國藥控股股份有限公司
SINOPHARM GROUP CO. LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國控股份有限公司)

Stock Code: 01099

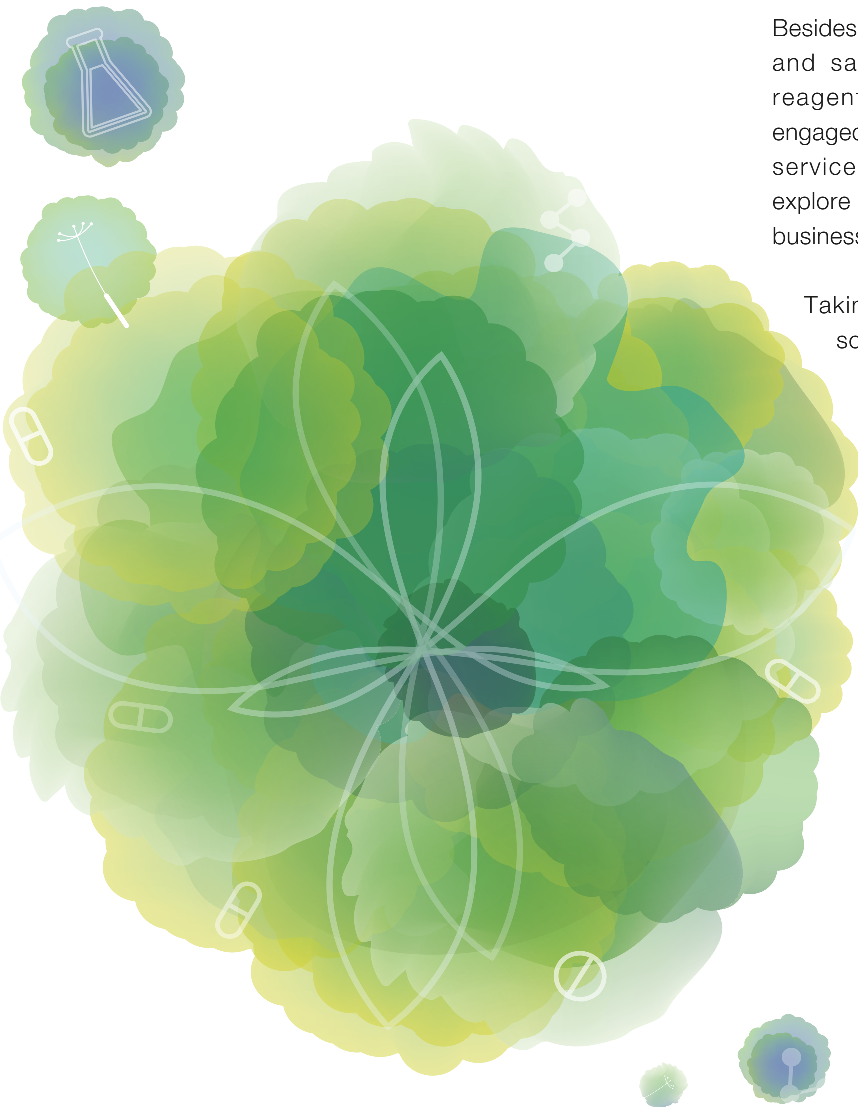
Caring for life
Attending to Health

Interim report
2019

* The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name "Sinopharm Group Co. Ltd.".

Company Profile

Sinopharm Group Co. Ltd. (the "**Company**" or "**Sinopharm Group**", together with its subsidiaries referred to as the "**Group**"), which was established in January 2003 and listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (stock code: 01099. HK) in September 2009, is a core subsidiary of China National Pharmaceutical Group Co., Ltd. ("**CNPGC**") and the largest wholesaler and retailer of pharmaceutical and healthcare products and medical devices, and a leading supply-chain service provider in the PRC.



The Group is mainly engaged in pharmaceutical distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, logistics and other value-added services to domestic and foreign manufacturers and suppliers of pharmaceutical products, medical devices and consumables and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions.

Meanwhile, the Group manages its network of retail drug stores chain in major cities of China via direct operations and franchises to sell pharmaceutical and healthcare products to end-customers. It has become a leader in China's pharmaceutical retail industry.

Besides, the Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and actively engaged in the innovation of pharmaceutical, medical services and other health-related industries, to explore the synergistic development of its diversified businesses.

Taking advantage of its superior economies of scale, customer resources, network platforms and brand position, the Group will fully leverage on China's pharmaceutical and healthcare market, which shows steady and healthy growth, and capture opportunities arising from healthcare reform to further consolidate and enhance its market leadership, actively striving to become a pharmaceutical and healthcare service provider with international competitiveness.

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Corporate Information

At the date of this report

Directors

Mr. Li Zhiming *(Executive Director and Chairman)*
Mr. Yu Qingming *(Executive Director)*
Mr. Liu Yong *(Executive Director and President)*
Mr. Chen Qiyu *(Non-executive Director and Vice Chairman)*
Mr. Ma Ping *(Non-executive Director)*
Mr. Hu Jianwei *(Non-executive Director)*
Mr. Deng Jindong *(Non-executive Director)*
Mr. Wen Deyong *(Non-executive Director)*
Ms. Guan Xiaohui *(Non-executive Director)*
Ms. Dai Kun *(Non-executive Director)*
Mr. Yu Tze Shan Hailson *(Independent Non-executive Director)*
Mr. Tan Wee Seng *(Independent Non-executive Director)*
Mr. Liu Zhengdong *(Independent Non-executive Director)*
Mr. Zhuo Fumin *(Independent Non-executive Director)*
Mr. Chen Fangruo *(Independent Non-executive Director)*

Supervisors

Mr. Yao Fang *(Chief Supervisor)*
Mr. Tao Wuping
Mr. Zhang Hongyu
Ms. Li Xiaojuan
Ms. Jin Yi

Joint Company Secretaries

Mr. Wu Yijian
Mr. Liu Wei

Strategy and Investment Committee

Mr. Li Zhiming *(Chairman)*
Mr. Yu Qingming
Mr. Liu Yong
Mr. Chen Qiyu
Mr. Ma Ping
Mr. Hu Jianwei
Mr. Deng Jindong
Mr. Wen Deyong
Ms. Guan Xiaohui
Mr. Tan Wee Seng
Mr. Chen Fangruo

Audit Committee

Mr. Tan Wee Seng *(Chairman)*
Mr. Deng Jindong
Ms. Guan Xiaohui
Mr. Liu Zhengdong
Mr. Zhuo Fumin

Remuneration Committee

Mr. Liu Zhengdong *(Chairman)*
Mr. Deng Jindong
Mr. Wen Deyong
Mr. Yu Tze Shan Hailson
Mr. Tan Wee Seng

Nomination Committee

Mr. Li Zhiming *(Chairman)*
Mr. Hu Jianwei
Ms. Dai Kun
Mr. Yu Tze Shan Hailson
Mr. Liu Zhengdong
Mr. Zhuo Fumin
Mr. Chen Fangruo

Corporate Information

At the date of this report

Legal and Compliance Committee

Mr. Liu Zhengdong *(Chairman)*
Mr. Li Zhiming
Mr. Yu Qingming

Authorized Representatives

Mr. Li Zhiming
Mr. Wu Yijian

Legal Advisers

As to Hong Kong and United States laws:
DLA Piper UK LLP

As to PRC law:
Beijing Zhonglun (Shanghai) Law Firm
Shanghai Boss & Young Attorneys at Law

Auditor

International auditor:
Ernst & Young

Domestic auditor:
Ernst & Young Hua Ming LLP

Principal Place of Business in Hong Kong

Room 1601
Emperor Group Center
288 Hennessy Road
Wanchai, Hong Kong

Principal Place of Business and Headquarter in the PRC

Sinopharm Plaza
No. 1001 Zhongshan Road (West)
Changning District
Shanghai 200051, the PRC

Registered Office in the PRC

6th Floor, No. 221 Fuzhou Road
Shanghai 200002, the PRC

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

01099

Principal Banks

Bank of Communications Co., Ltd. Shanghai Branch
China Merchants Bank Co., Ltd. Shanghai Branch
Bank of China Co., Ltd. Shanghai Branch
China Minsheng Banking Corp., Ltd. Shanghai Branch
Industrial and Commercial Bank of China Co., Ltd. Shanghai Branch
Agricultural Bank of China Co., Ltd. Shanghai Branch
China Construction Bank Co., Ltd. Shanghai Branch

Office of Board of Directors

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Management Discussion and Analysis

Industry Overview

Stable economy performance while securing progress

In the first half of 2019, under the complicated domestic and international atmosphere featuring the macroeconomic structural adjustment, Sino-U.S. trade disputes, geopolitics and Brexit, China's economy continued to demonstrate an overall stable development trend while at the same time securing progress, with its GDP growing by 6.3% on a year-on-year basis. The major macroeconomic indicators were still within reasonable range. The on-going advancement of supply-side structural reform and further deepening of reform and opening up remained a strong driver of the high-quality transformation and development of the economy.

Heightened challenges to the pharmaceutical distribution industry and sharpen advantages of leading enterprises

Under the general environment of the ageing population, change in disease spectrum structure, rise in household income and the wider coverage of medical insurance, the income and expenditure of medical insurance fund in China maintained a relatively fast growth, with the growth of expenditure outpacing that of income, still imposing pressure upon medical insurance reimbursement in the first half of 2019. Under the reform-promoting, structure-adjusting and livelihood benefiting policies, the healthcare coverage continued its reform. The government's aim is to reconstruct the drug pricing mechanism and optimize the chain of profit distribution in the pharmaceutical industry by enacting and implementing a series of industry regulatory policies, so as to further enhance the utilization efficiency of medical insurance fund, as well as satisfying the basic medical demands of residents.

With in-depth implementation of policies such as "two-invoice system", "zero mark-up", GPO policy in "4+7" pilot cities, coupled with the successive introduction of policies such as "Diagnosis-Related Groups (DRGs)", "rationalizing the selling prices of high value medical consumables", the growth rate of the pharmaceutical distribution industry recorded a lower year-on-year growth but still continued to outperform the macroeconomic growth. The industry regulation has strengthened, the transformation and upgrade of the pharmaceutical distribution and retail industries have continued, the concentration ratio of the industry has further increased through merger and acquisition as well as integration undergone by enterprises, highlighting advantages in scale and branding. The environment of the pharmaceutical reform hastened the survival of the fittest in the distribution industry, introducing more stringent requirements on the Company's operation efficiency, governance ability and regulation standard.

Management Discussion and Analysis

Business Review

In the recent two years, under the complicated and ever-changing macroeconomic environment, policies were rapidly adopted in the domestic pharmaceutical industry. The Group concluded that the pharmaceutical distribution industry in the PRC entered into a new stage of development, differentiation in the industry competitive landscape would further occur, the rise of leading enterprises would accelerate based on their own advantages in this round of transformation, enterprises that unable to adapt to the market circumstances and policy requirements would gradually withdraw from the industry, serving as an important phase of opportunity in a new round of industry integration.

Based on the background of the above major changes, under the leadership of the mid-to-long term development strategy, in recent years, the Group leveraged on its existing network advantage and in conformity with the direction of the national policy, further optimized the network coverage of the traditional pharmaceutical distribution business, carried out acquisitions in areas with relatively weak business network, whilst constantly promoting the in-depth development of the two strategic segments, namely the retail business and medical device business, resulting in continuous improvement in overall business scale and market share. During the Reporting Period, the Group's leading position and advantages have been further solidified by ongoing business structure optimization, higher-than-industrial-average revenue growth, as well as the continuous improvement in profitability.

