華潤醫藥集團有限公司
China Resources Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3320)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), together with the comparative figures for the previous year/period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 — unaudited
*(Expressed in Renminbi ("**RMB**"))*

		Six months ended 30 June	
		2024	2023
			(Re-translated)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**128,597,588**	122,818,429
Cost of sales		**(107,664,092)**	(103,057,803)
Gross profit		**20,933,496**	19,760,626
Other income	*5*	**811,260**	699,544
Other gains and losses	*6*	**(656,769)**	(415,177)
Selling and distribution expenses		**(9,378,405)**	(9,240,903)
Administrative expenses		**(3,044,405)**	(2,845,346)
Other expenses, net		**(1,012,033)**	(691,212)
Finance income		**372,154**	233,297
Finance costs		**(1,177,992)**	(1,429,607)
Finance costs, net	*7*	**(805,838)**	(1,196,310)

		Six months ended 30 June	
		2024	2023
			(Re-translated)
	Notes	***RMB'000***	*RMB'000*
Share of profits of associates and joint ventures		**198,770**	212,013
Profit before taxation	*8*	**7,046,076**	6,283,235
Income tax	*9*	**(1,505,520)**	(1,254,086)
Profit for the period		**5,540,556**	5,029,149
Attributable to:			
Equity shareholders of the Company		**2,604,806**	2,681,669
Non-controlling interests		**2,935,750**	2,347,480
		5,540,556	5,029,149
Earnings per share:	*10*		
Basic (RMB)		**0.41**	0.43
Diluted (RMB)		**0.41**	0.43

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Profit for the period	**5,540,556**	5,029,149
Other comprehensive income for the period		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of operations outside Mainland China	**26,777**	(252,189)
Share of other comprehensive income of associates	**(1,560)**	–
	25,217	(252,189)
Item that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**–**	188,922
Other comprehensive income for the period, net of tax	**25,217**	(63,267)
Total comprehensive income for the period	**5,565,773**	4,965,882
Attributable to:		
Equity shareholders of the Company	**2,630,370**	2,616,653
Non-controlling interests	**2,935,403**	2,349,229
Total comprehensive income for the period	**5,565,773**	4,965,882

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 — unaudited

(Expressed in RMB)

	Notes	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	12	**19,945,302**	20,117,615
Right-of-use assets		**4,838,412**	4,925,159
Investment properties		**1,690,957**	1,692,206
Intangible assets		**7,878,547**	8,016,756
Goodwill		**21,454,280**	21,454,280
Interests in associates		**6,214,374**	6,005,836
Interests in joint ventures		**27,918**	31,211
Other non-current financial assets	13	**631,079**	841,445
Deferred tax assets		**1,837,851**	1,773,365
Other non-current assets		**4,231,398**	3,344,593
Total non-current assets		**68,750,118**	68,202,466
Current assets			
Inventories		**36,996,168**	31,875,487
Trade and other receivables	14	**91,979,587**	79,188,302
Other current financial assets	15	**39,740,826**	34,615,717
Amounts due from related parties		**722,047**	1,061,519
Tax recoverable		**134,472**	118,997
Pledged and term deposits		**5,705,059**	7,018,574
Cash and cash equivalents		**22,292,045**	24,650,670
		197,570,204	178,529,266
Assets classified as held for sale		**38,564**	38,564
Total current assets		**197,608,768**	178,567,830

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Current liabilities			
Trade and other payables	*16*	**83,038,403**	79,075,321
Contract liabilities		**4,804,903**	4,022,937
Lease liabilities		**456,674**	463,529
Amounts due to related parties		**748,700**	4,123,718
Bank borrowings		**51,958,106**	43,119,673
Bonds payable		**2,051,507**	2,640,387
Tax payable		**876,495**	730,031
Defined benefit obligations		**56,991**	57,159
Total current liabilities		**143,991,779**	134,232,755
Net current assets		**53,616,989**	44,335,075
Total assets less current liabilities		**122,367,107**	112,537,541
Non-current liabilities			
Bank borrowings		**15,858,755**	11,093,432
Bonds payable		**4,999,189**	3,999,046
Lease liabilities		**843,740**	844,894
Deferred tax liabilities		**1,678,231**	1,718,120
Defined benefit obligations		**737,413**	761,698
Amounts due to related parties		**29,500**	43,500
Other non-current liabilities		**1,102,485**	1,102,037
Total non-current liabilities		**25,249,313**	19,562,727
NET ASSETS		**97,117,794**	92,974,814
CAPITAL AND RESERVES			
Share capital		**24,630,493**	24,630,493
Reserves		**23,735,510**	21,329,112
Total equity attributable to equity shareholders of the Company		**48,366,003**	45,959,605
Non-controlling interests		**48,751,791**	47,015,209
TOTAL EQUITY		**97,117,794**	92,974,814

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1. Basis of preparation

The interim financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 29 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

Starting from the year ended 31 December 2023, the Group changed its presentation currency for the preparation of its consolidated financial statements from Hong Kong Dollars ("**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 income and expenses for the condensed consolidated statement of profit or loss, condensed consolidated statement of cash flows and related notes are translated at the average exchange rates for the period.

The preparation of the interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2.2. Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*

- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*

- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

The adoption of the above amended HKFRSs did not have a material impact on the Group's interim financial information.

The Group has not applied any new or amended standard that is not yet effective for the current accounting period. The management is assessing the impact of such standards and will adopt the relevant standards in the subsequent periods as required.

3. SEGMENT INFORMATION

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

Specifically, the Group has four reportable operating segments as follows:

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

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

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

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

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

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

The following tables present revenue and results for the Group's operating segments for the six months ended 30 June 2024 and 2023:

Six months ended 30 June 2024	**Manufacturing segment** *RMB'000*	**Distribution segment** *RMB'000*	**Retail segment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue					
External sales	**21,171,073**	**102,419,039**	**4,949,379**	**58,097**	**128,597,588**
Inter-segment sales	**2,622,124**	**3,463,347**	**–**	**–**	**6,085,471**
	23,793,197	**105,882,386**	**4,949,379**	**58,097**	**134,683,059**
Elimination:					
Elimination of inter-segment sales					**(6,085,471)**
Segment revenue					**128,597,588**
Segment results	**7,488,846**	**3,955,896**	**49,635**	**29,069**	**11,523,446**
Other income *(Note 5)*					**811,260**
Other gains and losses *(Note 6)*					**(656,769)**
Administrative expenses					**(3,044,405)**
Other expenses, net					**(1,012,033)**
Finance income *(Note 7)*					**372,154**
Finance costs (other than interest on lease liabilities)					**(1,146,347)**
Share of profits of associates and joint ventures					**198,770**
Profit before taxation					**7,046,076**

Six months ended 30 June 2023	Manufacturing segment (Re-translated) *RMB'000*	Distribution segment (Re-translated) *RMB'000*	Retail segment (Re-translated) *RMB'000*	Others (Re-translated) *RMB'000*	Total (Re-translated) *RMB'000*
Segment revenue					
External sales	20,490,228	97,733,860	4,528,000	66,341	122,818,429
Inter-segment sales	2,008,451	3,158,972	–	–	5,167,423
	22,498,679	100,892,832	4,528,000	66,341	127,985,852
Elimination:					
Elimination of inter-segment sales					(5,167,423)
Segment revenue					122,818,429
Segment results	6,443,357	3,996,769	44,704	(1,631)	10,483,199
Other income *(Note 5)*					699,544
Other gains and losses *(Note 6)*					(415,177)
Administrative expenses					(2,845,346)
Other expenses, net					(691,212)
Finance income *(Note 7)*					233,297
Finance costs (other than interest on lease liabilities)					(1,393,083)
Share of profits of associates and joint ventures					212,013
Profit before taxation					6,283,235

4. REVENUE

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

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of pharmaceutical products	**128,536,011**	122,759,503
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**61,577**	58,926
	128,597,588	122,818,429
Geographical markets		
Mainland China	**127,948,007**	122,394,992
Hong Kong and others	**649,581**	423,437
Total revenue	**128,597,588**	122,818,429
Disaggregated revenue information of revenue from contracts with customers:		
Timing of revenue recognition		
Goods transferred at a point in time	**128,536,011**	122,759,503

