pressure-lowering, glucose-lowering, and lipid-lowering. Efforts have been made to strengthen patient education by establishing a demonstration base for hypertension management and other methods. As a result, the sales revenue from its core blood pressure product "No. 0 (0號)" grew stably year-on-year.

As TCM serves as a crucial health, economic, technological, cultural, and ecological resource in China, its inheritance, innovation, and development have been elevated to the level of national strategic priority. The Group managed the entire industry value chain of TCM in a systematic manner, conducted in-depth research on the industry, and utilized modern technology to extensively explore the value of TCM in order to continuously enhance the industrial chain in the TCM field, and establish a leading position. It ultimately aims to enhance the protection, exploration, development, and inheritance of TCM. The TCM business segment of the Group possesses two "China Intangible Cultural Heritage Protection Units". CR Sanjiu, Dong-E-E-Jiao, CR Jiangzhong and KPC under the Group were all included in the "2023 Top 50 Chinese Patent Medicine Enterprises Comprehensive Competitiveness Index" and ranked among the top 20. During the Reporting Period, the Group continued to implement the "High-Quality Development Program for the Traditional Chinese Medicine Industrial Chain", and boosted the development of the industry chain by focusing on key aspects such as ensuring a stable supply of high-quality medicinal materials, innovating TCM products with high clinical value, and enhancing production efficiency. The Group deeply explored the clinical value of TCM, enhanced evidence-based clinical research, and expedited the development of TCM industry clusters to assume a leadership position in TCM intelligent manufacturing. During the Reporting Period, the project "Application of Key Technology for Quality Control and Industrialization of Sichuan-produced Genuine Medicinal Materials" was awarded the first prize in Science and Technology by the China Association of Chinese Medicine. Meanwhile, the Group continued to develop high-level exchange platforms for the TCM industry. For example, it has established an expert committee for the high-quality development of the TCM industry chain, organized the "Salon of the TCM Industry Chain" events, and set up a platform for cooperation and exchange between the central government and the local government with the characteristics of the TCM industry chain. This initiative aims to drive the holistic development of the TCM industry.

Comprehensively enhancing marketing capabilities to sustain business growth

During the Reporting Period, the Group utilized marketing potential across multiple dimensions. It intensified efforts to reshape marketing system, innovate communication, and improve dissemination methods. With a focus on consumers, the Group enhanced product competitiveness by strengthening brand influence, expanding the range of medicine products, and controlling distribution channel. This not only consolidated the competitive edge of its core products but also allocated more resources to products with the potential to expand and create opportunities for business growth.

During the Reporting Period, the Group's revenue in the field of consumer healthcare (CHC) amounted to RMB19.1 billion, representing a year-on-year increase of 17%, which further consolidated its leading position and competitive advantage in the industry. The Group continuously unleashes its brand potential of CHC to enhance its brand influence and recognition. The Group's "Dong-E-E-Jiao", "Jiangzhong", and "Yuting" brands were listed among the "2023 China's 500 Most Valuable Brands" released by the World Brand Lab. CR Sanjiu, Dong-E-E-Jiao and Jiangzhong Pharmaceutical, all under the Group, ranked among the top 15 in the 2023 "Comprehensive Statistical Ranking of OTC Drug Manufacturing Enterprises in China", among which, CR Sanjiu maintained its first position.

The Group continued to consolidate its competitive strengths in core categories and core products in the CHC market. It also expanded its presence in various markets, enhancing the advantageous category cluster. During the Reporting Period, the Group's sales revenue from products in several fields recorded a steady increase, including cold, gastroenterology, and oropharyngeal. In the 2023 ranking of non-prescription medicines, many flagship products of the Group secured the top positions among competitors in Chinese patent medicine field: 999 Ganmaoling Granules/Capsules claimed the first spot in the cold and cough category for 12 consecutive years; Jiangzhong Jianwei Xiaoshi Tablets maintained the top position in the digestive category for 20 consecutive years; and E-Jiao/compound E-Jiao products under Dong-E-E-Jiao led the nourishing vitality and blood category. In addition, several of them were included in the "China OTC Drugs Gold List", with E-Jiao/compound E-Jiao products winning the first place in the field of Chinese patent medicine. Meanwhile, the Group continued to explore new areas and expand into new categories to drive growth in the CHC market by utilizing its established brand and channel advantages. During the Reporting Period, CR Jiangzhong efficiently promoted Ganchun tablets (肝純片), a cultivated product in the liver healthcare category, through various platforms using new retail methods, and recorded sales revenue of nearly RMB100 million, representing an increase of more than five times year-on-year. Instant E-Jiao powder, a prioritized product of Dong-E-E-Jiao, has significantly boosted product popularity, with its sales revenue surpassing RMB100 million, making a more than two fold increase year-on-year. The oropharyngeal product "Qingli (清利)" (dequalinium chloride lozenges) released by CR Double-Crane at the beginning of 2023 achieved sales revenue of nearly RMB100 million, benefiting from online and offline multi-channel marketing. Dong-E-E-Jiao launched the “Royal Paddock 1619” brand to enter the men’s healthcare market. In the meantime, the Group initiated external cooperations to enhance its category deployment. During the year, CR Sanjiu signed a cooperation agreement with Stada, pursuant to which CR Sanjiu will be responsible for marketing and promoting various cold and cough medicines from Stada in China. This collaboration will facilitate CR Sanjiu’s expansion of its respiratory product category. CR Sanjiu also signed a cooperation agreement with Sanofi, pursuant to which CR Sanjiu will serve as the exclusive agent for Sanofi to promote its anti-allergy medicine, Allegra, in both medical and retail channels in Mainland China.