Solid leading position in the distribution business and significant increase in market share

In the pharmaceutical distribution segment, the Group seized the historic opportunity of medical insurance reform, continued to optimize business and customer structure, made adjustment to product structures, constantly improved the leading national distribution network. Leveraging on an integrated pharmaceutical supply chain and an advanced supply chain management model, the Group continued its endeavors to promote integrated operation, plan for logistics network resources, speed up establishment and optimization of the logistics system and improved efficiency of the internal supply chain. During the Reporting Period, the pharmaceutical distribution business of the Group achieved a revenue of RMB164,700.64 million, representing an increase of 22.22% on a year-on-year basis. Under the comprehensive implementation of "two-invoice system", the Group made further adjustment to its distribution business structure of the Group, which basically entered into a steady phase.

Business structure of distribution companies	**Proportion of total revenue of pharmaceutical distribution business in the first half of 2019**	Proportion of total revenue of pharmaceutical distribution business in the first half of 2018	Change
Direct sales to hospitals and medical institutions	**77.44%**	75.72%	increased by 1.72 percentage points
Direct sales to retail pharmacies	**13.80%**	11.88%	increased by 1.92 percentage points
Provincial and national distribution	**8.76%**	12.40%	decreased by 3.64 percentage points

Management Discussion and Analysis

In recent years, the Group continued to optimize its business layout, select suitable targets for integration, carry out acquisitions in areas with relatively weak business network, and strengthen control over core areas. In the first half of 2019, the Group successfully acquired 100% equity interest in Anhui Pharmaceutical (Group) Co., Ltd. (安徽省醫藥(集團)股份有限公司), which effectively promoted the penetration of the business network to lower-tier market in Anhui province, and further improved the Group's business share and service capability in this region.

The recent GPO policy in the "4+7" pilot cities was launched in December 2018, and successively implemented in March 2019. Due to limited product category and regional scope in the pilot stage, the policy's influence on the Group is still not significant at the moment. However, the policy would incur profound impact on the pharmaceutical industry and distribution industry, particularly speeding up integration and standardized operation of the pharmaceutical distribution enterprises. Leading enterprises similar to the Group would easily receive recognition from upstream suppliers and downstream customers during the process of competitions, and obtained enormous opportunities and room for development in terms of centralized delivery and integrated services. As such, the Group set up specialized working groups to visit all the pilot cities and negotiate with the key suppliers in order to materialize various business opportunities from the perspective of overall business layout. As at the end of the Reporting Period, the Group has delivery services in all pilot cities, with continuous increase in its market share.

Ongoing rapid growth of retail business and fast development in professional pharmacies

During the Reporting Period, under the guidance of the "synergetic whole-retail" pharmaceutical business mode, the Group vigorously developed the retail business. Under the backdrop of transformation and upgrade in the domestic retail market, retail pharmacies also proactively sought for providing more tailor-made services to customers and explored innovative business model to search for new growth opportunities.

First of all, traditional pharmacies of the Group constantly improved their own abilities in operation and management, accelerated network coverage, advanced creation of retail brands, optimized commodity structure, and increased the service standard for end consumers.

On the other hand, the Group grasped the development trends of separation of medical services and pharmaceutical sales, prescription outflows, diversification of pharmaceutical terminal sales, and also actively explored the development of professional pharmacies. In recent two years, various branches and subsidiaries sufficiently utilized the distribution supply chain system and synergetic advantages of hospital resources, and rapidly developed professional pharmacies such as drugstores near the hospitals, DTP pharmacies and medical insurance designated pharmacies, thereby further strengthening diversified layout of the Group's business, and forming a complementary relation with traditional pharmacies.

Management Discussion and Analysis

During the Reporting Period, the Group's retail business continued to achieve relatively rapid growth. Sales revenue reached RMB8,841.93 million, representing an increase of 24.51% over the corresponding period of last year. As at the end of the Reporting Period, Sinopharm Holding Guoda Drugstore Co., Ltd. ("**Guoda Drugstore**"), a subsidiary of the Company, has set up pharmacies covering 19 provinces, municipalities and autonomous regions across the country. The number of retail pharmacies was 4,593. The scale continued to lead the industry. The Group has 1,009 professional pharmacies as at 30 June 2019 with network covering 30 provinces, municipalities and autonomous regions across the country.

Number of pharmacies	**As at 30 June 2019**	As at 31 December 2018	As at 30 June 2018
Pharmacies of Guoda Drugstore	**4,593**	4,275	4,004
The Group's professional pharmacies	**1,009**	908	761
Total	**5,602**	5,183	4,765

Rapid growth of medical device business

The Group proactively seized golden opportunities arising in rapid development of the medical device industry, and vigorously developed the medical device distribution business. In the first half of 2019, the medical device business of the Group achieved rapid growth, with sales revenue reaching RMB29,024.79 million, representing an increase of 35.96% over the corresponding period of last year, hence bringing significant contribution to both revenue and profit of the Group.

The prevailing medical device distribution industry in the PRC showed the following characteristics: varied product categories, high business complexity, fast industrial growth yet low concentration ratio. The original medical device business of the Group has formed better business foundation and gained network coverage advantage after years of rapid growth. In the end of 2018, the Group completed the acquisition of China National Scientific Instruments and Materials Co., Ltd. ("**CSIMC**"), a leading enterprise in the domestic medical device distribution industry, which significantly reinforced the strength of the Group in the medical device segment and consolidated its leading advantage in the industry.

Since 2019, the Group constantly promoted internal integration, adequately coordinated product resource and network competitiveness of the Group and CSIMC, enhanced resource coordination, relied on professional operational methods, pushed forward rapid growth of the device segment. In the meantime, the Group reinforced the expansion of new products and the development of new businesses, including the device IVD business, the SPD project and other medical innovation services, speeded up horizontal expansion of business segments, enlarged its regional coverage, further underpinning the Group's leading position in the medical device industry in the PRC.

Improving support capability of the headquarter, strict risk control and strengthened management and control

During the Reporting Period, the Group established the global procurement and supply chain service center as the national centralized business platform for integration of national resources, centralization and standardization of traditional service capabilities and standard as to build intelligent supply chain. Meanwhile, relying on its industry leadership and strong corporate brand, the Group enhanced the interaction between the domestic industry and the global pharmaceutical industry, utilized the state-of-the-art technology, explored innovative services and products, continued to promote a "TraceSure" vaccine tracking system, thereby further increasing business advantages of the Group.

In addition, for the purposes of constantly raising the operating efficiency and profitability of the Group, the Group comprehensively conducted risk investigation and identification, improved the Group's creditability and accounts receivable management mechanism, controlled operational and compliance risks, reinforced management and business integration of acquirees and ensured high quality development through a series of measures.

Future Plan

China's pharmaceutical industry has dived into the key stage of reform, facing new challenges and development opportunities. The Group will embrace the industrial trend of expedited transformation and structural adjustment, further optimize the Group's principal business, explore its core competitive advantages, diversify its business layout and explore new business mode, in order to consolidate the Group's status in the industry and ensure high quality development of the business through ongoing stable endogenous growth and strategic external expansion.

Continue to consolidate leading position in distribution business and continuously increase market share

The pharmaceutical distribution business will remain an important strategic sector of the Group. The Group will continue to promote the penetration of distribution network to lower-tier market and optimize its network layout, thereby achieving extensive coverage of the lower-tier market and strengthening the strategic network layout of the area to continuously consolidate its leading position in the industry. Meanwhile, the Group will actively seize substantial M&A opportunity to further accelerate the consolidation of industrial resources surrounding our principal business and enhance our network and scale advantages.

Management Discussion and Analysis

Continue to promote rapid growth of retail business and implement wholesale-retail pharmaceutical business synergetic development strategy

The retail pharmacy business is still a strategic sector for the structural adjustment of the Group. We will strengthen our cooperation with Walgreens Boots Alliance, Inc., (WBA), introducing international advanced brand management and retail technique and experience and vigorously develop traditional and professional pharmacies, with an aim to achieve unified, standardized and formalized management scheme. The Group will further build up the core competitiveness of our professional pharmacies brand and systematic service, implement its synergetic wholesale-retail pharmaceutical business mode to enhance the overall value of the industrial chain, construct an integrated online and offline retail environment with customer experience as the focus and carry out retail brand upgrade plan to implement an innovative retail philosophy. The Group will establish an overall leading pharmaceutical terminal retail network with national layout, vertical development and reasonable structure.

Continue to vigorously develop medical devices business and promote integration of devices business

The medical devices business is also a strategic sector for the structural adjustment of the Group. The Group will continuously take advantage of the development trend of medical devices industry. Under the prevailing market environment and policies, the Group is of the view that the medical devices industry will also face industrial policy reform similar to that of the pharmaceutical sector, entering a stage with stricter price control and standardized administration. The Group will fully exert synergy and existing scale advantage so as to accelerate business layout. The Group will further enhance the integration of medical devices business to realize professional and high-quality development of medical devices business, while at the same time proactively explore innovative business in the medical devices sector and improve our comprehensive medical devices service, developing into the biggest medical devices trade and integrated service supplier in China.

Continue to optimize operation management capabilities and enhance management and control services

The Group will continue to optimize operation management capabilities and operation efficiency through measures such as deeply solidifying integration construction, adopting innovative information technology, enhancing receivables control and cash flow management as well as strengthening compliance management so as to fully utilize the advantage in resources of our global procurement and supply chain service center and achieve healthier and more stable development.

Going forward, the Group will consolidate its existing core businesses through planning and design, construction of IT platform, data organization and project management, in order to explore new aspects for growth and widen the gap between itself and its competitors in the industry to realize high-quality development, and improve as well as create ideal customer experience.

Looking ahead, there are still uncertainties in the policies and situation of the pharmaceutical distribution industry. However, change also represents opportunities. The Group will strive to accurately identify changes in the industry and respond on a scientific basis, focus on the increase of market share, strictly control risk and promote digital transformation, with an aim to ensure sustainable high-quality development of the enterprise and building the Group into a global distinguished medical and healthcare service provider.

Management Discussion and Analysis

Financial Summary

The financial summary set out below is extracted from the unaudited financial statements of the Group for the Reporting Period which were prepared in accordance with the Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

During the Reporting Period, the Group recorded revenue of RMB201,665.14 million, representing an increase of RMB38,191.44 million or 23.36% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,968.22 million, representing an increase of RMB574.65 million or 13.08% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB2,975.18 million, representing an increase of RMB177.10 million or 6.33% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.00, representing an increase of 6.38% as compared with the corresponding period of last year.

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2019	Six months ended 30 June 2018	Change
Operating result			
Revenue	**201,665.14**	163,473.70	38,191.44
Earnings before interest and tax	**8,645.50**	7,572.47	1,073.03
Profit attributable to owners of the parent	**2,975.18**	2,798.08	177.10
Profitability			
Gross margin	**8.67%**	8.85%	decreased by 0.18 percentage point
Operating margin	**4.12%**	4.38%	decreased by 0.26 percentage point
Net profit margin	**2.46%**	2.69%	decreased by 0.23 percentage point
Earnings per share – Basic (RMB)	**1.00**	0.94	0.06
Key operational indicators			
Trade and bills receivables turnover ratio (days)	**111**	106	5
Inventory turnover ratio (days)	**38**	38	–
Trade payables turnover ratio (days)	**88**	92	(4)
Current ratio (times)	**1.24**	1.28	(0.04)

Unit: in millions of RMB unless otherwise stated

	30 June 2019	31 December 2018	Change
Asset position			
Total assets	**274,485.30**	235,771.08	38,714.22
Equity attributable to owners of the parent	**44,175.75**	42,821.83	1,353.92
Gearing ratio	**73.89%**	71.04%	increased by 2.85 percentage points
Cash and cash equivalents	**33,448.99**	40,298.99	(6,850.00)

Revenue

During the Reporting Period, the Group recorded revenue of RMB201,665.14 million, representing an increase of 23.36% as compared with RMB163,473.70 million for the six months ended 30 June 2018. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business, retail pharmacy business as well as medical device business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB164,700.64 million, representing an increase of 22.22% as compared with RMB134,761.85 million for the six months ended 30 June 2018, and accounting for 80.38% of the total revenue of the Group. Such increase was primarily due to the good development trend of the pharmaceutical distribution business and further expansion of the distribution network of the Group.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB8,841.93 million, representing an increase of 24.51% as compared with RMB7,101.57 million for the six months ended 30 June 2018, and accounting for 4.32% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.