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Service fee income	**375,948**	386,193
Government grants	**227,577**	194,334
Others	**207,735**	119,017
	811,260	699,544

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Impairment recognised on property, plant and equipment	**(16)**	(21,800)
Impairment recognised on right-of-use assets	**–**	(13,193)
Impairment recognised on intangible assets	**(815)**	–
Impairment recognised on trade receivables, net	**(531,389)**	(393,748)
Impairment recognised on other receivables, net	**(58,809)**	(37,583)
(Loss)/gain on disposal of items of property, plant and equipment, net	**(1,694)**	2,477
Loss on derecognition of trade and bills receivables	**(113,471)**	(100,579)
Fair value changes of financial assets at fair value through profit or loss	**23,082**	47,878
Others	**26,343**	101,371
	(656,769)	(415,177)

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank borrowings	**1,021,326**	1,240,227
Interest on bonds payable	**117,763**	80,682
Interest on borrowings from an intermediate holding company	**6,972**	72,146
Interest on lease liabilities	**31,645**	36,524
Interest on defined benefit obligations	**2,825**	3,639
Less: Interest capitalised in property, plant and equipment *(Note)*	**(2,539)**	(3,611)
Total finance costs	**1,177,992**	1,429,607
Finance income — Interest income	**(372,154)**	(233,297)
Net finance costs	**805,838**	1,196,310

Note: Capitalised interest arose from funds borrowed specifically for the purpose of obtaining qualifying assets and from the general borrowing pool, which is calculated by applying a capitalisation rate of 4.60% (six months ended 30 June 2023: 3.74%–4.65%).

8. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Cost of inventories recognised as cost of sales*	**107,026,942**	102,893,439
Research and development expenditure (included in other expenses)	**939,014**	838,093
Depreciation of property, plant and equipment	**993,166**	910,359
Depreciation of right-of-use assets	**338,835**	336,294
Amortisation of intangible assets	**296,019**	282,862
Allowance for slow-moving and obsolete inventories	**30,575**	29,643
Lease expenses not included in the measurement of lease liabilities	**66,870**	82,834
Foreign exchange loss/(gain), net	**33,553**	(192,084)

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

9. INCOME TAX

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

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Provision for the period	**1,611,015**	1,329,748
Origination and reversal of temporary differences	**(105,495)**	(75,662)
	1,505,520	1,254,086

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on:

	Six months ended 30 June	
	2024	2023
		(Re-translated)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity shareholders of the Company used in the basic earnings per share calculation	**2,604,806**	2,681,669

	Six months ended 30 June	
	2024	2023
Number of shares		
Weighted average number of ordinary shares in issue during the period 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 impact of the restricted shares had an anti-dilutive effect on the basic EPS.

11. DIVIDENDS

(a) Dividends declared after the end of the reporting period

On 29 August 2024, the directors of the Company resolved to declare an interim dividend of HK$0.0908 or RMB0.083 per ordinary share, in an aggregate amount of RMB521 million for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil). Dividends declared after the date of the statement of financial position are not recognised as a liability at the date of the statement of financial position.

(b) Dividends declared during the period

	2024	2023
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the period: Final 2023 — HK$0.1697 per ordinary share (2023: Final 2022 — HK$0.16 per ordinary share)	**967,507**	879,965

A final dividend in respect of the year ended 31 December 2023 of RMB0.154 per ordinary share, in an aggregate amount of RMB968 million, was approved at the annual general meeting of the Company on 30 May 2024 and remained unpaid to the shareholders of the Company as at the end of the reporting period.

12. PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the six months ended 30 June 2024, the Group acquired property, plant and equipment approximately amounting to RMB877,205,000 (six months ended 30 June 2023: RMB1,184,112,000), excluding the property, plant and equipment acquired through business combinations.

Assets with a net book value of approximately RMB57,709,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB21,851,000), resulting in a net loss on disposal of approximately RMB1,694,000 (six months ended 30 June 2023: a net gain on disposal of approximately RMB2,477,000).

13. OTHER NON-CURRENT FINANCIAL ASSETS

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Equity investments, at fair value through other comprehensive income *(Note a)*	**71,804**	71,804
Equity investments, at fair value through profit or loss *(Note b)*	**559,275**	769,641
	631,079	841,445

Note a: The Group's equity investments at fair value through other comprehensive income represented investments in unlisted entities established in the PRC. These entities are principally engaged in pharmaceutical related operations.

Note b: The Group's equity investments at fair value through profit or loss represented investments in entities established in the PRC. These entities are principally engaged in research and development, distribution and related operations of pharmaceutical products. The above equity investments failed the solely payments of principal and interest ("**SPPI**") criterion, and were classified as financial assets at fair value through profit or loss.

14. TRADE AND OTHER RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Bills receivable	**846,463**	993,646
Contract assets	**1,987**	2,448
Trade receivables	**80,070,790**	69,497,239
Impairment allowance	**(2,953,805)**	(2,427,487)
	77,116,985	67,069,752
Prepayments	**7,254,417**	4,764,592
Other receivables	**7,184,521**	6,725,735
Impairment allowance	**(424,786)**	(367,871)
	6,759,735	6,357,864
	91,979,587	79,188,302

The Group generally allows credit periods, ranging from 30 to 365 days, to its trade customers. 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:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
0 to 30 days	**16,910,524**	16,672,296
31 to 60 days	**10,512,831**	10,809,757
61 to 90 days	**8,763,170**	5,987,431
91 to 180 days	**16,762,156**	13,720,722
181 to 365 days	**16,628,890**	14,690,137
Over 1 year	**7,539,414**	5,189,409
	77,116,985	67,069,752

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
0 to 30 days	**525,258**	345,154
31 to 60 days	**68,045**	161,282
61 to 90 days	**86,843**	177,176
91 to180 days	**166,317**	310,034
	846,463	993,646

As at 30 June 2024, certain of the Group's trade and bills receivables with an aggregate net book value of RMB1,592,098,000 (31 December 2023: RMB1,160,992,000) have been pledged as security.

15. OTHER CURRENT FINANCIAL ASSETS

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Trade and bills receivables, at fair value *(Note a)*	**28,953,689**	27,035,216
Financial products, at fair value *(Note b)*	**10,787,137**	7,580,501
	39,740,826	34,615,717

Note a: The Group has classified trade and bills receivables that are held within a business model both to collect cash flows and to sell financial assets at fair value through other comprehensive income.

Note b: Financial products at fair value included structured deposits entered into by the Group with banks and financial institutions. These structured deposits (where the effect of the structured element is not material) failed the SPPI criterion and were classified as financial assets measured at fair value through profit or loss.

16. TRADE AND OTHER PAYABLES

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Trade payables	**44,337,044**	38,640,057
Bills payable	**14,391,908**	15,810,964
Accrued salaries	**2,850,328**	3,398,034
Other tax payables	**793,114**	765,317
Other payables	**19,336,622**	18,661,016
Refund liabilities	**998,216**	1,093,443
Payable for acquisitions of subsidiaries	**331,171**	706,490
	83,038,403	79,075,321

The credit period for purchases of goods ranges from 30 to 90 days. The bills payable have maturity periods ranging from 30 to 180 days. As at 30 June 2024, the Group's bills payable of RMB12,420,664,000 (31 December 2023: RMB14,161,123,000) were secured by the Group's bills receivable with an aggregate carrying amount of RMB227,772,000 (31 December 2023: RMB 407,244,000) and pledged deposits of RMB4,461,883,000 (31 December 2023: RMB 4,683,298,000).