The Group innovated communication approaches by utilizing data resources and data tools in the CHC market, which aimed to establish and operate a customer platform that covers all consumption scenarios, both online and offline. This initiative was designed to enhance the ability of customer screening, facilitate mass production of digital content, and ensure efficient allocation of resources, as well as to gain insight into consumers' needs, improve their experience, achieve precision marketing, and empower rapid business growth. During the Reporting Period, the online sales of the pharmaceutical manufacturing segment recorded a remarkable year-on-year increase of 30% in sales revenue. Specifically, the online sales of medicines for cold, the liver and gall as well as pediatric medicines and the nourishing vitality and blood category all kept ranking top in the “618” and “Double Eleven” promotional events.

In terms of the prescription drug business, the Group seized the opportunities presented by the healthcare reform policy, responded to market demand, and dynamically optimized its marketing strategies to enhance sales growth. The Group actively embraced centralized procurement, continued to enhance the marketing efficiency of centralized procurement products, and promoted the production and sales of selected products to ensure terminal supply. Currently, essentially all of the Group's key products in prescription drugs have been included in the scope of centralized procurement. For products newly included in centralized procurement, the Group will capitalize on the opportunities from successful tenders for centralized procurement to accelerate market expansion and generate incremental business in the future. In the adjustment of the National Reimbursement Drug List in December 2023, the Group's CX2101A and Lacosamide Oral Solution were included in the new version of the National Reimbursement Drug List and the scope of payment under the health insurance for compound E-Jiao and many major products were expanded, which will help enhance the market competitiveness and sales scale of the relevant products. During the Reporting Period, the Group continued to promote the penetration of its terminals and strengthened its presence in the primary market. In the large volume parenteral (LVP) segment, CR Double-Crane capitalized on the rapidly recovering primary medical market and utilized its full production capacity to ensure sufficient market supply. It also accelerated the optimization of the product structure, and the sales revenue from LVP recorded a significant year-on-year increase of 22%.

At the same time, the Group established an echelon of prescription drug products, enhanced potential varieties cultivation and product power shaping, and continued to propel a second growth curve. During the Reporting Period, the Group expedited the development of differentiated products and initiate new business deployments, strengthening its commercialization capabilities by solidifying its academic foundation. Sales revenue of Teniposide Injection, an anti-tumor medicine, surged by more than two times on a year-on-year basis, driven by CR Double-Crane's continuous efforts in the formulation of medication specifications. Sales revenue of Pregabalin Capsules, an analgesia medicine also increased by more than 50% year-on-year. In respect of Mitoxantrone Hydrochloride Injection for monitoring purposes of a Class 2 new drug, CR Sanjiu actively established a network of academic experts in surgery. The sales revenue from such products increased rapidly year-on-year. Ceftobiprole Medocaril Sodium for Injection, as the first domestically developed fifth-generation cephalosporin, has been officially commercialized for sale. The Group further explored the market potential of "dormant" products to create new business growth opportunities. During the year, the sales of such revived products amounted to around RMB500 million. Moreover, the Group has accelerated the introduction of products for future development and has introduced numerous products in the fields of pediatrics, nephrology, and oncology through BD within the year.

Strengthening intelligent manufacturing and capacity coordination to improve production quality and efficiency

Driven by data and technology, the pharmaceutical manufacturing segment of the Group continuously enhances the maturity level of intelligent manufacturing to enhance product quality and production efficiency, maintaining a first mover advantage in intelligent manufacturing in the pharmaceutical industry. In the "Intelligent Manufacturing Demonstration Factory List 2023" released by the Ministry of Industry and Information Technology of China ("**MIIT**"), CR Sanjiu and Jiangzhong Pharmaceutical under the Group were both selected as one of the "Intelligent Manufacturing Demonstration Factories 2023" at the national level. Additionally, five scenarios from CR Sanjiu and CR Double-Crane were chosen as one of the "Outstanding Scenarios of Intelligent Manufacturing 2023". CR Boya Bio-pharmaceutical's blood product intelligent factory has commenced construction. The first phase of the project has a designed production capacity of 1,200 tons of plasma treatment per year (which can be flexibly expanded to 1,500 tons per year). The project is positioned as a demonstration base for intelligent manufacturing of blood products in China. It is intended to become a factory for intensive production of blood products that comprehensively leads in domestic production capacity, product quantity, technology, quality standards, and intelligence. CR Jiangzhong's TCM Science and Technology Innovation City project in Ganjiang New Area has a high-starting point plan for TCM intelligent manufacturing, which has been officially put into operation during the Reporting Period. CR Double-Crane actively promoted the construction of intelligent digitalization benchmarking factory in its industrial park division. This advancement involves a deep integration of digital management and control with core business processes, including supply chain, quality systems, and manufacturing management. Dong-E-E-Jiao continued to iterate the big data platform focusing on the product lifecycle, developed a smart logistics management platform, and completed the construction of an automatic traceability management system for the entire product and industrial chain. CR Sanjiu and Jiangzhong Pharmaceutical are currently the only two enterprises in the pharmaceutical industry that have passed the "Level 4 Assessment of Matured Intelligent Manufacturing Capability" by the MIIT.