- **Medical device segment:** During the Reporting Period, the revenue from medical device of the Group was RMB29,024.79 million, which accounted for 14.17% of the total revenue of the Group and represented an increase of 35.96% as compared with RMB21,347.72 million for the six months ended 30 June 2018. The increase was primarily due to the acquisition for expansion and business growth of the Group's medical device business.

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB2,330.07 million, representing an increase of 11.65% as compared with RMB2,086.91 million for the six months ended 30 June 2018, primarily due to the growth from chemical reagent and pharmaceutical manufacturing businesses.

Management Discussion and Analysis

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB184,180.15 million, representing an increase of 23.60% as compared with RMB149,011.29 million for the six months ended 30 June 2018, which was comparable with the growth rate of the sales revenue.

Gross Profit

The gross profit of the Group for the Reporting Period increased by 20.90% from RMB14,462.41 million for the six months ended 30 June 2018 to RMB17,484.99 million.

The gross profit margin of the Group for the six months ended 30 June 2019 was 8.67%, whilst the gross profit margin for the same period in 2018 was 8.85%. The slight decrease in gross profit margin is mainly due to the reduced sales volume of higher margin products attributable to pharmaceutical distribution and retail business, which were influenced by tighter local policy.

Other Income

During the Reporting Period, other income of the Group was RMB175.16 million, representing an increase of 1.10% as compared with RMB173.25 million for the six months ended 30 June 2018. The increase in other income was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB5,835.89 million, representing an increase of 23.00% as compared with RMB4,744.55 million for the six months ended 30 June 2018. The increase in selling and distribution expenses was primarily attributable to purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB3,034.31 million, representing an increase of 30.68% from RMB2,321.93 million for the same period in 2018.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group increased to 1.50% from 1.42% for the six months ended 30 June 2018, which was due to the increase in employee benefits.

Operating Profit

The operating profit of the Group for the Reporting Period was RMB8,301.57 million, representing an increase of 15.85% as compared with RMB7,165.86 million for the six months ended 30 June 2018.

Management Discussion and Analysis

Other Gains – Net

The other gains – net of the Group increased by RMB1.69 million from RMB40.22 million for the six months ended 30 June 2018 to RMB41.91 million for the Reporting Period, primarily contributed by gain on disposal of portion of equity investment in an associate.

Other expenses

The other expenses of the Group newly increased by RMB92.87 million for the six months ended 30 June 2019 as compared with the corresponding period of last year, which was due to the provision for impairment of intangible assets during the Reporting Period.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB2,259.18 million, representing an increase of RMB330.47 million as compared with RMB1,928.72 million for the six months ended 30 June 2018. The increase was primarily due to the increase in interest expenses of the Group.

Share of Profits and Losses of Associates and Joint Ventures

During the Reporting Period, the Group's share of profits and losses of associates and joint ventures was RMB394.89 million, representing an increase of 7.78% as compared with RMB366.39 million for the six months ended 30 June 2018, mainly because the increase in profit for the Reporting Period generated by the Group's material associates and joint ventures.

Income Tax Expense

The Group's income tax expense increased by 13.43% from RMB1,250.18 million for the six months ended 30 June 2018 to RMB1,418.10 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group. The Group's effective income tax rate increased from 22.15% for the six months ended 30 June 2018 to 22.21% for the six months ended 30 June 2019.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB4,968.22 million, representing an increase of 13.08% from RMB4,393.57 million for the six months ended 30 June 2018. The Group's net profit margin for the Reporting Period and for the corresponding period of 2018 was 2.46% and 2.69%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB2,975.18 million, representing an increase of 6.33%, or RMB177.10 million, from RMB2,798.08 million for the six months ended 30 June 2018.

Management Discussion and Analysis

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,993.04 million, representing an increase of 24.92% from RMB1,595.49 million for the six months ended 30 June 2018.

Cash Flow

The cash of the Group is primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, the facilities of the Company and the business growth and expansion.

Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy, medical devices and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB13,342.01 million. The net cash used in operating activities of the Group was RMB11,431.82 million for the six months ended 30 June 2018. The increase was primarily attributed to the delayed collection of trade and bills receivables and positive payment in trade payables during the Reporting Period.

Net cash used in investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB437.61 million, representing a decrease of RMB2,674.08 million as compared with RMB3,111.69 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in the expenditure on the purchase of property, plant and equipment.

Net cash generated from financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB6,933.34 million, representing a decrease of RMB745.27 million as compared with RMB7,678.61 million for the six months ended 30 June 2018. Such decrease was primarily due to the repayment of the borrowings and expired bonds by the Group.

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued super short-term commercial papers in an aggregate amount of RMB25.97 billion in the first half of 2019 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as to replenish working capital.

The Group's borrowings are all denominated in Renminbi.

As of 30 June 2019, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD ("**USD**") and Euro ("**EUR**") and AUD ("**AUD**").

Indebtedness

As of 30 June 2019, among the Group's total borrowings, RMB64,276.89 million will be due within one year and RMB5,413.89 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

Gearing ratio

As of 30 June 2019, the Group's gearing ratio was 73.89% (31 December 2018: 71.04%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2019.

Foreign Exchange Risks

The Group's operations are mainly located in the PRC and most of its transactions are denominated and settled in RMB. However, the Group is exposed to foreign exchange risks on certain circumstances, including cash and cash equivalents, borrowings from banks and other financial institutions and trade payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group had no corresponding hedging arrangements.

Pledge of Assets

As of 30 June 2019, part of the Group's borrowings and notes payable were secured by bank deposits of RMB6,647.22 million (unaudited), prepaid land lease payments with book value of RMB61.51 million (unaudited), investment properties with book value of RMB0.03 million (unaudited), properties, plant and equipment with book value of RMB99.01 million (unaudited), and trade and bills receivables with book value of RMB2,990.34 million (unaudited).

Management Discussion and Analysis

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, the upgrading of its logistic delivery systems and the improving of the level of informatization. The Group's capital expenditures for the Reporting Period amounted to RMB2,222.89 million, representing a decrease of RMB107.83 million as compared with RMB2,330.72 million for the six months ended 30 June 2018, mainly due to the decrease in the expenditure on the purchase of property, plant and equipment.

The Group's current plans with respect to its capital expenditures may be modified according to the progress of its operation plans (including changes in market conditions, competition and other factors). As the Group continues to expand, it may incur additional capital expenditures. The Group's ability to obtain additional funding is subject to a variety of uncertain factors, including the future operating results, financial condition and cash flows of the Group, economic, political and other conditions in China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

Going Concern

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a going concern basis.

Contingent Liabilities and Material Litigations

As at 30 June 2019, the Group neither had any material contingent liabilities, nor had any material litigations.

Major Investment

During the Reporting Period, the Group did not make any major investment or have any plan for major investment or purchase of capital asset.

Major Acquisitions and Disposals

During the Reporting Period, the Group did not conduct any material acquisition and disposal with respect to subsidiaries, associates and joint ventures.

Human Resources

As of 30 June 2019, the Group had a total of 86,888 employees. In order to meet the development needs and to support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialised operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance the efficiency of the employees. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

Directors

Mr. Li Zhiming, aged 57, Executive Director, Chairman (Legal Representative), Deputy Secretary of Party Committee. Mr. Li has more than 37 years of working experience, over 33 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Li graduated from the economic management discipline of the Urumqi Branch of Xi'an Military Academy with associate degree in July 1997. Mr. Li was qualified as a senior economist and a chief pharmacist. Mr. Li was the deputy director of finance department of Xinjiang New & Special Ethnic Drug Store, staff of audit department of Xinjiang Pharmaceutical Administration Bureau, deputy general manager and chief accountant of Xinjiang Pharmaceutical Industry and Trade Company, chief accountant and deputy general manager of Xinjiang New & Special Ethnic Drug Corporation, and deputy director of the office of the preparatory and leading group of Xinjiang Pharmaceutical Administration Bureau steering the construction of the group entity, and general manager of Xinjiang New & Special Ethnic Drug Corporation from July 1985 to February 2000. Mr. Li has taken senior management positions such as a director, general manager and secretary of party committee of Xinjiang Pharmaceutical Group Company from February 2000 to February 2009, and has served as the chairman, general manager and secretary of party committee of Sinopharm Group Xinjiang Medicines Co., Ltd. from February 2009 to May 2013. Mr. Li served as the vice president of the Company from May 2010 to November 2013, and has served as the president and deputy secretary of party committee from November 2013 to March 2017, and has served as executive Director since January 2014 and the chairman, president and secretary of party committee from March 2017 to November 2017, and has served as the chairman and secretary of party committee from November 2017 to November 2018, and has served as the chairman and deputy secretary of party committee since November 2018. Mr. Li is currently the director and general manager of Sinopharm Industrial Investment Co., Ltd., the director of China National Accord Medicines Co., Ltd. and China National Medicines Co., Ltd., vice chairman of Shanghai Shyndec Pharmaceutical Co., Ltd., and also takes senior management positions at some subsidiaries.

Mr. Yu Qingming, aged 55, Executive Director, Secretary of Party Committee. Mr. Yu has over 32 years of working experience, especially in the management of pharmaceuticals, health products and medical devices, and holds the professional title of senior engineer. Mr. Yu graduated from Shanghai Medical Equipment College (now known as University of Shanghai for Science and Technology) in 1987, and graduated from the Central Party School majoring in economic management in 2001 with a master's degree. From July 1987 to April 1990, Mr. Yu successively served as secretary of Communist League Branch at Beijing Pharmaceutical Station of CNPGC, secretary to the general manager and secretary to the Administrative Party Branch of China Medical Instrument Corporation. From April 1990 to February 1997, he served in the State Pharmaceutical Administration, serving as deputy principle clerk, principle clerk and deputy department secretary of the General Office. From February 1997 to December 2009, he successively served as deputy general manager of the China sales department and manager of the corporate management department, assistant to chairman, vice president and executive president of Zhuhai United Laboratories Co., Ltd. and executive president of Federal Pharmaceutical International Holdings Limited. Mr. Yu was the director, general manager and party secretary of China Medical Instrument Corporation from December 2009 to August 2010. Mr. Yu has taken senior management positions of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since August 2010. He has served as the chairman of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since June 2019. Mr. Yu has served as secretary of party committee of the Company since November 2018 and Executive Director of the Company since December 2018. Mr. Yu is currently a deputy to the National People's Congress, vice president of China Association for Medical Devices Industry, vice chairman of China Association of Medical Equipment, vice president of China Chamber of Commerce for Import and Export of Medicines and Health Products, and vice president of China Association for the Promotion of the Development of Pharmaceutical Enterprises etc.