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
0 to 30 days	**23,335,614**	17,875,722
31 to 60 days	**7,028,603**	8,530,311
61 to 90 days	**3,821,043**	2,993,099
Over 90 days	**10,151,784**	9,240,925
	44,337,044	38,640,057

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
0 to 30 days	**3,722,395**	4,940,452
31 to 60 days	**2,300,791**	2,917,952
61 to 90 days	**2,233,005**	2,167,192
Over 90 days	**6,135,717**	5,785,368
	14,391,908	15,810,964

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The year 2024 marks a critical year for the in-depth implementation of the "14th Five-Year Plan". In the first half of the year, driven by the sustained effects of macroeconomic policies, improvements in external demand, and the recovery of consumer activities, China's national economy continued to improve with steady overall operation. Meanwhile, market demand showed a steady rise, transformation and upgrading progressed solidly, and new productive forces were cultivated and expanded. According to the National Bureau of Statistics of China, the gross domestic product marked a year-on-year growth of 5.0% in the first half of the year.

The healthcare sector, as a key cornerstone for ensuring public health and well-being, has consistently maintained a stable and high-quality development trend. From the development stage, China's pharmaceutical industry as a whole is in the stock structure optimization and innovative pharmaceutical equipment market expansion of the old and new momentum of the transition period, the size of the pharmaceutical industry is generally stable but the growth rate has slowed down. Since the beginning of this year, the scale of the pharmaceutical industry has been generally stable. From January to June 2024, the operating revenue of the pharmaceutical manufacturing industry amounted to RMB1,235.27 billion, representing a year-on-year decrease of 0.9%, with the decline narrowing; the total profit amounted to RMB180.59 billion, representing a year-on-year increase of 0.7%, returning to positive growth. The fundamentals of China's pharmaceutical industry featuring resilience, significant potential and ample vitality remain unchanged.

The "Healthy China" strategy is being fully promoted as evidenced by the change of focus of the health sector from disease treatment to people's health, driving the comprehensive development of the pharmaceutical and health industry covering prevention, healthcare, therapy and recovery. With new-generation technologies such as novel antibodies, cell and gene therapy and synthetic biology becoming increasingly mature, biomedicine is deeply integrated with new-generation information technology. This has provided a wide scope for the pharmaceutical industry to seize the opportunities of a new round of technological revolution and industrial transformation. The pharmaceutical and healthcare industry is heading toward high-end, intelligent, and green development. Innovative drugs have been included in the development of new quality productivity. Since the beginning of this year, provinces and municipalities such as Shandong, Hainan, Jiangsu, and Beijing, as well as cities including Guangzhou, Zhuhai, Haikou, and Wenzhou, have successively introduced policies in support of innovative drugs. China continues to support the inheritance and innovation of Traditional Chinese Medicine (TCM), and various provinces have accelerated the launch of 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》). These policies support the entire industry chain deployment of leading enterprises in the TCM industry, facilitating the development of key industry players such as China Resources Sanjiu Medical & Pharmaceutical Company Limited (華潤三九醫藥股份有限公司) ("**CR Sanjiu**"), a subsidiary of the Company.

The efforts to deepen healthcare reform policy focus on promoting the coordinated development and governance of medical insurance, healthcare, and pharmaceutical, with the aim to propel the high-quality development of the healthcare industry. Promoting the capacity of healthcare and medical services, and implementing the equipment renewal action, are conducive to the expansion of the pharmaceutical market and the development of medical devices. Drug approval policies emphasize the importance of high-level innovation guided by clinical value, resulting in increased research complexity and higher research and development (R&D) costs. In line with the quality improvement and extended coverage of centralized procurement, and by advancing deeper reform in the medical insurance payment method, the pharmaceuticals industry is embracing cost reduction, quality and efficiency enhancement, and innovative transformation and upgrading. Moreover, the launch of "special anti-corruption campaign in the medical sector" has purified the industry ecology, which is favorable to the development of leading enterprises.

Overall, the pharmaceutical industry is facing complex and significant changes in its internal and external environments. Factors such as the intensified aging population, consumption upgrade, technological advancement, and the comprehensive promotion of the "Healthy China" strategy are driving continuous expansion of the PRC pharmaceutical market. However, multiple factors including higher standards for the review and approval of drug registration, the quality improvement and extended coverage of centralized procurement, fierce competition in sub-segments, and increased thresholds for innovation and financing have set extremely high requirements for pharmaceutical enterprises. Driven by policy, technology and capital, the pharmaceutical industry will continue to encounter enormous opportunities and challenges, leading to a notable trend of structural adjustment. Differentiation and high-quality innovation will be the key elements for success in this competitive landscape, further promoting integration and consolidation within the pharmaceutical industry.

GROUP RESULTS

In the first half of 2024, the Group actively engaged with and integrated into national strategies, adhering to innovation-driven and technology-enabled approaches. The Group enhanced the digital infrastructure to stimulate new momentum for high-quality development. The Group accelerated external growth, resource integration, and collaboration with external partners, optimizing the business layout and product structure. The Group actively explored innovative development models for the industrial and value chains, implemented lean management practices, and ensured that synergies permeate through various stages including research, production, sales, investment, and management. All sectors collaborated closely to amplify overall value, driving consistent improvements in the operating performance and core competencies of the Company, thereby solidly advancing high-quality development.

During the Reporting Period, the Group recorded total revenue of RMB128,597.6 million, representing an increase of 4.7% compared to RMB122,818.4 million in the same period last year. In the first half of 2024, the revenue of the Group's three major business segments, namely pharmaceutical manufacturing, pharmaceutical distribution, and pharmaceutical retail, accounted for 16.5%, 79.6% and 3.9% of the Group's total revenue, respectively.

During the Reporting Period, the Group recorded a gross profit of RMB20,933.5 million, representing an increase of 5.9% from RMB19,760.6 million for the first half of 2023. The overall gross profit margin was 16.3% in the first half of 2024, representing an increase of 0.2 percentage point compared to 16.1% for the first half of 2023. This was primarily due to the increase in gross profit margin of the pharmaceutical manufacturing business during the Reporting Period.

During the Reporting Period, the Group recorded a net profit of RMB5,540.6 million, representing an increase of 10.2% from RMB5,029.1 million for the first half of 2023. The Group generated a profit attributable to owners of the Company of RMB2,604.8 million, representing a decrease of 2.9% compared with that of RMB2,681.7 million for the first half of 2023. Basic earnings per share were RMB0.41 during the Reporting Period (RMB0.43 in the first half of 2023). In order to enhance shareholder returns, the Board has resolved to declare an interim dividend of HK$0.0908 or RMB0.083 per share for the six months ended 30 June 2024, which is the first time that the Company declared an interim dividend.

1. Pharmaceutical Manufacturing Business

The pharmaceutical manufacturing business of the Group further focused on core areas and products. The Group comprehensively managed the entire value chain of TCM and chemical drugs, advanced in strategic emerging fields, systematically enhanced the competitive advantages of the industry chain, and optimized the product portfolio. The Group innovated the research and development system, engaged deeply in intelligent manufacturing, and promoted industrial transformation and upgrading. The Group established advantages in product quality and cost, enhanced brand value, and innovated multi-model integrated marketing strategies to improve the Group's channel control, brand influence, and market dominance.

During the Reporting Period, the Group's pharmaceutical manufacturing business generated segment revenue of RMB23,793.2 million, representing a steady increase of 5.8% year-on-year. TCM, chemical drug, and biopharmaceutical drug business segments, recorded the increase in revenue. The gross profit margin of the pharmaceutical business was 60.1%, representing an increase of 1.2 percentage points compared with the same period last year. This improvement was mainly attributable to the optimization of product structures, technological advancements, and enhanced production efficiency.