During the Reporting Period, the Group continued to enhance its capabilities in the acquisition and management of upstream raw materials. Additional efforts were made to strengthen coordination, optimize and integrate production capacity, and to implement lean management practices in the industrial chain with an aim to establish competitive cost advantage in the integrated industrial chain. The Group's TCM business has established approximately 40 standardized demonstration bases for authentic medicinal materials and approximately 30 fresh-processing bases. Meanwhile, Dong-E-E-Jiao strengthened the integration of product bases, promoted model breeding, and emphasized technology leadership, to promote the standardization of core raw material donkey hide and ensure the stable supply and quality of raw materials from the source. In September 2023, CR Boya Bio-pharmaceutical, being approved by the Health Commission of Jiangxi Province, announced plans to establish two plasma collection stations in Taihe County and Leping City, Jiangxi Province, which are conducive to the further enhancement of its supply capacity of core raw material plasma, and facilitate the growth and expansion of its blood product business. During the Reporting Period, CR Double-Crane, by adhering to the low-cost strategy of the entire value chain, coordinated the implementation of production capacity optimization and lean management, further consolidating the production bases of LVP and key preparations to enhance its cost competitiveness. The production cost of key products decreased on a year-on-year basis, while the gross profit margin of the LVP business increased by 5.4 percentage points compared to the previous year. CR Jiangzhong achieved comprehensive exchange and sharing of the production lines of its core products, namely Jianwei Xiaoshi tablets (健胃消食片), Lacidophilin Tablets (乳酸菌素片), and Caoshanhu Hanpian (草珊瑚含片), to maximise the utilisation of production capacity resources. Furthermore, it effectively resolved the bottleneck in BIFIDO (貝飛達) production capacity through technological upgrades and process optimization.

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 RMB2,504.0 million, representing an increase of 12.6% on year-on-year basis. Guided by national policies, the Group has strengthened its core competitiveness in R&D activities by following industry technology trends and market demands. This has been achieved through ways such as independent R&D, investment, mergers and acquisitions, and external cooperation. The Group has placed particular emphasis on the R&D of medicines for various systems including cardiovascular, respiratory, tumor treatment, alimentary tract and metabolism, central nervous system, immune system, anti-infection, hematology, and genitourinary system. During the Reporting Period, the Group classified the R&D pipeline and dynamically carried out optimization. By concentrating on its advantageous resources and focusing on its core areas, the Group enhanced its R&D efficiency and the quality of its pipeline. As at the end of the Reporting Period, the Group had over 330 ongoing R&D projects for new products, including nearly 100 new drug projects.

At the end of the Reporting Period, the Group had one state key laboratory, five national engineering research centers, one national industrial innovation center, three national enterprise technology centers, as well as over 70 provincial and municipal R&D platforms and post-doctoral research stations. The Group has established a comprehensive mechanism for talent recruitment and development. By strengthening its efforts to attract and develop talent at all levels, the Group has assembled a team over 2,700 R&D professionals, with 38.8% of them holding master's degrees or doctorates. The Group has continued to enhance the appointment system for external experts and has actively expanded the team of external experts to drive the Group's innovative transformation and sustainable development.

The Group has accelerated innovative transformation with a focus on high-growth and high-potential sectors. It also advanced the development of innovative R&D platforms for TCM, chemical drugs, and biological drugs. The bio-innovative drug platform is dedicated to building up differentiated technical advantages based on the antibody drug discovery empowered by computational biology and the establishment of CMC development technology platform, to promote high-quality biological innovative drug R&D pipeline. The chemical innovative drug R&D platform focuses on anti-tumor, anti-infection, autoimmune and other major diseases. It integrates target discovery, AIDD/CADD (AI-Driven Drug Design/Computer-Aided Drug Design), compound synthesis, drug screening and optimization, CMC, and clinical studies. Currently, the primary projects for anti-tumor research are progressing smoothly. Relying on national research platforms such as the state key laboratory and the national engineering research center, the TCM innovative R&D platform continues to strengthen the research on innovative Chinese medicines, classic Chinese medicine prescriptions, Chinese medicinal granular standards, and Chinese materia medica resources. In addition, the Group has expanded its business presence in synthetic biology by establishing enzyme engineering laboratories and developing synthetic biology industrial bases. By focusing on the development of industrial enzymes through synthetic biotechnology, the traditional chemical synthesis of APIs will be superseded to improve production efficiency and reduce production costs.

During the Reporting Period, the Group made significant progress in a number of Class 1 chemical innovative drug projects. NIP046 is designed for a variety of autoimmune diseases, and ranks at the forefront of research and development progress within its class in China. During the Reporting Period, the drug completed a Phase I clinical trial, demonstrating good safety and tolerability. NIP142, which is used to treat mutant non-small cell lung cancer, was under Phase I clinical trial during the Reporting Period. During the Reporting Period, Phase I clinical studies of a Class 1 innovative drug targeting the isocitrate dehydrogenase-1 (IDH1) gene mutation were underway.