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Yong, aged 50, Executive Director, President and Deputy Secretary of Party Committee. Mr. Liu has over 27 years of working experience, over 24 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises from China Pharmaceutical University in July 1992, a master's degree in business administration from Fudan University in January 2000 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University in June 2016. Mr. Liu is a chief pharmacist and a practicing pharmacist. Mr. Liu was employed at Shanghai Pharmaceutical Station from July 1992 to July 1999, and served as the deputy general manager at the marketing department of China National Pharmaceutical Group Shanghai Co., Ltd. and the deputy general manager of Shanghai Guoda Drug Chain Store Co., Ltd. from July 1999 to April 2003. Mr. Liu was the general manager and secretary of Party Committee of Sinopharm Holding Shenyang Co., Ltd. from April 2003 to November 2009. Mr. Liu has served as vice president of the Company from January 2009 to November 2017, Executive Director and President since November 2017, and Deputy Secretary of Party Committee since January 2018. During the period, Mr. Liu has served as general legal counsel of the Company from January 2014 to March 2018, and was also secretary to the Board of the Company from October 2016 to November 2017, joint company secretary and authorized representative of the Company from October 2016 to August 2018. Mr. Liu is also the director of Sinopharm Industrial Investment Co., Ltd. and China National Medicines Co., Ltd., and chairman of China National Accord Medicines Co., Ltd., and also takes senior management positions at some subsidiaries.

Mr. Chen Qiyu, aged 47, Non-executive Director and Vice Chairman, joined the Company in January 2003, and had served as the Chief Supervisor until May 2010. He has served as a Non-executive Director since May 2010 and has been the Vice Chairman since November 2013. He has over 26 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and a master's degree of advanced business administration from China Europe International Business School in September 2005. Mr. Chen was previously the chief financial officer, the board secretary, general manager, president and vice chairman of the board of directors of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. He has served as the vice president and co-president of Fosun International Limited since August 2010, and has served as its executive director since July 2015. He has served as the vice president and co-president of Shanghai Fosun High Technology (Group) Co., Ltd. since January 2011, and has served as its director since July 2015 and has served as its Chairman since November 2017. Mr. Chen has been a director of Tianjin Pharmaceuticals Group Co., Ltd. and Beijing Sanyuan Food Co., Ltd. since February 2009 and September 2015, respectively. Mr. Chen served as the supervisor, director as well as the director and general manager of Sinopharm Industrial Investment Co., Ltd from July 2008 to March 2014 successively, and has served as the vice chairman of the same since March 2014 till now. Mr. Chen is currently also the standing member of Shanghai 13th Committee of the Chinese People's Political Consultative Conference, the chairman of China Medical Pharmaceutical Material Association, vice chairman of China Association for Pharmaceutical Innovation, chairman of Shanghai Biopharmaceutics Industry Association, and the vice-chief of Shanghai Society of Genetics, etc..

Biographies of Directors, Supervisors and Senior Management

Mr. Ma Ping, aged 63, Non-executive Director, joined the Company and has served as the Non-executive Director of the Company since October 2016. Mr. Ma has over 36 years of working experience and currently serves as an external director of China National Pharmaceutical Group Corporation. Mr. Ma received a bachelor's degree from chemistry department of Fudan University in 1982. Mr. Ma served as principal clerk, engineer, vice director and director of Ministry of Labor and Personnel, National Pharmaceutical Administration, State Planning Commission, respectively from February 1982 to March 1992. He served as department manager, project manager, general manager of London Export Corporation, Hoechst (China), Lotus Healthcare, respectively from March 1992 to April 1994. He co-founded and served as managing director of BMP from April 1994 to October 1996. He served as investment director, business development director of Sinogen International Ltd. from October 1996 to May 1998. He served as vice president, COO, China general manager of United Medical Industrial Group from May 1998 to March 2000. He served as director, vice general manager of Tonghua Golden-horse Group (a Shenzhen Stock Exchange-listed company, stock code: 000766) from March 2000 to September 2001. He served as director, general manager of BMP (a Nasdaq-listed company, stock code: BJGP) from September 2001 to December 2005. He served as director, general manager of BioPro Pharmaceutical Inc. from December 2005 to December 2011. He has been serving as director of BioPro Pharmaceutical Inc. and project consultant of Principle Capital since December 2011, and has been serving as an external director of China National Pharmaceutical Group Corporation since May 2016. Mr. Ma is also the director of China National Biotec Group Co., Ltd.

Mr. Hu Jianwei, aged 45, Non-executive Director, has served as the Non-executive Director of the Company since he joined the Company in December 2018. Mr. Hu worked at government agencies for a long time from July 1994 to November 2017. He has in-depth research on macroeconomic operation and management and is familiar with medical and health work. He has served as a member of party committee and deputy general manager of CNPGC since December 2017, and general counsel since January 2019, mainly responsible for work such as strategic planning, branding, operation and legal affairs.

Mr. Deng Jindong, aged 55, Non-executive Director, and has served as the Non-executive Director since he joined the Company in August 2007. He has over 31 years of working experience, over 26 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics from Hangzhou Electronics Industry Institution (currently known as Hangzhou Dianzi University) in July 1986 and a master's degree in economics from Central Institute of Finance and Economics (currently known as Central University of Finance & Economics) in January 1991. He is a non-practicing PRC certified public accountant. Mr. Deng was previously the chief financial officer of Economic Information Network Data Co., Ltd., senior audit manager of Taikang Life Insurance Co., Ltd. and the head of the finance department of CNPGC from April 2000 to October 2001, from October 2001 to October 2002 and from October 2002 to October 2004, respectively. Mr. Deng has served as the chief accountant of CNPGC from October 2004 to May 2017, and has served as its vice general manager since May 2017. Mr. Deng served as a director and chief financial officer, and a director of Sinopharm Industrial Investment Co., Ltd. from July 2008 to August 2015 and from August 2015 to January 2016, respectively. He has also served as its chairman since January 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. Wen Deyong, aged 48, Non-executive Director. Mr. Wen has served as the Non-executive Director of the Company since he joined the Company since September 2017. Mr. Wen graduated from Donghua University and received a master's degree in business administration in December 2007. Mr. Wen is currently the executive vice president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. and vice chairman of Chongqing Yaoyou Pharmaceutical Co., Ltd. Mr. Wen has served as the technician in water needle shop of Chongqing Pharmaceutical Co., Ltd. 6th Factory, the sales outworker in sales department, the sales director in sales company, the general manager in 2nd marketing department of Chongqing Yaoyou Pharmaceutical Co., Ltd., the general manager of northern unit of Chongqing Haisiman Company, the vice president and president of Chongqing Yaoyou Pharmaceutical Co., Ltd from September 1995 to May 2016. Mr. Wen has served as the director of China National Medicines Co., Ltd. since May 2019, and also served as the supervisor of China National Accord Medicines Co., Ltd. since May 2019.

Ms. Guan Xiaohui, aged 48, Non-executive Director, has served as the Non-executive Director of the Company since she joined the Company in March 2019. Ms. Guan obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics and obtained a master's degree in accounting for senior accountant from the Chinese University of Hong Kong in December 2007. Ms. Guan joined Fosun Pharma in May 2000 and currently serves as the senior vice president and chief financial officer. Before joining Fosun Pharma and its subsidiaries, Ms. Guan worked at Jiangxi Provincial Branch of the Industrial and Commercial Bank of China from July 1992 to May 2000. Ms. Guan served as the supervisor of China National Accord Medicines Corporation Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000028) and the supervisor of BioSino Bio-Technology and Science Incorporation (a company listed on the Hong Kong Stock Exchange, stock code: 08247). Mr. Guan is qualified as Chinese Certified Public Account and a member of The Association of Chartered Certified Accountants.

Ms. Dai Kun, aged 42, Non-executive Director, has served as the Non-executive Director of the Company since June 2019. Ms. Dai graduated from China University of Political Science and Law with a bachelor's degree in 2000 and majored in Law & English literature. Ms. Dai worked at China International IntellecTech Corporation as service representative from March 2000 to November 2001. She successively acted as assistant to vice president of HR, HR specialist, head of HR and associate director of HR of Beijing Novartis Pharma Ltd. from November 2001 to February 2012, and successively acted as director of HR for Novartis OTC Greater China & South Korea OU, director of TAS (Talent Acquisition & Staffing) Novartis Greater China and HR director of NBS China from March 2012 to March 2018. From March 2018 to the present, Ms. Dai acts as Assistant to President and General Manager of Human Resources department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd..

Biographies of Directors, Supervisors and Senior Management

Mr. Yu Tze Shan Hailson, aged 63, Independent Non-executive Director, has served as an Independent Non-executive Director since September 2014 and has more than 40 years of working experience. Mr. Yu graduated from the University of Calgary in Canada with a bachelor's degree in Electrical Engineering in 1979, graduated from the University of Hong Kong with a master's degree in Electrical Engineering in 1987, graduated from City University of Hong Kong with a master's degree of law in Arbitration and Dispute Resolution in 1995 and completed the postgraduate diploma in Investment Management and post-graduate certificates in Hong Kong Laws and Traditional Chinese Medicine courses. Mr. Yu served as equipment maintenance and testing engineer, equipment maintenance and testing laboratory manager, computer engineering and system engineering manager of Ampex Ferrotec Limited (Hong Kong) successively from June 1979 to September 1987. Mr. Yu joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited and served as the general manager of engineering research and development department, and consultant for Petroleum Development and LPG Tank Terminal Port successively from October 1987 to January 1998. Mr. Yu has been serving as the deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong since February 1998 till now. Mr. Yu has been serving as an independent non-executive director of China Traditional Chinese Medicine Co., Ltd. (formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange) since November 2013. He has served as an independent non-executive director of China NT Pharma Group Company Limited since June 2017. Mr. Yu currently is a Charted Engineer, fellow of each of the Institution of Engineering and Technology, the Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators.

Mr. Tan Wee Seng, aged 64, Independent Non-executive Director, has served as an Independent Non-executive Director since September 2014. Mr. Tan is a Chartered Global Management Accountant, Fellow member of the Chartered Institute of Management Accountants in United Kingdom, and the Hong Kong Institute of Directors. Mr. Tan has been with Reuters Group from April 1984 to June 2002 and has served as senior vice president and chief China representative in China, Outer Mongolia and Korea offices. Mr. Tan served as executive director, chief finance officer and company secretary of Li Ning Company Limited (a company listed on the Hong Kong Stock Exchange), from January 2003 to November 2008. Mr. Tan served as an independent director and chairman of the audit committee of 7 Days Holdings Limited (whose securities were listed on the New York Stock Exchange between November 2009 to July 2013) until it was privatized. He was the Chairman of the Special Committee for Privatization of 7 Days Holdings Limited from October 2012 to July 2013. Mr. Tan currently also serves as independent non-executive director of each of Health and Happiness (H&H) International Holdings Limited (a company listed on the Hong Kong Stock Exchange), Sa Sa International Holdings Limited (a company listed on the Hong Kong Stock Exchange), CIFI Holdings (Group) Company Limited (a company listed on the Hong Kong Stock Exchange), Xtep International Holdings Limited (a company listed on the Hong Kong Stock Exchange) and Shineroad International Holdings Limited (a company listed on the Hong Kong Stock Exchange), he is also an independent director of ReneSola Ltd. (a company listed on the New York Stock Exchange) and a director of Beijing City International School.