The Group owns comprehensive portfolio of pharmaceutical products covering a wide range of therapeutic areas, including chemical drugs, biopharmaceutical drugs, TCM and nutraceuticals. 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 792 products, of which 430 were included in the National Reimbursement Drug List and 203 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)*	**In the first half of 2024**	**In the first half of 2023**	**Period-over-period growth**
TCM	**11,968.7**	**10,682.4**	**12.0%**
of which: Over-the-counter (OTC) drugs	9,472.0	8,013.5	18.2%
Prescription drugs	2,496.7	2,668.9	-6.5%
Chemical drugs	**9,497.4**	**9,364.6**	**1.4%**
of which: OTC drugs	2,620.7	2,583.5	1.4%
Prescription drugs	6,192.3	6,031.2	2.7%
APIs	684.4	749.9	-8.7%
Biopharmaceutical drugs	**1,134.9**	**1,122.5**	**1.1%**
Nutraceuticals and others	**1,192.2**	**1,329.2**	**-10.3%**
Total	**23,793.2**	**22,498.7**	**5.8%**

In terms of product categories, the revenue from the TCM business of the pharmaceutical manufacturing business segment of the Group was RMB11,968.7 million during the Reporting Period, representing a period-over-period increase of 12.0%, of which revenue from the TCM OTC drug business increased by 18.2% period-over-period, with significant growth in revenue from the cold and gastroenterology areas, and the E-Jiao series products; while revenue from the TCM prescription drug business decreased by 6.5% period-over-period, with decline in the revenue from the cardiovascular and cerebrovascular products. The chemical drug business recorded revenue of RMB9,497.4 million, representing a period-over-period growth of 1.4%, of which revenue from the chemical OTC drug business increased by 1.4% period-over-period; revenue from the chemical prescription drug business increased by 2.7% period-over-period, primarily due to revenue growth in the large volume parenteral business and cardiovascular and cerebrovascular area;

and revenue from API business decreased by 8.7% period-over-period, affected by the decline in revenue from the export business of API. During the Reporting Period, the biopharmaceutical drug business achieved revenue of RMB1,134.9 million, representing a growth of 1.1% as compared to the same period last year, primarily driven by the increased revenue from the sales of blood products and gastrointestinal area. The revenue from nutraceuticals and other business recorded revenue of RMB1,192.2 million, representing a decrease of 10.3% as compared to the same period last year, with decline in the revenue from the healthcare products for postoperative recovery and vitamin and mineral healthcare products. During the Reporting Period, the Group's revenue in the field of consumer healthcare (CHC) amounted to RMB12.79 billion, representing a period-over-period increase of 13%, which further consolidated its leading position and competitive advantage in the industry. Four products of the Group's pharmaceutical business appeared in the list of the top 10 best-selling brands of Chinese patent medicine in urban pharmacies in China for the year 2023, namely "E-Jiao", "Ganmaoling Granules", "Jianwei Xiaoshi Tablets" and "Compound E-Jiao Syrup".

The Group continuously unleashes its brand potential to enhance its brand influence. During the Reporting Period, the Group ranked top 50 in the "2024 Brand Value List of Chinese Listed Companies" with a brand value of RMB97.006 billion and ranked top 55 in its Vitality List. CR Sanjiu under the Group was listed in the Top 100 of Greater Bay Area. During the Reporting Period, the Group officially launched the new brand "777" which relies on Xuesaitong oral products, gradually expands its product lines in health management, disease prevention, serious treatment and post-illness rehabilitation and other aspects, so as to drive Yunnan specific medicinal herbs to go abroad and promote the international spread of TCM culture. The Group's "Dong-E-E-Jiao", "Jiangzhong", and "Yuting" brands were listed among the "2024 China's 500 Most Valuable Brands" released by the World Brand Lab, and ranked 5th, 6th and 11th in the pharmaceutical industry, improving the Group's brand values by approximately RMB10.8 billion in aggregate.

Implementing the construction of industrial chain and value chain to consolidate industrial advantages and improve resilience

The Group continued to promote the high-quality development of the TCM industry chain, actively practicing the national strategies with a focus on standardized medicinal materials and intelligent manufacturing, so as to consolidate the ability to build the entire TCM industry chain, and implement the strategy of cost advantage in the integrated industrial chain. The Group built a resource control system for medicinal materials in the upstream of the industrial chain, continuously expanded planting varieties and planting areas, carried out breeding of authentic medicinal herbs, safeguarded the quality of medicinal materials from the source, and reduced procurement costs. In the middle of the industrial chain, the Group accelerated the deployment of fresh-processing bases, continued to carry out research on national standards, accelerated innovative research and transformation of the results of TCM, and set yield targets for core varieties to reduce production losses. In the downstream, the Group practiced hierarchical management of its products, actively responded to centralized procurement to ensure stable supply, and continued to improve its marketing efficiency to reduce the cost of sales. During the Reporting Period, the Group continued to promote the construction of the TCM industry chain ecosystem and build a jointly constructed, shared and win-win industry chain ecosystem by hosting the “TCM Industry Chain Action and Salon for High-Quality Development of TCM Industry”, the annual meeting of the Industrialization Cooperation Center of Hunan-Jiangxi-Guangdong-Hong Kong-Macau TCM Industry Chain Co-development Alliance, and the SCO Sub-Forum on Traditional Medicine. Capitalizing on the “alliance for high-quality development of the TCM industry chain” and “expert committee”, the Group also endeavored to strengthen brand building and build a new ecology for industrial development.

The Group continued to strengthen the comprehensive advantages of its chemical drug business and sorted out low-cost control points along the entire value chain of research, production and marketing. During the Reporting Period, the Group implemented a low-cost strategy and promoted cost reduction and efficiency improvement across the value chain by equipment transformation and efficiency improvement, raw material process optimization, lean operation management and other measures. The Group also continued to optimize the layout, expand production capacity, and improve the efficiency of production and operation. The new solid reagent workshop in Shandong, as well as the new peritoneal dialysis production line in Huaian have been completed. In the face of volume procurement and fast changing market after the deepening of industry reform, we should deepen the transformation of marketing mode and expand omni-channel marketing.

In response to the national biosafety strategy and upholding its strategic goal in the field of blood products, the Group continued to expand and take the lead in this field, and strengthened the layout of strategic emerging industries. In terms of blood product business, the Group endeavored to tap the potential capacity of plasma stations to ensure double-digit annual growth in plasma extraction; reserved talents and built a standardized management system for plasma station construction to ensure the compliant operation and rapid growth of new plasma stations. Relying on synthetic biotechnology, the Group have steadily promoted the construction of a three-tier industrial system for synthetic biology.

Building a multi-level and diversified product portfolio, and making synchronous progress in short, medium and long-term goals

The Group regards R&D innovation as important driving force for long-term growth and has been consistently enhancing its R&D capabilities. During the Reporting Period, the total R&D expenditure was approximately RMB1,095.0 million, representing an increase of 4.9% year-on-year. 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, oncology, 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 350 ongoing R&D projects for new products, including nearly 100 new drug projects.

As 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 accelerated innovative transformation with a focus on high-growth and high-potential areas. It also advanced the development of innovative R&D platforms for TCM, chemical drugs, and biological drugs.

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. During the Reporting Period, the Group made significant progress in a number of innovative Chinese medicines. KYAZ01-2011-020, the Class 1 TCM innovative drug for ischemic stroke, is currently in the Phase II clinical study stage; another Class 1 TCM innovative drug for improving kidney condition and strengthening yang, cooling blood and removing blood stasis, and relieving restlessness, is currently in the Phase II clinical study stage; an improved new TCM treatment for cancer-related fatigue has obtained the Phase II clinical trial approval, and the relevant research results have received the "Special Merit Awards" of the 2024 American Society of Clinical Oncology.

The chemical innovative drug R&D platform focuses on oncology, 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 oncology research projects are progressing smoothly. During the Reporting Period, the Group made significant progress in a number of chemical innovative drug projects. NIP046 is designed to treat a variety of autoimmune diseases, and ranks at the forefront of research and development progress within its class in China. The Phase II clinical trial of the drug for the treatment of chronic spontaneous urticarial has been approved. NIP142, which is used to treat mutant non-small cell lung cancer, is currently under Phase I clinical studies. Besides, the Phase I clinical studies of a Class 1 innovative drug targeting the isocitrate dehydrogenase-1 (IDH1) gene mutation are underway. An improved new drug project of semaglutide injection has obtained clinical trial approval for blood glucose control in adults with type 2 diabetes; and the clinical trial of KPC-149 Oral Solution for familial Mediterranean fever has also been approved.