The Group continued to enhance its deployment of original biological drugs, improved new drugs and blood products. As at the end of the Reporting Period, the Group had 28 biological drug projects under development, 13 of which were new biological drugs focusing on anti-tumor, immunity, and other therapeutic fields. One new biologic drug for the treatment of anemia has entered a Phase II clinical trial, with all cases dismissed. CR Boya Bio-pharmaceutical has further increased its R&D investment in blood products to optimize the pipeline layout. The intravenous immunoglobulin (10%) has completed the Phase III clinical trial, and the clinical trial summary report is being written. Moreover, C1 Esterase Inhibitors have received approval for a clinical trial of drugs issued by National Medical Products Administration ("**NMPA**"). The clinical trial for the treatment of acute attacks of acute abdominal and/or facial hereditary angioedema in adults and adolescents has already begun. CR Boya Bio-pharmaceutical is the first enterprise in Mainland China to obtain the approval for the clinical trial of this drug. Currently, there is no company in Mainland China producing and selling this product.

The Group continuously increased its investment in R&D for leading businesses, developed business incubation platform, accelerated the commercialization of R&D achievements, and improved the efficiency of industrialization. These efforts further consolidated and enhanced the core competitive advantages. In terms of TCM, KYAZ01-2011-020, the Group's Class 1 TCM innovative drug for ischemic stroke, is currently in the Phase II clinical study stage. Furthermore, an improved new TCM project for the treatment of cancer-related fatigue has received a notice of acceptance for a clinical trial application. At present, the Group has over 40 classic formulas in the pipeline, mainly focusing on the fields of respiratory, gastroenterology, gynecology, pediatrics, and orthopedics, and four of them are at the registration stage. During the Reporting Period, the chemical drugs business obtained drug registration approvals from NMPA for 19 chemical drug products. These products include Omeprazole and Sodium Bicarbonate Capsule, Olmesartan Medoxomil and Amlodipine Besylate Tablet, Levetiracetam Concentrated Solution for Injection, and Amoxicillin Sodium Clavulanate Potassium (II) for Injection. This has further enriched the product portfolio in the treatment of hypertension, anti-infection, digestive tract, and other fields. In particular, Omeprazole and Sodium Bicarbonate Capsules, and Amoxicillin Sodium Clavulanate Potassium (II) for Injection were registered as Class 3 chemical drugs. 13 products, including the Citicoline Sodium Injection, Piracetam Tablet, and Epalrestat Tablet, passed the consistency evaluation of the quality and efficacy of generic drugs. Moreover, the Group obtained approval for two formula food products for special medical use during the year. This marks a successful entry into the special medical use formula food business, which has significant growth potential.

The Group proactively expanded external innovation and cooperation and established a mechanism for business development synergy. The Group is dedicated to promoting strategic cooperation with national innovative institutions, such as the national medical center, in the field of innovative medical projects and technologies, and aims to gain access to top external experts for acquiring projects and technologies to diversify and optimize its innovative R&D pipelines. The Group has co-established five joint innovation centers with national innovation platforms, including the National Center for Cardiovascular Diseases, the National Clinical Research Center for Infectious Diseases, and the National Engineering Research Center for Cell Growth Factor Drugs and Protein Agents. During the Reporting Period, the Group enhanced the strategic cooperation with the National Center for Cardiovascular Diseases on crucial core technical issues relating to the generality, progressiveness, and applicability of clinical needs in the cardiovascular disease field. The Group also finalized the intentions for cooperation on three projects involving innovative medical devices for cardiovascular disease interventional surgery and heart failure treatment. These decisions were based on clinical experts' long-term clinical practice to tackle current challenges in diagnosing and treating cardiovascular diseases. The Group has also established cooperation with the National Clinical Research Center for Infectious Diseases to conduct research and development of new drugs, diagnostic reagents, and innovative vaccine products in the field of infectious diseases, and both parties signed a cooperation agreement for a new vaccine project in February 2023. In addition, the Group entered into a cooperation agreement for a new ophthalmic project with Wenzhou Medical

University in September 2023. During the Reporting Period, the Group entered into strategic cooperation agreements with Westlake University, the National Biochemical Engineering Technology Research Center of Nanjing Tech University, the Shenzhen Medical Academy of Research and Translation, the Shenzhen Bay Laboratory, and the Shanghai Institute of Materia Medica, Chinese Academy of Sciences. In November 2023, CR Biopharm completed the signing of an agreement for technical cooperation and development of innovative biological drug preparations.

During the Reporting Period, a number of projects under development that were licensed-in by the Group progressed smoothly. QBH-196, a new Class 1 small-molecule targeted anti-tumor drug introduced by CR Sanjiu from Shenyang Pharmaceutical University in 2019, was in Phase I clinical trial. ONC201, an innovative drug for brain glioma under a licensing cooperation with Oncoceutics, Inc. in 2020, received a notice of approval for clinical trials of drugs issued by the NMPA in July 2023 and has completed the enrollment for the Phase I clinical trial. The Class 2 innovative drug in the field of reproductive health introduced by CR Zizhu in December 2022 was in Phase I clinical trial. Fascin protein inhibitor DC05F01, an innovative anti-tumor drug introduced by CR Double-Crane from the U.S. company Novita in 2021, successfully completed Phase I clinical trials.