Biographies of Directors, Supervisors and Senior Management

Mr. Liu Zhengdong, aged 49, Independent Non-executive Director, has served as an Independent Non-executive Director of the Company since September 2014. He is a lawyer who has more than 25 years of working experience as a practicing lawyer. Mr. Liu graduated from East China University of Political Science and Law (formerly known as East China School of Political Science and Law) with a bachelor's degree in Law in 1991, and obtained a juris master's degree in 2002. He served as an assistant prosecutor in Railway Transportation branch of Shanghai People's Procuratorate from July 1991 to June 1994. From June 1994 to October 1998, Mr. Liu worked at Shanghai Hongqiao Law Firm and served as a lawyer. Mr. Liu co-founded Shanghai Junyue Law Firm with others in October 1998 and has been served as chief partner and lawyer. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and was also honored as National Excellent Lawyer, Shanghai Excellent Non-litigation Lawyer and Shanghai Leading Talent. Currently, Mr. Liu serves as deputy to the Shanghai 15th People's Congress, director of the National Lawyers Association, vice president of Shanghai General Chamber of Commerce, standing member of Shanghai Association of Industry and Commerce. Mr. Liu also serves as arbitrators of China International Economic and Trade Arbitration Commission (CIETA), Shanghai International economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC), adjunct professor of East China University of Political Science and Law, part time master tutor of the School of Law of Shanghai Jiao Tong University, visiting professor of each of Shanghai University of Political Science and Law and Lawyer School of Renmin University of China.

Mr. Zhuo Fumin, aged 68, Independent Non-executive Director, Mr. Zhuo has served as an Independent Non-executive Director since March 2016. Mr. Zhuo has more than 43 years of experience in the field of enterprise management and capital markets. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983. He subsequently obtained a master's degree in economics from Fudan University in 1997. Mr. Zhuo currently serves as chairman and managing partner of V Star Capital. Between 1987 and 1995, Mr. Zhuo served senior positions including an office head and an officer assistant of the Shanghai Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo held in turn various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the managing director and chief executive officer of Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 363) and the chairman of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo has served as the chairman and the chief executive officer of Vertex China Investment Co., Ltd. (a wholly owned subsidiary of Vertex Management Group, a global venture capital management company), founder and chairman of Shanghai Kexing Investment Co., Ltd. and managing partner of GGV Capital, a venture capital fund since 2002. Mr. Zhuo also serves as an independent director of Arcplus Group Plc (a company listed on the Shanghai Stock Exchange, stock code: 600629) and Daqo New Energy Corp. (a company listed on the New York Stock Exchange, stock code: DQ), Focus Media (a company listed on the Shenzhen Stock Exchange, stock code: 002027), Shanghai Shine-Link International Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603648) and Dazhong Transportation (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600611), a non-executive Director of Besunyen Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 926), and an independent non-executive director of SRE Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1207).

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Fangruo, aged 54, Independent Non-executive Director, has served as an Independent Non-executive Director of the Company since he joined the Company in December 2018. Mr. Chen graduated from Shanghai Jiao Tong University in 1985 with dual Bachelor's Degrees in Shipbuilding and Marine Engineering and Computer Science and Technology. In 1987, he obtained a Master's Degree from the Moore School of Electrical Engineering, University of Pennsylvania. He then received his Ph.D. degree from the Wharton School at the University of Pennsylvania. Mr. Chen worked at Columbia Business School in 1992, successively serving as the Assistant Professor, Associate Professor, Lifetime Associate Professor, and Full Professor. In 2005, he became the Lifetime Chair Professor. Mr. Chen acted as a distinguished visiting professor at Stanford School of Business, Cheung Kong Graduate School of Business, Chinese Academy of Sciences, Shanghai Jiao Tong University, Peking University, Tianjin University and other prestigious universities at home and abroad. Mr. Chen has served as a visiting chair professor at Shanghai Jiao Tong University since 2017. He is currently a "Guangqi" fund sponsored professor at Shanghai Jiao Tong University. He has acted as the Dean of Antai College of Economics and Management at Shanghai Jiao Tong University since August 2018.

Supervisors

Mr. Yao Fang, aged 50, Chief Supervisor, has served as the Supervisor of the Company since January 2011. Mr. Yao obtained a bachelor's degree in economics from Fudan University in July 1989 and a master's degree of business administration from The Chinese University of Hong Kong in December 1993. Between 1993 and 2009, Mr. Yao served as assistant general manager of the international business department of Shanghai Wanguo Securities Co., Ltd. (currently known as Shenwan Hongyuan Group Co., Ltd.), general manager of Shanghai Shang Shi Assets Operation and Management Co., Ltd. and Shang Shi Management (Shanghai) Co., Ltd., managing director of Shanghai Industrial Pharmaceutical Investment Co., Ltd. (delisted on 12 February 2010), the chairman of Shanghai Overseas Co., Ltd., non-executive director of Lianhua Supermarket Holdings Co., Ltd. (stock code 00980), and executive director of Shanghai Industrial Holding Limited (stock code: 00363) listed on the Hong Kong Stock Exchange. Mr. Yao has served as a non-executive director of Biosino Bio-Technology and Science Incorporation (stock code: 08247) listed on the Hong Kong Stock Exchange from 24 January 2011 to 13 March 2014. Mr. Yao has served in Fosun Pharma since April 2010 and currently serves as the executive director and co-chairman.

Mr. Tao Wuping, aged 64, Supervisor, has served as a Supervisor of the Company since June 2015, was an Independent Non-executive Director from September 2008 to September 2014. Mr. Tao is a lawyer and has over 35 years of working experience as practicing lawyer. Mr. Tao obtained a master's degree in law, majoring in international economic law, from Fudan University in June 1997. Mr. Tao has served as the director of Guantao Zhongmao (Shanghai) Law Firm since August 2016. He served as the director of Shanghai Shen Da Law Firm from August 1994 to August 2016. Mr. Tao has been a visiting law professor of Shanghai Institute of Foreign Trade, a part-time professor at the Law and Politics College of East China Normal University, and the honorary dean, a part-time professor at the Law and Politics College of Shanghai Normal University and a visiting professor of East China University of Political Science and Law since March 2002, June 2003, September 2003 and June 2012, respectively. Mr. Tao has served as the independent director of Tianzhi Fund Management Co., Ltd. from August 2014 to June 2019. Mr. Tao has served as the independent director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (a listed company on the Shanghai Stock Exchange, stock code: 600639) since July 2019. Mr. Tao was awarded the title of "National Outstanding Attorney at Law" by All China Lawyers Association and the first session of "Eastern Attorney at Law" by Shanghai Bar Association.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhang Hongyu, aged 57, Employee Representative Supervisor, has served as an Employee Representative Supervisor of the Company since January 2018. Mr. Zhang has over 33 years of working experience. Mr. Zhang obtained a bachelor's degree in economics from East China Normal University in July 1985 and a master's degree in EMBA from Shanghai Jiao Tong University in December 2007. Mr. Zhang served successively as a staff member and engineer of Human Resource Department of the Shanghai Branch of Chinese Academy of Sciences from July 1985 to September 1992. Mr. Zhang served as the manager of Human Resources Department of Shanghai Keyuan Real Estate Development Co., Ltd. from September 1992 to September 1994 and the manager of Shanghai Huihuang Architectural Decoration Co., Ltd. from October 1994 to August 1996. Mr. Zhang worked at the Shanghai Branch of Chinese Academy of Sciences from September 1996 to October 1999 and finally served as deputy-division-chief researcher at the Human Resource Department. Mr. Zhang successively served as deputy general manager of Human Resources Department of China Worldbest Group Co., Ltd., head of Human Resources Department of China Worldbest Life Industry Co., Ltd., assistant to president and head of Human Resources Department of China Worldbest Life Industry Co., Ltd. from November 1999 to December 2006. Mr. Zhang served as deputy party secretary and head of Human Resources Department of Sinopharm Logistics Co., Ltd. from March 2007 to June 2009, head of Human Resources Department of Distribution Business Department of the Company and deputy head of Human Resources Department of the Company from July 2009 to September 2010, head of the Party Affairs Department of the Company from September 2010 to January 2018, and deputy secretary of Discipline Inspection Commission and deputy chairman of Labour Union of the Company from December 2012 to January 2018, and secretary of Discipline Inspection Commission and deputy chairman of Labour Union of the Company from January 2018 to May 2018. He has been serving as the secretary of Discipline Inspection Commission since May 2018.

Ms. Li Xiaojuan, aged 43, Supervisor, has served as the Supervisor of the Company since January 2016. Ms. Li has over 17 years of working experience. Ms. Li obtained a bachelor's degree in real estate operation and management from investment economics department of Dongbei University of Finance & Economics in July 1998 and a master's degree in national economics (investment economics) with specialty in securities investment from investment economics department of Dongbei University of Finance & Economics in April 2001. Ms. Li is a qualified economist, a non-practicing certified public accountant, and an asset valuer. Ms. Li served as the project manager of Beijing Tianhua Accounting Firm from April 2001 to April 2003 and the vice director of strategic cooperation department of TopSun Group from April 2003 to February 2005. Ms. Li served as the manager of finance department of China National Pharmaceutical Industry Corporation from February 2005 to April 2006 and the director of auditing and supervision office and the manager of auditing department of China National Pharmaceutical Industry Corporation from April 2006 to August 2010. Ms. Li joined CNPGC in August 2010 and served as the vice director of investment management department from August 2010 to April 2014. She has served as vice director and director of auditing department from April 2014 to January 2019 and has served as director of finance department since January 2019.

Ms. Jin Yi, aged 44, Employee Representative Supervisor, has served as the Employee Representative Supervisor since June 2015. Ms. Jin has approximately 19 years of working experience. Ms. Jin obtained a bachelor's degree in economics, majoring in investment economics, from Nanjing University in July 1997, and a master's degree in business administration from The Chinese University of Hong Kong in December 2005. Ms. Jin was qualified as an intermediate economist. Ms. Jin served as the floor trader of Zhengzhou Commodity Exchange in China from July 1997 to May 1998, the project manager of information consulting department of Shanghai Information Center from May 1999 to July 2003, and the senior analyst of ALC Advisors (Shanghai) Company Limited from April 2005 to November 2007. Ms. Jin joined the Company in December 2007, successively served as the senior project manager and the vice director of the investment management department, and has served as the investment project supervisor of the investment management department since January 2015.

Company Secretaries

Mr. Wu Yijian, one of the joint company secretaries, is also secretary to the Board. Please refer to the section headed "Senior Management" for Mr. Wu's biography.

Dr. Liu Wei, aged 61, has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and England. Dr. Liu graduated from the Northwest University of China, the Chinese University of Political Science and Law and the University of Cambridge with a bachelor's degree in Chinese literature, a master's degree in law, a Ph.D. in Law respectively. Dr. Liu also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu has extensive experience in corporate finance and corporate governance of listed companies and is a partner of DLA Piper.

Senior Management

Mr. Liu Yong, Mr. Liu Yong currently serves as an Executive Director and the President of the Company. Please refer to the section headed "Directors" above for Mr. Liu's biography.

Mr. Li Yang, aged 41, joined the Company as a Vice President in November 2018. Mr. Li has more than 19 years of working experience, with more than 17 years of operation and management experience in the medical devices industry. Mr. Li obtained a Bachelor of Economics in International Enterprise Management from Dalian Maritime University in January 2000. Mr. Li is qualified as Assistant Economist. Mr. Li worked at the Human Resources Department and served as the secretary to the general manager of China National Pharmaceutical Group Co., Ltd. from July 2000 to September 2002. Mr. Li also served as the key account manager of the Sales Department of GE Healthcare China, sales manager and north district manager of the MRI Division of IBA China from October 2002 to January 2011. Mr. Li served as the executive deputy general manager of China National Medical Device Co., Ltd. from January 2011 to September 2011. From September 2011 to September 2017, Mr. Li served as the director, general manager, deputy party secretary, party secretary and Legal Representative of China National Medical Device Co., Ltd. Mr. Li concurrently served as the deputy general manager and director of China National Scientific Instruments and Materials Co., Ltd. from December 2011 to November 2016. Since November 2016, Mr. Li has served as the director, general manager, deputy party secretary and legal representative of China National Scientific Instruments and Materials Co., Ltd. Since September 2017, Mr. Li has served as the director, president, deputy party secretary and legal representative of China National Medical Device Co., Ltd. Mr. Li is currently a member of the 12th Committee of All-China Youth Federation.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 55, joined the Company as the Chief Financial Officer in May 2010, and has been the vice president of the Company since July 2013. He has over 32 years of working experience, over 21 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986, and graduated from the class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at China National Pharmaceutical (Group) Corporation from July 1986 to March 2002, and served as the deputy head of the department of information, reform office, finance department and deputy manager of the department of pharmacy. He served as deputy head, head and chief financial officer of the finance department of China National Medicines Co., Ltd. from March 2002 to May 2010. Mr. Jiang is currently the chairman of China National Medicines Co., Ltd., the director of China National Accord Medicines Co., Ltd. and takes senior management positions at some subsidiaries.