The bio-innovative drug platform is mainly dedicated to drug design and molecular construction of monoclonal antibodies, bispecific antibodies, nano-antibodies and peptide drugs empowered by AI technology, and development of CMC using yeast-based technology, for exploring the competitive advantage of product differentiation. 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. The Group continues 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 27 biological drug projects under development, 16 of which were new biological drugs focusing on antitumor, immunity, and other therapeutic areas. The research of Ruitongli for treating the new indication of acute stroke has applied for new drug approval and been accepted by the National Medical Products Administration ("**NMPA**"). The Phase III clinical trial result has been published in The New England Journal of Medicine (IF: 158.5), an international core journal. Its treatment for the new indication of acute pulmonary embolism has entered Phase II clinical trial and progressed well. A Class 1 biologic new drug for the treatment of anemia has finished Phase II clinical report. The Group further increased the R&D investment in blood products to optimize the pipeline layout. The intravenous immunoglobulin (10%) has applied for new drug approval and been accepted by the NMPA. Moreover, the Phase III clinical project of C1 Esterase Inhibitors has completed the enrollment of first subject.

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. The Group deeply engaged in the TCM all-process development system and accumulated its R&D capability in TCM. At present, the Group has over 40 TCM classic formulas in the pipeline, mainly focusing on areas of respiratory, gastroenterology, gynecology, pediatrics, and orthopedics. During the Reporting Period, two classic formulas, namely Linggui Zhugan Decoction Granule and Wenjing Decoction Granule, have been approved. During the Reporting Period, the chemical drugs business obtained drug registration approvals from NMPA for 17 chemical drug products. These products include Glipizide extended-release tablets, Apixaban tablets, Levetiracetam XR Tablet, Sodium Valproate concentrated solution for injection, Lidocaine Hydrochloride injection (BFS), Roxatidine Acetate Hydrochloride for injection, Terbinafine Hydrochloride spray, Sodium Hyaluronate eye drops. This has further enriched the product portfolio in the treatment of hypertension, anti-infection, digestive tract, and other areas. Five products, including Clozapine Orally Disintegrating Tablets, Ganciclovir for Injection, Isoniazid Tablets, Peritoneal Dialysis Solutions (lactate) series products and Piracetam Injection, passed the consistency evaluation of the quality and efficacy of generic drugs. The Group participated in a project led by the Chinese Medicine Research Institute of China Academy of Chinese Medical Science, namely the Construction and Demonstrating Application of the Theory and Technology System of Ecological Planting of Chinese Medicinal Materials, with Wild Chrysanthemum, the raw material of Ganmaoling, as subject. In respond to issues that traditional Chinese medicine agriculture might encounter while imitating chemical agriculture model, such as soil deterioration, runaway of plant diseases and insect pests, the Group built up a series of ecological planting methods and technical systems for Wild Chrysanthemum under the "Herb-Wheat Shifting" model. Through such industry-leading and innovative achievements, the quality and safety of raw herbal materials of products should be effectively protected; the sustainable development of ecological environment of TCM agriculture should be promoted; and satisfactory ecological effectiveness, economic effectiveness and social effectiveness should be achieved. The Group also participated in another project, namely the Innovation and Application of Key Technologies for Mining and Industrialization of Fine Lactic Acid Bacteria Germplasm Resources. A batch of lactic acid bacteria with excellent features was explored, among which, Lactobacillus Plantarum P9 originated from the naturally fermented acidic-gruel in Bayannur, Inner Mongolia, possessed sound nature of security and survivability in gastrointestinal tract. Two abovementioned projects were awarded with the Second prize of the 2023 National Award for Science and Technology Progress.

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 National Medical Center in the field of innovative medical projects and technologies and has made smooth progress in this regard. At the same time, the Group actively explores new collaborations with scientific research universities and external R&D institutions. While acquiring projects and technologies, the Group accesses to top external experts, which allows it to diversify and optimize innovative R&D pipelines, thereby empowering high-quality development. During the Reporting Period, the Group enhanced the partnership with Hong Kong Baptist University, concentrating on scientific research, addressing key technical challenges, and advancing innovation in drug R&D and application. In January 2024, the Group entered into a strategic cooperation framework agreement on innovative R&D of Chinese medicines. In February 2024, the Group entered into a strategic agreement with Jiangxi University of Chinese Medicine for the joint establishment of the national key laboratory dedicated to the R&D of modern Chinese medicine formulations based on classic formulas. This agreement aims to comprehensively advance cooperation in fulfilling the construction tasks of the national key laboratory with high quality, enhancing project collaboration, and strengthening talent exchange. Additionally, in June 2023, the Group entered into a joint reporting agreement with the University of Macau for ongoing collaboration in the R&D, internationalization, and international standard-setting of classic formulas. During the Reporting Period, the Group completed a study on the quality standards of Cyperus Rotundus and Radix Pseudostellariae, which were subsequently accepted by the Pharmaceutical Code Committee of Germany. The Group initiated in-depth cooperation with Shenyang Pharmaceutical University, focusing on the design of innovative compound series, synthesis of target compounds, research on process optimization, and industrialization efforts. In June 2024, the Group established the joint laboratory for drug R&D to further these collaborative endeavors. The Group has also entered into strategic cooperation agreements with Jiangnan University, the Dalian Institute of Chemical Physics of the Chinese Academy of Sciences, and Ocean University of China. These agreements are designed to facilitate the establishment of joint innovation centres/research institutes, with the objective of driving the high-quality development of the TCM industry chain, the field of health and wellness, and other business areas as well as promoting technological innovations and the transformation of research outcomes through a deeply integrated model of industry, academia, and research.

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 oncology drug introduced 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 the Phase I clinical trial progressed smoothly. The Class 2 innovative drug in the field of reproductive health introduced in December 2022 completed the Phase I clinical trial. Fascin protein inhibitor DC05F01, an innovative oncology drug introduced from the U.S. company Novita in 2021, progressed smoothly in domestic clinical trials and completed Phase II clinical trials.

Expanding and deepening digitalization scenarios, strengthening the foundation of new productivity

The Group actively enhances the digital capabilities of all aspects of production, continuously deepens and expands digitalization scenarios, accelerates the digital transformation of the industry, strengthens the foundation of new productivity, and promotes high-quality development of the enterprise.

During the Reporting Period, the data management and application capabilities reached a new level. The Group upgraded the traditional pharmaceutical manufacturing system and accelerated the digital transformation of pharmaceutical manufacturing and the process of modernisation of TCM by applying technologies such as 5G, blockchain, digital incubation, cloud computing, AI and intelligent production equipment; and the Group constructed a data standard system and a control system based on master data, which further diversified the digitalization of the production and operation analyses and effectively enhanced the efficiency and digitization of the business operations. The Group proactively benchmarked against the world's top-notch and built industrial IoT platforms featuring pharmaceuticals, realising industrial data collection with standardised agreements, languages and models across multiple factories. During the Reporting Period, the Group's first business management system for cloud-based intelligent plasma stations in the industry was running steadily after rolling out for the all plasma stations, and the plasma identification system based on IoT was launched online and running in the business scenarios of the plasma stations side and the factory side, which fully empowered the safety management of raw material plasma and enhanced its efficiency.

During the Reporting Period, CR Sanjiu, a member of the Group, was selected as an "Intelligent Manufacturing Model Enterprise" by the Ministry of Industry and Information Technology and was awarded the "Certificate for the Assessment of the Management System for the Integration of the Two Systems"; China Resources Jiangzhong Pharmaceutical Group Co., Ltd. (華潤江中製藥集團有限責任公司) ("**CR Jiangzhong**") became the first enterprise in the domestic pharmaceutical industry to obtain three-star digital transformation maturity rating, and also received third-level certification of DCMM data management capability maturity with Dong-E-E-Jiao Company Limited (東阿阿膠股份有限公司) ("**Dong-E-E-Jiao**") respectively.

In addition, the Group stepped up the digital transformation of brand promotion and marketing, actively explored multi-marketing models, strengthened the digital capabilities of academic marketing, integrated C-terminal consumer data, and realised the effective accumulation and application of consumer data. Leveraging on AI technology, the Group implemented precision marketing to enhance service quality and user experience, and made full use of e-commerce platforms and self-built online applications to continuously expand its online business and consolidate its market share. During the Reporting Period, the online sales performance of the Pharmaceuticals Segment was remarkable, with the sales revenue of the online business increasing by nearly 30% as compared with the same period last year. During the "618" campaign, the Group's brands in various products categories, such as medicines for colds and coughs, respiratory/analgesic, liver and gallbladder medicines, haemorrhoids medicines, paediatrics, and medicines to replenish vital energy and nourish the blood, ranked No. 1 in terms of sales in a number of mainstream online platforms.