3. Pharmaceutical Distribution Business

In terms of the pharmaceutical distribution business, the Group continued to optimize its network layout and business structure, enhance its full supply chain management and service capabilities, and promote the development of the entire industrial chain of specialized medical device business to support emerging businesses. The Group also empowered its business development, service innovation, and management improvement with digitalization, while continuously strengthening the development of integrated and intelligent logistics.

During the Reporting Period, the Group's pharmaceutical distribution business recorded a segment revenue of RMB202,153.5 million, representing an increase of 11.4% compared with that of 2022. The gross profit margin of the distribution business was 5.9%, representing a slight decrease of 0.2 percentage point as compared to the previous year.

The Group implemented a regional development strategy by accelerating extended development to further expand the network layout, enhance terminal coverage, and increase market shares. During the Reporting Period, following the hierarchical diagnosis policy, the Group actively developed the primary medical market. By strengthening the allocation of product resources to primary levels and diversifying its service capabilities, the Group recorded a year-on-year increase of approximately 24% in sales revenue from primary medical institutions. As at the end of the

Reporting Period, the Group's pharmaceutical distribution network has covered 28 provinces across the country, serving approximately 240,000 clients, including 10,667 secondary and tertiary hospitals, and around 100,000 primary medical institutions.

The Group established a product committee and developed a unified BD system to continuously enhance the integration of drug procurement, marketing, and supply chain management nationwide. From various dimensions, including product research, marketing planning, and project planning, the Group coordinated and improved its ability to obtain upstream resources. The Group has strengthened the in-depth strategic cooperations with pharmaceutical companies such as Sanofi, Roche and Johnson & Johnson. During the Reporting Period, the Group facilitated the introduction of high-quality products and introduced 49 innovative drug products that were newly approved for marketing and commercialization during the year. Besides, the Group conducted integrated negotiations for centralized procurement, and in the eighth round of centralized procurement, the average product acquisition rate was 62%. By strengthening unified planning and overall negotiation of product lines in the out-of-hospital market, the Group also introduced more than 70 in-depth marketing specifications, including the in-depth marketing right for Roche's anti-influenza drug "Xofluza (速福達)" and the agent distribution right for Ailine's scalp health drug "Cele (採樂)" in the Chinese market. Furthermore, the Group continuously improved its capabilities in customs import services and achieved sales revenue of its import business of RMB14.1 billion during the Reporting Period, representing a year-on-year increase of 8%. The Group introduced 14 new imported products, including blockbuster products such as "LITFULO (樂複諾)", a Class 1 innovative drug for treating alopecia areata. Deeply involved in the "Hong Kong and Macao Medicine and Equipment Connect" policy in the Greater Bay Area, the Group has signed contracts with all 19 medical institutions in the second batch, assisted in obtaining 50 approvals for urgently needed clinical drugs/devices during the year and successfully completed the procurement, import, and distribution of related products. During the Reporting Period, CR Pharmaceutical Commercial accelerated the incubation and expansion of emerging businesses. Leveraging the acquisition of Fuda Pharmaceutical, CR Pharmaceutical Commercial diversified its blood product resources and expanded its blood product distribution business. Meanwhile, CR Pharmaceutical Commercial accelerated the layout of the distribution business in the field of animal healthcare and became the national general agency for a newly approved triple inactivated vaccine for cats in 2023.

The Group continued to advance the professional development of medical devices and expand the business across the entire value chain. It also focused on strengthening platform construction and integrated operational management. Specifically, the Group has established 40 independent medical device companies and developed business relationships with approximately 20,000 downstream hospitals. During the Reporting Period, the medical device business recorded revenue of approximately RMB32.3 billion, representing a year-on-year growth of 7% (excluding the impact of epidemic prevention materials, which showed a year-on-year growth of 22%). The Group actively pursued product introductions in the medical device sector. During the Reporting Period, the Group introduced 26 products as a general distributor/agency and collaborated with upstream manufacturers such as DIRUI Industrial Co., Ltd. (迪瑞醫療科技股份有限公司) to advance the "Thousand Counties" project. The Group continuously strengthened its specialized capabilities in orthopedics, interventional supplies, and IVD diagnostic reagents, accelerating extensive development to optimize the business layout in specialist areas. In the orthopedics sector, the Group has set up a nationwide supply chain and service-integrated platform. It has established over 80 orthopedic sub-warehouses established across provinces and launched a surgery management system to further enhance its intelligent professional service capabilities. Additionally, the Group has established nine professional inspection companies in the IVD field, which possess inspection qualifications for immunity, biochemistry, microbiology and other sectors, and offer innovative services such as smart laboratories. During the Reporting Period, the Group actively expanded its medical device business to the upstream of the industrial chain, set an IVD preparation joint venture company with Fapon Biotech Company Ltd., and established a production base for IVD and basic consumables. The first batch of nearly 100 medical device products has entered mass production. At the same time, the Group endeavoured to enhance the technological research and development capabilities of medical devices. To achieve this goal, the Group set up the Medical Device Research Institute and also formed a joint laboratory with Beijing Jishuitan Hospital. This collaboration is dedicated to researching and applying innovative medical technologies for bone and joint transplantation and regeneration. Furthermore, the Group continued to enhance the lean management capability of the in-hospital logistics for its medical device business. During the Reporting Period, the Group secured over 80 new terminal innovative service projects, with more than 10 projects utilizing their proprietary software systems.