Mr. Lian Wanyong, aged 49, joined the Company as a Vice President in January 2018. Mr. Lian has over 22 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-Sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian served as previously the manager of the operation and audit department of China National Group Corp. of Traditional & Herbal Medicine from January 2004 to July 2005, and a deputy head of the financial assets management department of CNPGC from July 2005 to February 2008, respectively, and the head of the investment management department of CNPGC from March 2008 to April 2014 and vice director of policy research office of CNPGC from April 2014 to January 2018. Mr. Lian served as a director of Sinopharm Industrial Investment Co., Ltd. from December 2008 to March 2014. Mr. Lian served as a Non-executive Director of the Company from December 2008 to January 2011 and from January 2016 to January 2018. He served as a Supervisor of the Company from January 2011 to December 2015. Mr. Lian also serves as the director of China National Medicines Co., Ltd. and China National Accord Medicines Co., Ltd. and takes senior management positions at some subsidiaries.

Ms. Wang Jie, aged 54, joined the Company as a Vice President in January 2019. Ms. Wang has over 29 years of working experience. Ms. Wang graduated from chemistry department of Sichuan University in July 1987 and obtained a master's degree in polymer major from chemistry department of Sichuan University in July 1990. Ms. Wang served as an assistant researcher, office director assistant, office vice director, sales vice director and sales manager of Chengdu Institute of Biological Products from August 1990 to April 2008. She served as a marketing department manager of China National Biotec Group from April 2008 to November 2009. She served as a director of marketing department, director of public affairs department and director of international cooperation and public affairs department of CNPGC from November 2009 to January 2019. She served as a vice general manager of China National Pharmaceutical Investment Co., Ltd. from November 2016 to January 2019.

Biographies of Directors, Supervisors and Senior Management

Mr. Cai Maisong, aged 49, joined the Company as a Vice President in January 2018. Mr. Cai has over 26 years of working experience. Mr. Cai received a bachelor's degree of pharmacy from School of Pharmacy of Beijing Medical University in July 1992, and later received a master's degree in business administration from Nankai University. Mr. Cai served as a technician, factory director and vice manager of fourth operation department in first factory of Guangzhou Baiyunshan Pharmaceutical Company from July 1992 to June 1996. Mr. Cai served as a regional manager of the Greater China Group in Les Laboratoires Servier Industrie from June 1996 to June 2001. Mr. Cai served as a vice manager in development zone medicine company of Tianjin purchase station of China National Pharmaceutical Group Corp. and manager in logistics center of China National Pharmaceutical Group Corp. Tianjin Co., Ltd. from July 2001 to July 2002 and from July 2002 to December 2002 respectively. Mr. Cai served as a director of commerce department, manager of marketing department and director of operation management center in Sinopharm Holding Tianjin Co., Ltd. from January 2003 to July 2006, and served as a director of risk and operation management department in Sinopharm Group Co. Ltd. from July 2006 to December 2010. Mr. Cai served as a vice director of risk and operation management department, director of risk and operation management department and vice director of policy research office in CNPGC from January 2011 to August 2017. Mr. Cai served as an employee supervisor in China National Pharmaceutical Group Corp. from June 2014 to May 2017, and served as a vice principal in Sichuan Province Food and Drug Administration from June 2016 to January 2018. Mr. Cai served as the secretary to the Board, joint company secretary and authorized representative of the Company from August 2018 to December 2018. Mr. Cai currently takes senior management positions at some subsidiaries.

Mr. Li Dongjiu, aged 54, joined the Company as a Vice President and Chief Legal Advisor in January 2018. Mr. Li has over 31 years of working experience in the pharmaceutical industry, over 26 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li is a professor-level senior engineer and Doctor of Engineering, Mr. Li obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in July 1987, a master's degree in Management from Wuhan University of Technology in July 1998, a master's degree of Arts in International Economic Relations from the Flinders University of South Australia in October 2005, a PhD degree of Transportation Planning and Management from Wuhan University of Technology in June 2013, and an EMBA degree from China Europe International Business School. Mr. Li worked for North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) as a deputy general manager of North China Pharmaceutical Huasheng Co., Ltd., general manager of Sweeteners Vitamins Department of North China Pharmaceutical Group Corporation, general manager of Sales Company of North China Pharmaceutical Group Corporation and deputy general manager of North China Pharmaceutical Co., Ltd. and head of its financial department, successively from July 1987 to December 2009, and served as executive president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., vice president and director of the Pharmaceutical Management Committee and senior vice president and director of the pharmaceutical management committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (a company listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and president of Shanghai Fosun Pharmaceutical Development Co., Ltd., successively from December 2009 to December 2012. Mr. Li served as a senior vice president, chairman of the medicine commercialization and consumer products management committee and vice chairman of the pharmaceutical manufacturing management committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from January 2013 to August 2016 and served as a director of Nature's Sunshine Products Inc., a company listed on NASDAQ, USA (NASDAQ: NATR) from August 2014 to June 2016. Mr. Li served as the Non-executive Director of the Company from October 2013 to January 2018. Mr. Li has served as a vice president, senior vice president and chairman of pharmaceutical commerce committee of Shanghai Fosun Pharmaceutical Development Co., Ltd. from June 2010 to January 2018. Mr. Li currently serves as a vice president of China Nonprescription Medicines Association (CNMA), China Association of Pharmaceutical Commerce and Shanghai Association of Pharmaceutical Commerce, a commissioner for the UN Commission on Life-Saving Commodities for Women and Children and a member of council of the Cancer Foundation of China. Mr. Li also serves as the director of China National Accord Medicines Co., Ltd. and takes senior management positions at some subsidiaries.

Mr. Zhou Xudong, aged 50, joined the Company as a Vice President in January 2018. Mr. Zhou has over 29 years of working experience. Mr. Zhou received an associate degree of audit from department one from Nanjing Audit University in July 1990. Mr. Zhou served as an accountant of audit department in Yizheng Chemical Fiber Industry Alliance Company from July 1990 to October 1992. Mr. Zhou served as a salesman, vice director, vice manager of medicine operation department and vice general manager in Nantong City Chemical Pharmaceutical Raw Material Company from November 1992 to December 2002. Mr. Zhou served as a general manager and chairman in Nantong City Pharmaceutical Sales Co., Ltd. from December 2002 to December 2011. Mr. Zhou served as a general manager of Sinopharm Holding Nantong Co., Ltd. and vice general manager of Sinopharm Holding Jiangsu Co., Ltd. from December 2011 to May 2015 and from July 2014 to April 2015 respectively. He has served as a general manager of Sinopharm Holding Jiangsu Co., Ltd. from May 2015 to March 2019. Mr. Zhou currently takes senior management positions at some subsidiaries.

Mr. Wu Yijian, aged 49, joined the Company as the Secretary to the Board in January 2019. Mr. Wu graduated from Shanghai Medical University with a bachelor's degree in medicine in July 1993. Mr. Wu obtained his master's degree in business administration from Tsinghua University in July 2003, his joint master's degree in professional accounting for senior accountant from the Chinese University of Hong Kong and Shanghai National Accounting Institute in November 2014, and completed the courses for the general manager in the China Europe International Business School of Management in July 2007. Mr. Wu has served in Sanjiu Enterprise from July 1993 to May 2004 and successively served as sales director of Sanjiu Pharmaceutical Trading Co., Ltd., the chief operating officer of Sanjiu Pharmaceutical Chain Co., Ltd. and the deputy general manager of Shanghai Sanjiu Pharmaceutical Technology Development Co., Ltd. Mr. Wu served in Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from June 2004 to October 2014 and successively served as the general manager of Shanghai Fosun Pharmaceutical Investment Co., Ltd., general manager of Shanghai Fosun Pharmaceutical Co., Ltd., general manager of Shanghai Fumei Pharmacy Co., Ltd. and other positions. Mr. Wu served as the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. from November 2014 to December 2015. Mr. Wu served as the president assistant and the director of the commercial pharmaceutical management committee of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. from January 2016 to December 2018. Mr. Wu served as a Non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018.

Mr. Xu Shuangjun, aged 51, has served as the Non-executive Vice President of the Company since May 2011. He has over 33 years of working experience, over 25 years of which is management experience in the pharmaceutical and healthcare products industry. He graduated from the School of Pharmacy of the Second Military Medical University in Shanghai and obtained a bachelor's degree in medicine in 2001. He further obtained a master's degree in business administration from the Macau University of Science and Technology in 2006 and has the qualifications of practicing pharmacist and chief pharmacist. Mr. Xu was employed at Shijiazhuang Lerentang from October 1987 to March 1999. He served as manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co., Ltd. from March 1999 to August 2004, and served as the chairman and general manager of Hebei Zhongrui Medicines Co., Ltd., the general manager and secretary of the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co., Ltd., and the chairman and general manager of and secretary of the Party Committee of Lerentang Pharmaceutical Group Co., Ltd. from August 2004 to May 2011. Mr. Xu served as the vice chairman, general manager and secretary of the Party Committee of Sinopharm Lerentang Pharmaceutical Co., Ltd. from May 2011 to June 2013, and has served as the chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd. since June 2013.

Other Information

Changes of Directors and Supervisor

Ms. Guan Xiaohui was elected as Non-executive Director at the extraordinary general meeting of the Company held on 8 March 2019, and since the date of her election as non-executive Director, Ms. Guan Xiaohui also serves as a member of the Audit Committee. For details, please refer to the announcement of the Company dated 8 March 2019.

Mr. Wang Qunbin resigned on 22 March 2019 from the position as Non-executive Director and members of the respective committees under the Board. Ms. Dai Kun was elected as non-executive Director at the annual general meeting of the Company held on 27 June 2019, and since the date of her election as non-executive Director, Ms. Dai Kun also serves as a member of the Nomination Committee; and Ms. Guan Xiaohui was also appointed as a member of the Strategy and Investment Committee under the Board on 27 June 2019. For details, please refer to the announcements of the Company dated 22 March 2019 and 27 June 2019.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2019, the interests or short positions held by the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), (Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the total number of H shares in issue of the Company (%)	Long position/ short position/ shares available for lending
Mr. Li Zhiming	H shares	Beneficial owner	260,000	0.01	0.02	Long position
Mr. Yu Qingming	H shares	Beneficial owner	100,000	0.00	0.01	Long position
Mr. Liu Yong	H shares	Beneficial owner	210,000	0.01	0.02	Long position
Ms. Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2019, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNPGC	Domestic shares	Beneficial owner	207,289,498 (Note 2)	6.98	11.65	Long position
		Interest of controlled corporation	1,571,555,953 (Note 1 and 2)	52.88	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Note 1 and 2)	52.88	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 3)	52.88	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 4)	52.88	88.35	Long position
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 5)	52.88	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 6)	52.88	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 7)	52.88	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Note 1 and 8)	52.88	88.35	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 9)	95,312,312	3.21	7.99	Long position
JPMorgan Chase & Co.	H shares	Interest of controlled corporation	16,361,906	0.55	1.37	Long position
			8,806,708	0.30	0.73	Short position
		Investment manager	15,657,252	0.53	1.31	Long position
		Person having security interest in shares	576,545	0.02	0.05	Long position
		Approved lending agent (Note 10)	54,857,753	1.85	4.59	Long position

Other Information

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
Invesco Advisor Inc	H shares	Investment manager	95,368,150	3.21	7.99	Long position
Citigroup Inc.	H shares	Interest of controlled corporation	5,329,469	0.18	0.45	Long position
			1,756,688	0.06	0.15	Short position
		Person having security interest in shares	7,200	0.00	0.00	Long position
		Approved lending agent	57,384,391	1.93	4.81	Long position

Notes:

The information was disclosed based on the data available on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(1) Such 1,571,555,953 domestic shares belong to the same batch of shares.