2. 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 RMB105,882.4 million, representing a year-on-year increase of 4.9%. The gross profit margin of the distribution business was 5.9%, representing a slight decrease of 0.2 percentage point as compared with the same period of last 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 13% 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 more than 210,000 clients, including over 10,000 secondary and tertiary hospitals, and around 90,000 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 market access, in-depth marketing, omni-pipeline coverage, innovative payment and digital patient management platform construction, the Group coordinated and improved its ability to obtain upstream resources. The Group has strengthened the in-depth strategic cooperation with pharmaceutical companies such as Roche, AstraZeneca, Hengrui and Betta. During the Reporting Period, the Group facilitated the introduction of high-quality products and introduced 35 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 ninth round of centralized procurement, the average product acquisition rate was 62% and 52 provincial exclusive products were secured. By strengthening unified planning and overall negotiation of product lines in the in-hospital and out-of-hospital markets, the Group operated 104 in-depth marketing specifications and provided diversified solutions for more than 60 upstream pharmaceutical companies such as AstraZeneca, Squibb and Viatris. Furthermore, the Group signed a contract with SOBI in Sweden in relation to the commercialization rights, including the general distribution rights for imports, of two products for treatment of rare diseases in Mainland China. By fully taking advantage of the "multi-port, one-stop" international supply chain service system in Guangzhou, Beijing, Shanghai, Chengdu, Chongqing and other cities and based on the commercialization demands of multinational pharmaceutical companies, the Group continued to press ahead with the innovative practices for pilot demonstration zones such as Hong Kong and Macao Medicine and Equipment Connect and Boao Lecheng, comprehensively provided full-life-cycle services including pre-market cooperation, import and export services, national distribution, and innovative value-added services, and continued to obtain distribution rights for imported products. In the first half of 2024, the Group introduced four imported products, successfully introduced a number of overseas innovative medical devices in Ruijin Hospital, Hainan, simultaneously promoted the use and preliminary trial of overseas innovative medical devices for urgent clinical needs in designated medical institutions in the

Greater Bay Area, and completed the customs clearance of the first batch of cardiac pacers imported through the Hong Kong and Macao Medicine and Equipment Connect in China. During the Reporting Period, the Group accelerated the incubation and expansion of emerging commercial businesses. Leveraging the acquisition of Guangdong Fuda Pharmaceutical Co., Ltd. (廣東複大醫藥有限公司) by China Resources Pharmaceutical Commercial Group Company Limited (華潤醫藥商業集團有限公司) ("**CR Pharmaceutical Commercial**"), the Group diversified its blood product resources and expanded its blood product distribution business. Meanwhile, the Group accelerated the layout of the distribution business in the field of animal healthcare. The Group successively acquired the national general agency for pet DR, CT, HIFU and intelligent wearable ECG monitor products of Vertu Ltd., Shenzhen and other manufacturers, and obtained HISUN's general distribution rights in Southern China.

The Group continued to advance the professional progress of medical devices and comprehensively expanded the business across the entire value chain. It is committed to strengthening professionalism and integrated operational management to develop and optimize business in a sustainable way. Specifically, the Group has established 43 independent medical device companies and developed business relationships with approximately 30,000 downstream hospitals. During the Reporting Period, the medical device business recorded revenue of approximately RMB16.66 billion, representing a year-on-year growth of 3%. The Group actively pursued product introductions in the medical device sector. During the Reporting Period, the Group introduced seven products as a general distributor/agency. 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 100 orthopedic sub-warehouses across provinces and built a smart orthopedics operation platform for China Resources medical devices to further enhance its intelligent professional service capabilities. Additionally, the Group proactively extended its business to the upstream of the industrial chain in the IVD field. It built a production base for IVD and basic consumables, and established Shenzhen Runming Biotechnology Co., Ltd. At the same time, the Group endeavored to enhance the technological research and development capabilities of medical devices. It set up a joint in vitro diagnostic laboratory and a synthetic biomaterials laboratory to focus on the development of key raw materials. Furthermore, the Group continued to enhance the lean management capability of in-hospital logistics for its medical device business. During the Reporting Period, the Group secured nine new terminal innovative service projects, with three projects utilizing the proprietary software systems, to further improve service efficiency and customer experience.

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 over RMB3 billion 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, built with the support of Beijing Jiangong Hospital, has been officially launched, marking a breakthrough in the development of digital medical business with a number of doctors have been stationed in multi-site practices. The Group developed online platform, and actively processed a diverse range of online transactions, including B2B, B2C, medical insurance/commercial insurance payments, internet hospital services, and prescription fulfillment. During the Reporting Period, the B2B online platform "CR Pharma e-Store (潤藥商城)" and "Runyao Available (潤曜通)" recorded 2.16 million orders with a total transaction amount of approximately RMB13.2 billion. Furthermore, the Group comprehensively promoted innovative value-added services for medical customers. By integrating the upstream and downstream segments of the industrial chain through digital means, the Group strives to offer comprehensive supply chain solutions and reshape the value of traditional medical channels. At present, the Group has signed letters of intent on cooperation in more than 120 Centers of Excellence (COEs) with over 70 medical institutions nationwide. These partnerships allow the Group to accurately access medical and patient resources, creating valuable data assets and extending the service model to customers. The Group operated three lung cancer COEs, one of which completed a joint application for a national project. Moreover, the Group implemented the "Digital Therapy Project" in Jiangsu, Shandong and Henan, and established a look-through digital customer relationship management (CRM) 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 reasonably controlled the payment schedule through an intelligent payment management platform, improving the operating cash flow. 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. As at the end of the Reporting Period, the Group's distribution business operated more than 220 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.

3. 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 continually 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 RMB4,949.4 million, representing a year-on-year increase of 9.3%, primarily due to the rapid growth in revenue from the Direct To Patient ("**DTP**") business. During the Reporting Period, the DTP business of the Group achieved revenue of approximately RMB3.29 billion, representing a year-on-year growth of approximately 19%. The gross profit margin of the retail business was 6.5%, representing a decrease of 1.4 percentage points as compared to the same period of last year, primarily due to the increased proportion of revenue from the DTP business with lower gross margin. As of the end of the Reporting Period, the Group operated a total of 760 self-owned retail pharmacies, including 275 DTP professional pharmacies in total (including 162 "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". 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. During the Reporting Period, the Group focused on uniformly negotiating for forward-looking and innovative products, with six new innovative products being introduced.

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. Besides, the Group developed new service models by providing "Teck Soon Hong" patient management services for BeiGene to obtain value-added service fees, and offering pharmacy services for patients of Shenyang Xingqi Meioupin® (0.01% atropine sulfate eye drops) in its own retail pharmacies to enjoy exclusive additional compensation.

During the Reporting Period, the Group continued to make efforts in building a "pharmacy services + Internet" service ecosystem based on "Run Care (潤關愛)", its pharmacy service platform with independent intellectual property rights, to promote the transformation and upgrading of pharmacy services. The Group also strived to bolster patient management and follow-up services, and establish seamless coordination between upstream and downstream sectors, offering professional pharmacy services and management to both patients and manufacturers. As at the end of the Reporting Period, 136 professional pharmacies in 12 regions had conducted digital operations to provide patients with digital management of the whole course of disease.

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, so as to facilitate medication services for the insured, and provide 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, with the number of customers reaching nearly 80,000 as at the end of the Reporting Period, resulting in a significant year-on-year increase in sales during the period. The Group has also established a centralized pharmacy 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.