The Group accelerated the digital transformation of its distribution business to empower business expansion, innovate value-added services, and enhance management capabilities through intelligent means. In response to the trend of channel expansion and prescription outflow, the Group offered prescription platform services to hospitals, and processed prescription outflow business with the total transaction amount of approximately RMB500 million from major internet hospital platforms during the year. The Group also obtained the first Category 3 license for an integrated internet hospital of traditional Chinese and western medicine in

Beijing. Its own internet medical platform, Beijing Run Xiaoyi (潤小醫) Internet Hospital, jointly built with Beijing Jiangong Hospital, has been officially launched, marking a breakthrough in the development of digital medical business. During the Reporting Period, the Group's B2B online platform "CR Pharma e-Store (潤藥商城)", processed a diverse range of online transactions, including medical insurance and commercial insurance payments, interest hospital services, and prescription fulfillment. The platform recorded 1.96 million orders with a total transaction amount of approximately RMB30.4 billion. Furthermore, the Group comprehensively promoted digital value-added services for medical customers. By integrating the upstream and downstream segments of the industrial chain through intelligent methods, the Group strives to offer comprehensive supply chain solutions and reshape the value of traditional medical channels. At present, the Group has signed more than 120 COEs (Centers of Excellence) agreements with over 70 medical institutions nationwide. These partnership allow the Group to accurately access medical and patient resources, creating valuable data assets and extending the service model to customers. During the year, the Group operated three lung cancer COEs, implemented the "Digital Therapy Project" in cooperation with Xuzhou Children's Hospital and Tai'an Hospital of Traditional Chinese Medicine, and established a look-through digital CRM (customer relationship management) platform to optimize service capabilities, enhance customer loyalty, and effectively explore the sales potential of high-quality customers. The Group also established a "digital business operation management platform" that deeply integrated the key aspects of digital development and business management. This platform enabled the connection of multiple systems, such as customer classification, credit funds, and supply chain management, effectively managed and reduced long-aging accounts receivable in a targeted manner, and controlled the payment schedule through an intelligent payment management platform. Thanks to the platform, the working capital turnover increased, and the operating cash flow improved during the Reporting Period. Meanwhile, "Runyao IoT (潤曜物聯)", an intelligent logistics management tool, was launched in a number of regions, which effectively prevented risks while enhancing management quality and efficiency.

At the same time, the Group continued to advance the establishment of a professional logistics system, reinforce standardized operational control, and coordinate the consolidation of warehouse resources, with an aim to continually enhance the Group's logistics capacity and efficiency. During the Reporting Period, significant progress was achieved in the development of major logistics centres in Beijing, Guangzhou, Changsha, and other locations. At the end of the Reporting Period, the Group's distribution business operated over 230 logistics centres. These centres are equipped for storing and distributing temperature-controlled drugs nationwide, enabling the Group to offer end-to-end management of the vaccines, blood products, and other items that necessitate precise temperature control.

4. Pharmaceutical Retail Business

In terms of the pharmaceutical retail business, the Group has consistently strengthened the development of specialized pharmacies, refined business categories, improved operational quality and service capabilities, and promoted the seamless integration of online and offline operations to establish a competitive edge in the retail sector through specialization, standardization, and digitalization.

During the Reporting Period, the Group's pharmaceutical retail business recorded revenue of RMB9,578.8 million, representing a year-on-year increase of 26.2%, primarily due to the proactive approach in embracing the prescription outflow trend and its continuous efforts to enrich and optimize the product structure. The gross profit margin of the retail business was 7.6%, representing a slight decrease of 0.5 percentage points as compared to the same period of last year. In 2023, the Group's DTP business achieved revenue of approximately RMB5.9 billion, representing an increase of approximately 16.3% year-on-year. As of the end of the Reporting Period, the Group operated a total of 790 self-owned retail pharmacies, including 272 DTP professional pharmacies in total (including 153 "dual-channel" pharmacies).

The Group continued to strengthen the construction of high-quality DTP specialty pharmacies and established a differentiated competitive advantage in its retail business. The Group ranked second in the "2022-2023 Top 10 DTP Enterprises" of CPEO and held 54 positions in the "2022-2023 Top 100 Standalone Pharmacies (Professional Pharmacies) in China". During the Reporting Period, the Group focused on uniformly negotiating for forward-looking and innovative products. Nine new DTP product products were introduced, including the world's first human-targeted CAR-T product, Relmacabtagene autoleucel injection (伊基奥侖賽注射液), and the first innovative drug approved in China for cutaneous T-cell lymphoma, Mogamulizumab Injection . Meanwhile, the Group launched the "Excellent Runyao (卓越潤曜)" in-depth training program for pharmacists and shop managers in the Group's professional pharmacies in cooperation with upstream manufacturers. The aim is to systematically enhance the competitiveness of professionalism.