(2) CNPGC is interested in 1,571,555,953 domestic shares indirectly through Sinopharm Investment Co., Ltd. ("**Sinopharm Investment**"). As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.

(3) Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**") is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(4) Fosun High Technology (Group) Co., Ltd. ("**Fosun High Technology**") is the beneficial owner of 37.87% equity interest in Fosun Pharma and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(5) Fosun International Ltd. ("**Fosun Company**") is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(6) Fosun Holdings Ltd. ("**Fosun Holdings**") is the beneficial owner of 71.75% equity interest in Fosun Company and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(7) Fosun International Holdings Ltd. ("**Fosun International Holdings**") is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

Other Information

(8) Mr. Guo Guangchang is the beneficial owner of 85.29% equity interest in Fosun International Holdings and 0.004% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(9) BlackRock, Inc. is interested in long positions of 95,312,312 H shares of the Company indirectly through a series of controlled corporations.

(10) JPMorgan Chase & Co. is interested in an aggregate of long positions of 87,453,456 H shares (of which 54,857,753 are H shares available for lending) and short positions of 8,806,708 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2019, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Securities.

Restricted Share Incentive Scheme

The Restricted Share Incentive Scheme of the Company (the "**Scheme**") was effective on 18 October 2016. During the Reporting Period, due to resignation of 2 Scheme Participants who were no longer qualified for the incentive, a total number of 50,100 H shares were sold by the Trustee to the secondary market as required under the Scheme.

Dividends

Pursuant to the relevant resolution passed at the 2018 annual general meeting of the Company convened on 27 June 2019, the Company will pay the final dividend for the year ended 31 December 2018 to the shareholders of the Company on 27 August 2019, totaling approximately RMB1,753,277,152.69.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2019.

Amendments to the Articles of Association and Rules of Procedure of the Board of Directors

On 22 March 2019, the Board resolved to make certain amendments to the articles of association and the Rules of Procedure of the Board of Directors of the Company. The proposed amendments were duly approved at the annual general meeting of the Company held on 27 June 2019. For details, please refer to the announcements of the Company dated 22 March 2019 and 27 June 2019.

Other Information

Audit Committee

As at the date of this report, the Audit Committee of the Company consists of three Independent Non-executive Directors, namely Mr. Tan Wee Seng (Chairman), Mr. Liu Zhengdong and Mr. Zhuo Fumin, and two Non-executive Directors, namely Mr. Deng Jindong and Ms. Guan Xiaohui. The Audit Committee has reviewed this report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and agreed on the accounting treatment adopted by the Company.

Compliance with the Corporate Governance Code Set out in Appendix 14 to the Listing Rules

The Company has adopted all the code provisions contained in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules as the Company's code on corporate governance. During the Reporting Period, the Company had complied with the code provisions set out in the Code.

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as the code of conduct of the Company regarding the transactions of the listed securities of the Company by the Directors and Supervisors. Having made specific enquiry of all the Directors and Supervisors, all of them confirmed that they had complied with the required standard regarding securities transactions by the Directors and Supervisors as set out in the Model Code during the Reporting Period.

Disclosure of Information

This report will be dispatched to the shareholders of the Company and published on the websites of the Company (http://www.ir.sinopharmgroup.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

Independent Review Report

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TO THE SHAREHOLDERS OF SINOPHARM GROUP CO. LTD
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 37 to 90, which comprises the condensed consolidated statement of financial position of Sinopharm Group Co. Ltd. (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

23 August 2019

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Revenue	6	**201,665,141**	163,473,695
Cost of sales	9	**(184,180,153)**	(149,011,286)
Gross profit		**17,484,988**	14,462,409
Other income	7	**175,155**	173,249
Selling and distribution expenses	9	**(5,835,889)**	(4,744,546)
Administrative expenses	9	**(3,034,306)**	(2,321,931)
Impairment losses on financial and contract assets	9	**(488,382)**	(403,319)
Operating profit		**8,301,566**	7,165,862
Other gains – net	8	**41,911**	40,220
Other expenses	8	**(92,870)**	–
Finance income		**284,137**	157,182
Finance costs		**(2,543,320)**	(2,085,899)
Finance costs – net	11	**(2,259,183)**	(1,928,717)
Share of profits and losses of:			
Associates		**387,929**	357,174
Joint ventures		**6,965**	9,212
		394,894	366,386
Profit before tax		**6,386,318**	5,643,751
Income tax expense	12	**(1,418,098)**	(1,250,184)
Profit for the period		**4,968,220**	4,393,567
Attributable to:			
Owners of the parent		**2,975,178**	2,798,078
Non-controlling interests		**1,993,042**	1,595,489
		4,968,220	4,393,567
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic	13	**1.00**	0.94
– Diluted	13	**1.00**	0.94

The notes on pages 45 to 90 form an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For The Six Months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**4,968,220**	4,393,567
Other comprehensive income:		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		
Remeasurements of post-employment benefit obligations	**(1,307)**	(7,864)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**4,953**	(6,266)
Income tax effect	**(1,238)**	1,674
Fair value gains/(losses) on financial asset, net of tax	**3,715**	(4,592)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**2,408**	(12,456)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	**(3,714)**	(1,758)
Share of other comprehensive income/(loss) of associates	**1,172**	(2,145)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	**(2,542)**	(3,903)
Other comprehensive loss for the period, net of tax	**(134)**	(16,359)
Total comprehensive income, net of tax	**4,968,086**	4,377,208
Attributable to:		
Owners of the parent	**2,974,015**	2,784,777
Non-controlling interests	**1,994,071**	1,592,431
	4,968,086	4,377,208

The notes on pages 45 to 90 form an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Prepaid land lease payments	15	–	1,667,325
Investment properties	15	613,296	583,557
Property, plant and equipment	15	11,279,130	11,025,136
Intangible assets	15	8,385,440	7,476,734
Right-of-use assets		6,083,438	–
Investment in joint ventures		30,552	23,571
Investments in associates	16	6,623,740	6,358,496
Equity investments designated at fair value through other comprehensive income		33,621	28,375
Financial assets at fair value through profit or loss		666,924	654,672
Finance lease receivables		15,515	9,665
Deferred tax assets	20	1,284,399	1,072,142
Other non-current assets		2,160,484	2,216,831
Total non-current assets		37,176,539	31,116,504
Current assets			
Inventories		40,997,340	35,388,863
Trade and bills receivables	17	139,044,204	106,423,594
Contract assets		219,211	250,294
Prepayments, other receivables and other assets		16,768,430	15,058,178
Financial assets at fair value through profit or loss		169	41,199
Finance lease receivables		3,140	4,917
Pledged deposits and restricted cash		6,827,274	7,188,543
Cash and cash equivalents		33,448,993	40,298,985
Total current assets		237,308,761	204,654,573
Total assets		274,485,300	235,771,077
Current liabilities			
Trade and bills payables	23	95,462,311	83,682,927
Contract liabilities		6,480,600	6,101,607
Accruals and other payables		21,112,781	18,790,632
Dividends payable		2,191,755	185,662
Tax payable		976,171	1,228,335
Interest-bearing bank and other borrowings	19	64,276,887	50,085,218
Lease liabilities		1,154,699	–
Total current liabilities		191,655,204	160,074,381
Net current assets		45,653,557	44,580,192
Total assets less current liabilities		82,830,096	75,696,696

The notes on pages 45 to 90 form an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank and other borrowings	19	**5,413,888**	4,951,167
Lease liabilities		**2,909,797**	–
Deferred tax liabilities	20	**915,858**	864,906
Post-employment benefit obligations	21	**395,073**	415,461
Contract liabilities		**36,232**	39,427
Other non-current liabilities	22	**1,479,844**	1,149,968
Total non-current liabilities		**11,150,692**	7,420,929
Net assets		**71,679,404**	68,275,767
Equity			
Equity attributable to owners of the parent			
Share capital	18	**2,971,656**	2,971,656
Treasury shares held for share incentive scheme	28	**(135,318)**	(135,318)
Reserves		**41,339,414**	39,985,488
		44,175,752	42,821,826
Non-controlling interests		**27,503,652**	25,453,941
Total equity		**71,679,404**	68,275,767

Li Zhiming
Director

Tan Wee Seng
Director

The notes on pages 45 to 90 form an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

		Attributable to owners of the parent					
	Notes	Share capital RMB'000	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019 (Audited)		2,971,656	(135,318)	39,985,488	42,821,826	25,453,941	68,275,767
Total comprehensive income for the period		–	–	2,974,015	2,974,015	1,994,071	4,968,086
Effects of transaction with non-controlling interests	24	–	–	718	718	1,404	2,122
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	–	351,834	351,834
Acquisition of subsidiaries	25	–	–	–	–	360,782	360,782
Equity-settled share incentive scheme		–	–	3,667	3,667	549	4,216
Dividend declared		–	–	(1,753,277)	(1,753,277)	–	(1,753,277)
Dividend paid to non-controlling interests		–	–	–	–	(579,087)	(579,087)
Share of changes in equity other than comprehensive income and distributions received from associates		–	–	29,505	29,505	19,328	48,833
Others		–	–	99,298	99,298	(99,170)	128
As at 30 June 2019 (Unaudited)		2,971,656	(135,318)	41,339,414	44,175,752	27,503,652	71,679,404

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

		Attributable to owners of the parent					
	Notes	Share capital RMB'000	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018 (Audited)							
As previously reported		2,767,095	(193,003)	32,683,543	35,257,635	16,012,019	51,269,654
Business combination under common control		–	–	3,043,846	3,043,846	3,633,690	6,677,536
As at 1 January 2018 (Audited)		2,767,095	(193,003)	35,727,389	38,301,481	19,645,709	57,947,190
Total comprehensive income		–	–	2,784,777	2,784,777	1,592,431	4,377,208
Effects of transaction with non-controlling interests		–	–	(76,108)	(76,108)	(41,414)	(117,522)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	–	369,772	369,772
Acquisition of subsidiaries		–	–	–	–	139,091	139,091
Dividends on shares held by the share incentive scheme		–	3,614	–	3,614	–	3,614
Release of shares from the share incentive scheme		–	6,188	–	6,188	–	6,188
Dividend on shares released from the share incentive scheme		–	(214)	214	–	–	–
Equity-settled share incentive scheme		–	–	11,860	11,860	1,444	13,304
Dividend declared		–	–	(1,577,244)	(1,577,244)	–	(1,577,244)
Dividend paid to non-controlling interests		–	–	–	–	(537,601)	(537,601)
Share of changes in equity other than comprehensive income and distributions received from associates		–	–	27,789	27,789	20,158	47,947
Other changes of investment in an associate		–	–	(10,132)	(10,132)	(7,941)	(18,073)
Others		–	–	264	264	172	436
As at 30 June 2018 (Unaudited) (Restated)		2,767,095	(183,415)	36,888,809	39,472,489	21,181,821	60,654,310