Promoting green and low-carbon development to build a new social green culture

With the concept of green and low-carbon development, the Group actively fulfilled its corporate social responsibility through energy-saving and carbon-reducing actions and continued to improve its environmental protection and environmental governance capabilities. By accelerating the construction of energy-saving and environmentally-friendly projects and the applying new technologies, it continued to enhance the efficiency of energy utilization and improved its competitive advantage in sustainable development. In terms of the construction of energy-saving and environmentally-friendly projects, the Group was actively involved in the distributed photovoltaic power generation projects that were energy-saving and environmentally-friendly to increase the proportion of green and low-carbon energy. In the first half of 2024, four units under the Group completed rooftop distributed photovoltaic power generation projects with an installed capacity of 4.3 MW in aggregate and achieved grid-connected power generation. The above four projects can provide more than 4.63 million kWh of clean electricity annually, and can reduce carbon emissions by approximately 4,560 tonnes. During the Reporting Period, the Group received a number of awards and authoritative certifications in respect of green development. Two of its zero-carbon factory projects were selected as the first batch of zero-carbon, low-carbon and carbon-negative demonstration projects in Jiangxi Province in 2024; and four of its logistics warehouses were awarded Level 1 Green Warehouse Certification (3-star). The Group's 2023 Sustainable Development Report was rated as excellent A+ by Golden Bee Think Tank; The MSCI ESG rating was maintained at A.

External merger and acquisition to propel growth expectations and internal co-ordination to enhance synergies

The Group actively captured the opportunities of industry development and has always regarded external merger and acquisition as one of the important engines for rapid development. During the Reporting Period, the Group implemented a number of merger and acquisition projects in the fields of traditional Chinese medicine, chemical medicine and biopharmaceutical therapy to further enrich its product portfolio. During the first quarter of 2024, the Group increased its shareholding in the joint stock company, Respirent Pharmaceuticals Co., Ltd. (潤生藥業有限公司), through CR Sanjiu. This capital increase helped enhance the expertise in the respiratory field, further facilitated the subsequent development of new products, and enriched the medicines for respiratory system. In July 2024, the Group has conditionally agreed to acquire 100% interest in Green Cross HK Holdings Limited ("**Green Cross HK**") through 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**"), a subsidiary of the Company. In the same month, the Company, CR Boya Bio-pharmaceutical and Green Cross HK Holdings Corp. entered into a strategic cooperation framework agreement to jointly carry out product technology introduction cooperation in the fields of blood products, vaccines, cell and gene therapy and diagnostics. The acquisition will effectively enhance the upstream plasma collection scale and the number of plasma stations, increase the blood products capacity and strengthen the competitiveness in the market, which will further strengthen the influence in the field of blood products and reinforce the new momentum for the Group's high-quality development. In August 2024, CR Sanjiu proposed to acquire 28% equity interests of Tasly Pharmaceuticals Group Co., Ltd. ("**Tasly Pharmaceuticals**") for a consideration of RMB6.2 billion. The Company also entered into a strategic cooperation agreement with Tasly Pharmaceuticals, under which both parties agreed to engage in comprehensive strategic collaboration in the digital TCM industry. This includes the development of innovative models, smart manufacturing technologies and equipment, expansion of prescription drug channels, and industrial innovation. The collaboration aims to strengthen industrial investment in Tianjin and promote the globalization of TCM as well as the economic development of Tianjin. The agreement marks the beginning of a deeper strategic partnership between both parties, ultimately achieving a strong alliance and a win-win cooperation. This acquisition and strategic collaboration will expedite the enhancement of the supply chain, bolster the competitiveness of the Group across the entire industry chain, and contribute to the development of new models and dynamics in the TCM sector, thereby forming a robust TCM system that provides high-quality innovative services to improve public health.

The Group has continued to optimize its internal resource mix and intensify its efforts in specialization and integration, leading close cooperation among its various segments and enhancing overall synergies. In the first quarter of 2024, two subsidiaries of the Group 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 improving the overall marketing efficiency and enhancing the commercialization capability and market competitiveness of relevant products, as well as increasing market share. In the second quarter of 2024, China Resources Double-Crane Pharmaceutical Co., Ltd. (華潤雙鶴藥業股份有限公司) ("**CR Double-Crane**"), a subsidiary of the Company, announced that it had acquired 100% equity interest in China Resources Zizhu Pharmaceutical Co., Ltd. (華潤紫竹藥業有限公司) ("**CR Zizhu**"), a wholly-owned subsidiary of the Company. The internal business reorganization will contribute to achieving the scale and synergy benefits in channel marketing, product layout, international business, and retail business in relevant areas, and further enhance the overall competitiveness of the Group's pharmaceutical business.

Deepening the reform of state-owned enterprises, and stimulating the long-term vitality of the organization

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 the first quarter of 2024, CR Pharmaceutical Commercial successfully introduced strategic investors. The consideration for such transaction totaled 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. This move optimized the capital structure of the Group, and was conducive to improving resource allocation and operational efficiency in the commercial sector, and accelerating the release of performance potential. 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 Co., Ltd. introduced the Phase II restricted stock incentive plan (draft), and 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. The Group has continued to promote lean management. During the Reporting Period, three subsidiaries of the Group were included in the list of Scientific Reform Actions (科改行動) of state-owned enterprises in 2024. Among them, CR Sanjiu was awarded the highest rating of benchmark in the Exemplary Scientific Reform Actions assessment for the second consecutive year, and was the only pharmaceutical enterprise evaluated as a benchmark in this assessment. CR Jiangzhong and China Resources Biopharmaceutical Co., Ltd. ("**CR Biopharm**") were evaluated as excellent in the Exemplary Scientific Reform Actions assessment for the second consecutive year.

OUTLOOK AND FUTURE STRATEGIES

China Resources Pharmaceutical is committed to becoming a leader in the pharmaceutical and health industry that is trusted by the public and driven by innovation. The Group will proactively implement the national strategy and advance the transformation and upgrading of the pharmaceutical industry across the board in many fields such as TCM, chemical drugs, biopharmaceuticals, medical devices and pharmaceutical commercial, with core emphasis on two strategic directions: The Pillars of a Great Power and People's Livelihood of a Great Power. The Group will also strengthen technological innovation, reinforce regional development, enhance intelligence and digitalization, increase investments in strategic emerging and future industries, and accelerate the cultivation of new quality productive forces, in a bid to build a world-class pharmaceutical enterprise with comprehensive competitiveness.

1. The Group will promote TCM modernization and industrialization, and bolster TCM full-process innovation through various measures. The Group will address industry "bottlenecks", enhance intelligence and digitalization, and strengthen pipeline construction and TCM cultural communication, so as to integrate and drive industrial development.

2. The Group will develop chemical drugs based on clinical demands, strengthen the innovation and R&D capacity, and invest more in specialized areas, with a focus on innovation targets and innovative technology platforms. The Group will also systematically adopt measures to reduce costs and increase efficiency in line with the requirements of centralized procurement policies, including integration of production bases, upgrading of production lines, process optimization, and energy conservation. The aim is to make high-quality and affordable drugs available to the public.

3. Biological drugs target major diseases such as tumors and immune disorders, as well as rare diseases. Efforts are intensified to develop innovative biologics and accelerate clinical transformation and commercialization based on unmet clinical needs. The Group will explore high-potential and superior targets, iteratively develop products based on proprietary technology platforms, and establish a hierarchical product pipeline through mergers and acquisitions and BD.

4. Driven by both internal and external efforts, the Group aims to optimize, strengthen, and expand the blood products business, focus on enhancing plasma collection capabilities, advance the development of new technologies and products, in order to continuously enrich the product portfolio, strengthen international operations, and construct a high-standard intelligent factory for blood products.

5. The Group will actively enter the vaccine and high-end medical device sectors and focus on high-potential tracks. The Group will strive to build an industrial platform for vaccines and advanced medical devices to facilitate technological upgrades.

6. The Group will enhance the acquisition of high-value products in the pharmaceutical commercial, improve the cluster of value-added products, and further elevate its core competitiveness by integrating the terminal, pipeline, and online networks. The Group will empower the operation management with digitalization by increasing its coverage, and strengthen the medical device business by focusing on promising sectors as well as continuously building a nationwide marketing network and enhancing professional marketing capabilities.