With the acceleration of outpatient treatment in pharmacies, there has been a rapid increase in prescription outflows and concentration in the industry. This trend has led to greater demands for pharmaceutical service management capabilities in pharmacies. The Group has consistently enhanced its professional service capability and drug supply system, aiming for integrated, standardized, and regulated operation and management of pharmacies. Efforts have also been made to facilitate the acquisition of "dual-channel" and "outpatient coordination" qualifications for pharmacies in order to actively accommodate the growing outflow of prescriptions. During the Reporting Period, the Group introduced a unified pharmacy service management platform to bolster patient management and follow-up services. This initiative aims to establish seamless coordination between upstream and downstream sectors, offering professional pharmacy services and management to both patients and manufacturers. Furthermore, the Group has been proactively handling commercial insurance payments and collaborating with Yibao Technology (Shanghai) Co., Ltd. (熠保科技(上海)有限公司) to introduce universal outpatient insurance in provinces such as Hunan and Shandong. This initiative has resulted in 300,000 individuals being insured, facilitating medication services for the insured, and providing product access services for manufacturers.

The Group promoted the digital transformation of its retail business and established an online and offline integrated business model. The Group had been actively constructing new O2O (online-to-offline) and B2C (business-to-consumer) retail operation platforms, and launched the online private domain platform "Runyao Youxuan (潤曜優選)" to acquire and operate private domain traffic. During the Reporting Period, the sales of the online retail business further increased by over 30% year-on-year. The Group has also established a centralized pharmacy customer relationship management (CRM) system to optimize the centralized management of members across all channels, leveraging digitalization to strengthen customer loyalty. At present, the number of members has reached nearly 3 million.

OUTLOOK AND FUTURE STRATEGIES

The Group has always upheld the mission of "Protecting Human Health and Improving Quality of Life". Guided by public health needs and in adherence to the national development strategy, the Group is committed to developing its businesses in the "Pillars of a Great Power" and "People's Livelihood of a Great Power". It will focus on improving the industrial chain and its role in the industry, and will explore fields with high potential. The Group will strive to achieve innovation-driven growth by strengthening its independent innovation capacity, and will integrate advantageous resources and enrich technical reserves with a focus on core disease areas. By benchmarking with comprehensively and thoroughly world-class enterprises, the Group will continue to optimize its business structure, improve its management capabilities, and enhance its operational quality. By accelerating the application of digital technology throughout the entire value chain, the Group will explore new channels to enhance quality and efficiency in the ongoing digital transformation of the pharmaceutical industry.

1. To serve national strategies and optimize business layout

By adhering to the national development strategy, the Group will position itself as a "Guardian of People's Health" in its operation. It will actively invest in strategic emerging pharmaceutical industries for business expansion to accelerate the cultivation of technology-driven productive forces, featuring new industries and business forms. The Group will strengthen its innovation and R&D capabilities, focusing on addressing critical bottlenecks and challenges. It will vigorously develop bio-innovative drugs and blood products, and establish a business presence in the fields of vaccines and high-end medical equipment to enhance the supply chain for high-end biomedicine products and devices. The Group will implement comprehensive management of the entire value chain of TCM to systematically enhance the competitive advantage in the industry chain. The Group is committed to promoting the high-quality development of the pharmaceutical industry, as well as effectively enhancing its core competitiveness and core functions.

2. To enhance core competitiveness by strengthening technology and innovation

The Group will further strengthen its ability for independent innovation and consider R&D and innovation as the cornerstone of building core competitiveness. It will continue to focus on diseases with clinical demand such as tumors, autoimmunity, cardiovascular, neurological, and infectious diseases. The Group will pay close attention to changes in targets and technological trends, and strengthen the differential investments in new product pipelines. It will further improve the construction of innovative technology platforms, increase investment in such fields as innovative drugs, complex agents with high barriers, and biological manufacturing, and explore cutting-edge technology platforms such as organoids. The Group will accelerate the construction of national key laboratories and national engineering and technology research centers in the pharmaceutical field. It will also strengthen the connection between the industrial chain and innovation chains by deepening external cooperation with national/provincial innovation centers, scientific research institutes, and other institutions to enhance its capabilities in innovation and R&D. The Group will fully explore the potential of its advantages in industrialization and commercialization to promote the transformation of scientific and technological achievements.

3. To promote management improvement and value creation by benchmarking against first-tier international enterprises

Adhering to the principles of "excellent products, outstanding brands, leading innovation, and modern governance", the Group will launch benchmarking initiative with first-tier international enterprises to enhance management practices and foster value creation in a comprehensive manner, and to facilitate the concurrent growth of the Group's scale and enhancement of the benefits from its quality. Focusing on the main business and strategic objectives, the Group will strengthen its capabilities in strategic leadership, scientific management and control, value creation, and self-innovation through measures such as sound work systems, improved operational mechanisms, optimized management processes, and strictly supervised inspections. This will help consolidate the management foundation, build competitive advantages for its core business, and introduce in-depth lean management to enhance the overall efficiency of the Group and promote its high-quality development.