7. The Group will firmly promote scientific and technological innovation, continue to increase investment in research and development, and make long-term, patient and strategic capital investments by focusing on the construction of differentiated technological platforms and accelerating the layout and development of leading-edge technologies such as antibody platforms, high-end drug technologies, special preparations, synthetic biology and organoid. The Group will deepen collaborations with national/regional innovation hubs, national leading R&D institutions, and outstanding biomedical companies, in order to build a high-quality innovation ecosystem, gather innovation resources, and contribute to upstream innovation and industrial transformation. The Group will also actively recruit scientific and technological talents, chief scientists and professional leaders. In addition, the Group will establish a talent development system that aligns with business development plans and adapts to the development trend of the pharmaceutical industry, as well as an incentive mechanism compatible with the market demands and the development dynamics of the pharmaceutical industry.

8. The Group will continuously establish key areas, strengthen coordinated synergy, and maximize overall efficiency. The Group will fully leverage the unique integrated advantages of the industrial chain, rely on a solid industrial foundation, and strive to integrate internal and external resources more efficiently and comprehensively to promote deep cross-department and cross-field collaboration. The Group will build cross-geographical boundaries, multi-level, multi-dimensional, and flexible collaborative mechanisms to ensure precise alignment and efficient implementation of major collaborative projects. The Group will focus on key areas such as the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region, and the Chengdu-Chongqing region, and continuously deepen and expand investment layouts. The Group will also deepen advantageous business cooperation with industry-leading enterprises, jointly explore innovative business models, and achieve win-win growth with all parties involved.

9. The Group aims to drive business transformation through enhanced intellectualization and the full promotion of digital transformation as a core strategy for driving innovation and enhancing core competitiveness. In line with this commitment, the Group is dedicated to transforming its business processes through industrial digitization and the utilization of advanced technologies. By enhancing governance intelligence, the Group is able to optimize data-driven decision-making. Furthermore, implementing data digitization will unlock information value, fostering business innovation. The Group will also develop a robust technology platform system to ensure seamless resource integration. In R&D, the Group is exploring the application of new technologies such as artificial intelligence to enhance the efficiency of pharmaceutical research and development. In production, the Group is committed to intelligent manufacturing, optimizing production efficiency, strengthening supply chain management, and promoting intelligent upgrades. For marketing services, the Group will enhance the new retail business to unlock the potential of information and expand the application of "+Internet" in the medical and healthcare industry to build a new form of service marketing. Regarding control and collation, the Group will also strengthen post-investment management and compliance monitoring through digital solutions to improve management quality in all aspects.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 June 2024, the Group had cash and cash equivalents of RMB22,292.0 million (31 December 2023: RMB24,650.7 million), which were denominated primarily in RMB and HKD.

As at 30 June 2024, the RMB-denominated and HKD-denominated bank borrowings accounted for approximately 97.6% (31 December 2023: 99.9%) and 2.4% (31 December 2023: 0.1%), respectively of the Group's total bank borrowings. Among the total bank borrowings as at 30 June 2024, a substantial portion of approximately 76.6% (31 December 2023: 79.5%) would be due within one year.

As at 30 June 2024, the Group's current ratio (being the ratio of total current assets to total current liabilities) was 1.4:1 (31 December 2023: 1.3:1).

As at 30 June 2024, the Group's gearing ratio (being the ratio of net debt divided by total equity) was 54.1% (31 December 2023: 42.2%).

In the first half of 2024, the Group's net cash used in operating activities amounted to RMB1,019.9 million (in the first half of 2023: net cash used in operating activities of RMB3,769.6 million). In the first half of 2024, the Group's net cash used in investing activities amounted to RMB3,460.5 million (in the first half of 2023: net cash generated from investing activities of RMB269.7 million). In the first half of 2024, the Group's net cash generated from financing activities amounted to RMB2,115.9 million (in the first half of 2023: net cash generated from financing activities of RMB10,331.4 million).

As at 30 June 2024, the Group had not used any financial instruments for hedging purposes (31 December 2023: nil).

PLEDGE OF ASSETS

As at 30 June 2024, the Group's total bank borrowings amounted to RMB67,816.9 million (31 December 2023: RMB54,213.1 million), of which RMB1,867.0 million (31 December 2023: RMB1,915.3 million) were secured and accounted for 2.8% (31 December 2023: 3.5%) of the total bank borrowings.

As at 30 June 2024, certain of the Group's trade and bills receivables with an aggregate net book value of RMB1,592.1 million (31 December 2023: RMB1,161.0 million) have been pledged as security.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: 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, bank borrowings and trade payables denominated in foreign currencies, the majority of which is denominated in USD. During the Reporting Period, the Group did not enter into any derivatives contracts to hedge against the foreign exchange risk.

EVENTS AFTER THE REPORTING PERIOD

On 17 July 2024, CR Boya Bio-pharmaceutical Company and the vendors entered into the Share Purchase Agreement, pursuant to which CR Boya Bio-pharmaceutical has conditionally agreed to acquire, and each of the vendors has conditionally agreed to sell, an aggregate of 100% interest in Green Cross HK for a total cash consideration of RMB1,820,000,000. Upon completion, CR Boya Bio-pharmaceutical will hold 100% interest in Green Cross HK, and Green Cross HK will be accounted as a subsidiary of the Company.

On 4 August 2024, CR Sanjiu entered into the Share Purchase Agreement with the vendors, pursuant to which CR Sanjiu has agreed to conditionally purchase, and the vendors have agreed to conditionally sell, an aggregate of 418,306,002 shares of Tasly Pharmaceuticals (representing 28% interest in Tasly Pharmaceuticals) at a proposed consideration of RMB14.85 per share, i.e., RMB6,211,844,130 in total. Upon completion, CR Sanjiu will hold 28% equity interest in Tasly Pharmaceuticals and will become the largest shareholder of Tasly Pharmaceuticals.

HUMAN RESOURCES

As at 30 June 2024, the Group employed around 72,764 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, training.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.083 per share in cash for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil). The interim dividend will be distributed on 30 October 2024 (Wednesday) to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 13 September 2024 (Friday). The interim dividend will be payable in cash to each Shareholder in HK$ by default, converted at the exchange rate of RMB1.0: HK$1.09448, being the average benchmark exchange rate of RMB to HK$ as published by the People's Bank of China during the five business days immediately before 29 August 2024 (Thursday), such dividend will be paid to Shareholders at HK$0.0908 per share. Shareholders will also be given the option to elect to receive all or part of the interim dividend in RMB. To make such election, Shareholders should complete the dividend currency election form which is expected to be despatched to Shareholders on or around 24 September 2024 (Tuesday), 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 10 October 2024 (Thursday).

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 30 October 2024 (Wednesday) 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 10 October 2024 (Thursday), such Shareholder will automatically receive the interim dividend in HK$. All dividend payments in HK$ will be made in the usual way on 30 October 2024 (Wednesday). If Shareholders wish to receive the interim 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 12 September 2024 (Thursday) to 13 September 2024 (Friday), in order to determine the entitlement of the Shareholders to receive the interim dividend, during which no share transfers will be registered. To qualify for the interim 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 11 September 2024 (Wednesday).

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.

Code provision F.2.2 of the CG Code stipulates that the chairman of the Board should attend annual general meeting. The then chairman of the Board was unable to attend the annual general meeting of the Company held on 30 May 2024 due to other business commitments.

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 enquiry of all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period and up to the date of this announcement, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. During the Reporting Period and up to the date of this announcement, the Company is not allowed to hold any treasury shares under the laws of the place of its incorporation. As at the end of the Reporting Period, the Company and its subsidiaries did not hold treasury shares.

REVIEW OF INTERIM RESULTS BY KPMG

The interim financial information for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be published by the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024.

PUBLICATION OF THE INTERIM RESULTS AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crpharm.com), and the 2024 interim report containing all the information required by the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to Shareholders who have indicated that they wish to receive a printed version of the corporate communication.

By order of the Board
China Resources Pharmaceutical Group Limited
Bai Xiaosong
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises Mr. Bai Xiaosong as chairman and executive Director, Mr. Tao Ran and Mdm. Deng Rong as executive Directors, Mdm. Guo Wei, Mr. Sun Yongqiang, Mr. Guo Chuan 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.