4. To open new development horizons driven by internal and external development

The Group has set a strategic objective for the "14th Five-Year Plan", capitalizing on opportunities arising from the development and reform of the pharmaceutical industry, and persisting in the development of both organic growth and external development to enhance the organic integration of capital operation and industrial operation. The Group is committed to developing quality and efficiency with focus on its consumers, strengthening innovative R&D, and optimizing product structure. Efforts will be made to constantly boost brand awareness and reputation, and to focus on strengthening the core business to consolidate its core competitive strengths. The Group will focus on high-value areas crucial to the strategic development such as biopharmaceuticals, innovative small-molecule drugs, high-end medical devices and characteristic TCM, and continue to enhance the investment and engage in mergers and acquisitions in strategic industries. The Group will constantly consolidate, supplement, strengthen, and extend the industrial chain, so as to achieve the sustainable and high-quality development.

5. To empower business innovation and transformation with intelligent measures

The Group will fully promote industrial digitalization, governance intellectualization, data factorization and construction of technological platform. The Group will continue to enhance its core competitiveness through digital transformation, further consolidate its intellectual and digital foundation capabilities, and expand the digital footprint of its key businesses, with a focus on promoting intelligent manufacturing and model innovation, so as to facilitate the transformation and upgrading of industries and high-quality development through digital intelligence. The Group will strengthen the level of digital empowerment of R&D innovation, promote the rapid development of intelligent manufacturing, so as to raise the level of modernization in both industry and supply chains. Efforts will be continuously made to expand the "Internet+" in medical care and pharmaceutical application exploration and model innovation, and to apply digital construction to achieve the effective improvement of the quality of management.

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 2023, the Group had bank balances and cash of RMB24,650.7 million (2022: RMB15,223.7 million), which were primarily in RMB and HKD.

As at 31 December 2023 the RMB-denominated, and HKD-denominated bank borrowings accounted for approximately 99.9% (2022: 99.1%) and 0.1% (2022: 0.9%), respectively, of the Group's total bank borrowings. Among the Group's total bank borrowings as at 31 December 2023, a substantial portion of approximately 79.5% (2022: 88.9%) 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 2023 (2022: 1.3:1).

As at 31 December 2023, the Group's gearing ratio (being the ratio of net debt divided by total equity) was 42.2% (2022: 49.6%).

In 2023, the Group's net cash from operating activities amounted to RMB15,549.9 million (2022: RMB10,821.1 million). The Group's net cash used in investing activities in 2023 and 2022 amounted to RMB2,067.3 million and RMB819.2 million, respectively. In 2023 and 2022, the Group's net cash used in financing activities amounted to RMB4,065.3 million and RMB9,126.1 million, respectively.

PLEDGE OF ASSETS

As at 31 December 2023, the Group's total bank borrowings amounted to RMB54,213.1 million (31 December 2022: RMB40,745.2 million), of which RMB1,915.3 million (31 December 2022: RMB1,233.4 million) were secured and accounted for 3.5% (31 December 2022: 3.0%) of the total borrowings.

Certain of the Group's trade and bills receivables with an aggregate net book value of RMB1,161.0 million (31 December 2022: RMB703.3 million) have been pledged as security.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: 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 2023, the Group employed around 72,986 staff (31 December 2022: 67,000 staff) in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rate while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

DIVIDEND

The Board recommends the payment of final dividend of RMB0.154 per Share in cash for the year ended 31 December 2023 (2022: HK$0.16 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 30 May 2024 (the "**AGM**") and the final dividend will be distributed on or about 19 July 2024 to the Shareholders whose names appear on the register of members of the Company on 7 June 2024.

The final dividend will be payable in cash to each Shareholder in HK$ by default, converted at the exchange rate of RMB1.0: HK$1.10188, being the average benchmark exchange rate of RMB to HK$ as published by the People's Bank of China during the five business days immediately before 26 March 2024 (Tuesday), such dividend will be paid to Shareholders at HK$0.1697 per share. Shareholders will also be given the option to elect to receive all or part of the final dividend in RMB. To make such election, Shareholders should complete the Dividend Currency Election Form which is expected to be despatched to Shareholders in mid-June 2024 as soon as practicable after the record date of 7 June 2024 (Friday) 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 2 July 2024 (Tuesday).

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 19 July 2024 (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 2 July 2024 (Tuesday), such Shareholder will automatically receive the final dividend in HK$. All dividend payments in HK$ will be made in the usual way on 19 July 2024 (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 27 May 2024 to 30 May 2024, 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 24 May 2024.

The register of members of the Company will also be closed from 6 June 2024 to 7 June 2024, 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 5 June 2024.

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 C1 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.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 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 C3 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 2023 and 31 December 2022 included in this preliminary announcement of annual results 2023 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 2022 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 2023 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 KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

PUBLICATION OF THE ANNUAL RESULTS AND 2023 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 2023 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, 26 March 2024

As at the date of this announcement, the Board comprises Mr. Han Yuewei as chairman and non-executive Director, Mr. Bai Xiaosong, Mr. Tao Ran and Mdm. Deng Rong as executive Directors, Mdm. Guo Wei, Mr. Sun Yongqiang, Mr. Hou Bo and Mdm. Jiao Ruifang as non-executive Directors and Mdm. Shing Mo Han Yvonne, Mr. Kwok Kin Fun, Mr. Fu Tingmei and Mr. Zhang Kejian as independent non-executive Directors.