The notes on pages 45 to 90 form an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Cash flows from operating activities:			
Cash used in operations		**(11,415,413)**	(9,887,393)
Income tax paid		**(1,926,601)**	(1,544,427)
Net cash flows used in operating activities		**(13,342,014)**	(11,431,820)
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		**–**	183
Proceeds from disposal of prepaid land lease payments		**–**	1,779
Proceeds from disposal of property, plant and equipment		**68,871**	54,196
Proceeds from disposal of financial assets at fair value through profit or loss		**44,174**	11,503
Proceeds from disposal of portion of equity investment in an associate		**40,384**	–
Proceeds from disposal of other non-current assets		**604**	5,900
Interest received from long-term deposits		**26,381**	32,048
Dividends received from associates		**141,999**	199,480
Dividends received from financial assets at fair value through profit or loss		**9,136**	10,164
Interest income from asset-backed securities		**4,947**	–
Dividends received from financial assets at fair value through other comprehensive income		**–**	330
Prepayment for acquisition		**(37,357)**	–
Purchase of prepaid land lease payments		**–**	(3,220)
Purchase of right-of-use assets		**(1,330)**	–
Purchase of property, plant and equipment		**(719,284)**	(2,046,592)
Purchase of intangible assets		**(60,992)**	(28,265)
Purchase of investment properties		**–**	(1,240)
Withdrawal/(payment) of long-term deposits		**169,668**	(112,994)
Purchase of financial assets at fair value through profit or loss		**(15,250)**	(252,319)
Purchase of equity investments designated at fair value through other comprehensive income		**–**	(200)
Acquisition of subsidiaries, net of cash acquired	25	**(416,023)**	(16,188)
Consideration paid for prior year acquisition of subsidiaries		**–**	(220,325)
Investment in associates		**(54,788)**	(20,000)
Investment in joint ventures		**(16)**	–
Increase/(decrease) in restricted cash		**361,269**	(725,933)
Net cash flows used in investing activities		**(437,607)**	(3,111,693)

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited) (Restated)
Cash flows from financing activities:			
Proceeds from borrowings from banks		**26,511,043**	31,326,916
Proceeds from borrowings from related parties		**12,576**	18,867
Proceeds from borrowings from other financial institution		**3,045,889**	1,282,348
Repayments of borrowings from banks		**(26,169,251)**	(26,244,643)
Repayments of borrowings from related parties		**(20,527)**	(145,677)
Repayments of borrowings from other financial institution		**(2,109,092)**	(1,027,077)
Repayments of bonds		**(17,459,990)**	(7,000,000)
Proceeds from issue of bonds		**25,972,035**	11,987,996
Capital injections from non-controlling shareholders of subsidiaries		**351,834**	369,772
Dividends paid to non-controlling shareholders of subsidiaries		**(326,272)**	(577,630)
Transactions with non-controlling interests of subsidiaries		**(106,824)**	(561,782)
Sales of shares under share incentive scheme		**–**	2,833
Principal portion of lease payments		**(681,352)**	–
Interest paid		**(2,086,726)**	(1,753,317)
Net cash flows from financing activities		**6,933,343**	7,678,606
Net decrease in cash and cash equivalents		**(6,846,278)**	(6,864,907)
Cash and cash equivalents at beginning of period		**40,298,985**	32,240,796
Effect of foreign exchange rate changes, net		**(3,714)**	(3,510)
Cash and cash equivalents at end of period		**33,448,993**	25,372,379

The notes on pages 45 to 90 form an integral part of the interim condensed consolidated financial statements.

1. General information

Sinopharm Group Co. Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") on 8 January 2003 as a company with limited liability under the PRC Company Law.

On 6 October 2008, the Company was converted into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1: 0.8699 into 1,637,037,451 shares of RMB1 each. In September 2009, the Company issued overseas–listed foreign-invested shares ("**H Shares**"), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on 23 September 2009. The Company issued 204,561,102 domestic shares to China National Pharmaceutical Group Co., Ltd. under general mandate at the issue price of RMB24.97 per consideration share on 13 December 2018 to acquire 60% equity interests in China National Scientific Instruments and Materials Co., Ltd. ("**CSIMC**"). Upon completion of the acquisition CSIMC became a subsidiary of the Company. The business combination under common control was accounted for in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA.

The address of the Company's registered office is 221 Fuzhou Road, Huangpu District, Shanghai, the PRC.

The Company and its subsidiaries (together, the "**Group**") are mainly engaged in: (1) the distribution of medicines, medical devices and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics, (2) the operation of pharmaceutical chain stores, (3) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, and (4) the distribution of scientific instruments and medical equipments.

The ultimate holding company of the Company is China National Pharmaceutical Group Co., Ltd. ("**CNPGC**"), which was incorporated in the PRC.

This interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, unless otherwise stated. This interim condensed consolidated financial information has not been audited. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 23 August 2019.

2. Basis of preparation and changes in accounting policies

(1) Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

(2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB137,324,000 that were reclassified from property, plant and equipment.

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	5,683,407
Decrease in property, plant and equipment	(137,324)
Decrease in prepaid land lease payments	(1,667,325)
Decrease in prepayments, other receivables and other assets	(294,550)
Increase in total assets	3,584,208
Liabilities	
Increase in lease liabilities	3,677,338
Decrease in accruals and other payables	(11,960)
Decrease in other non-current liabilities	(81,170)
Increase in total liabilities	3,584,208

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial information for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period as follow:

	Right-of-use assets				Lease liabilities
	Buildings RMB'000	Land-use right RMB'000	Others RMB'000	Total RMB'000	RMB'000
As at 1 January 2019	**3,750,425**	**1,667,325**	**265,657**	**5,683,407**	**3,677,338**
Addition	**966,408**	**16,119**	**22,898**	**1,005,425**	**979,891**
Depreciation charge (Note 9)	**(549,620)**	**(21,997)**	**(33,777)**	**(605,394)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**88,619**
Payments	**–**	**–**	**–**	**–**	**(681,352)**
As at 30 June 2019	**4,167,213**	**1,661,447**	**254,778**	**6,083,438**	**4,064,496**

3. Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial information for the year ended 31 December 2018.

4. Financial risk management

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

There have been no changes in the risk management department since year end or in any risk management policies.

4. Financial risk management (continued)

(ii) Liquidity risk

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2019 (Unaudited)					
Interest-bearing bank and other borrowings	**65,744,038**	**2,285,619**	**3,363,921**	**–**	**71,393,578**
Trade and other payables	**113,244,379**	**–**	**–**	**–**	**113,244,379**
Dividends payable	**2,191,755**	**–**	**–**	**–**	**2,191,755**
Lease liabilities	**1,154,699**	**1,047,436**	**1,542,643**	**664,561**	**4,409,339**
Other non-current liabilities	**–**	**440,147**	**–**	**–**	**440,147**
	182,334,871	**3,773,202**	**4,906,564**	**664,561**	**191,679,198**
As at 31 December 2018 (Audited)					
Interest-bearing bank and other borrowings	51,010,291	1,353,980	3,922,477	–	56,286,748
Trade and other payables	99,902,713	–	–	–	99,902,713
Dividends payable	185,662	–	–	–	185,662
Other non-current liabilities	–	40,667	27,267	–	67,934
	151,098,666	1,394,647	3,949,744	–	156,443,057

4. Financial risk management (continued)

(iii) Fair value estimation

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below presents the Group's assets and liabilities that are measured at fair value at 30 June 2019 and 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2019 (Unaudited)				
Assets				
Equity investments designated at fair value through other comprehensive income	**27,278**	**870**	**5,473**	**33,621**
Financial assets at fair value through profit or loss	**169**	**3,700**	**663,224**	**667,093**
Trade and bills receivables held both to collect cash flows and to sell	**–**	**4,153,164**	**–**	**4,153,164**
	27,447	**4,157,734**	**668,697**	**4,853,878**
At 31 December 2018 (Audited)				
Assets				
Equity investments designated at fair value through other comprehensive income	22,325	870	5,180	28,375
Financial assets at fair value through profit or loss	399	3,700	691,772	695,871
Trade and bills receivables held both to collect cash flows and to sell	–	5,571,562	–	5,571,562
	22,724	5,576,132	696,952	6,295,808

There were no significant transfers of financial assets among level 1, level 2 and level 3 during the period.

There were no changes in valuation techniques during the period.

4. Financial risk management (continued)

(iv) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Borrowings from banks and other financial institutions (Note 19)	**579,000**	657,310	**583,822**	761,440
Bonds (Note 19)	**4,834,888**	4,293,857	**4,859,732**	4,293,857

The carrying amounts and fair values of the Group's financial instruments, other than borrowings from banks and other financial institutions and bonds, those with carrying amounts that reasonably approximate to fair values.

5. Segment Information

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the CEO and the executives at the CEO office) that are used to make strategic decisions. The operating committee considers the business from a business type perspective. The reportable operating segments derive their revenue primarily from the following four business types in the PRC:

(i) Pharmaceutical distribution – distribution of medicine and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;

(ii) Retail pharmacy – operation of medicine chain stores;

(iii) Medical devices – distribution of medical devices;

(iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy and other business segments do not meet the quantitative thresholds required by HKFRS 8 *Operating segments*, management has concluded that these segments should be reported, as they are closely monitored by the operating committee as a potential growth segment and are expected to materially contribute to group revenue in the future.

5. Segment Information (continued)

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of prepaid land lease payments, investment properties, property, plant and equipment, intangible assets, right-of-use assets, investments in associates and joint ventures, inventories, receivables and operating cash.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings, lease liabilities, deferred tax liabilities and other liabilities that are incurred for financing rather than operating purpose.

Unallocated assets mainly represent deferred tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred tax liabilities.

Capital expenditure comprises mainly additions to prepaid land lease payments, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Inter-segment revenues are conducted at prices and terms mutually agreed upon amongst those business segments. The revenue from external parties reported to the operating committee is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

5. Segment Information (continued)

The segment information provided to the operating committee is as follows:

(i) For the six months ended 30 June 2019 and 2018

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical devices RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited)						
Segment results						
External segment revenue	161,990,466	8,688,744	28,820,449	2,165,482	–	201,665,141
Inter-segment revenue	2,710,171	153,189	204,337	164,584	(3,232,281)	–
Revenue	164,700,637	8,841,933	29,024,786	2,330,066	(3,232,281)	201,665,141
Operating profit	6,641,724	285,212	1,322,992	159,383	(107,745)	8,301,566
Other gains – net	37,867	2,369	1,264	411	–	41,911
Other expenses	(92,870)	–	–	–	–	(92,870)
Share of profits and losses of associates and joint ventures	7,425	945	684	385,840	–	394,894
	6,594,146	288,526	1,324,940	545,634	(107,745)	8,645,501
Finance costs – net						(2,259,183)
Profit before tax						6,386,318
Income tax expense						(1,418,098)
Profit for the period						4,968,220
Other segment items included in the statement of profit or loss						
Provision for impairment of financial and contract assets	354,067	858	128,588	4,869		488,382
Provision/(reversal of provision) for impairment of inventories	(54,750)	168	6,100	(635)		(49,117)
Provision for impairment of intangible assets	92,870	–	–	–		92,870
Depreciation of property, plant and equipment	351,748	46,293	122,015	34,583		554,639
Depreciation of investment properties	10,175	2,229	7,619	736		20,759
Depreciation of right-of-use assets	212,146	289,337	101,305	2,606		605,394
Amortisation of intangible assets	129,307	15,062	6,255	704		151,328
Capital expenditures	1,821,626	145,326	235,861	20,077		2,222,890

5. Segment Information (continued)

(i) For the six months ended 30 June 2019 and 2018 (continued)

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical devices RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2018 (Unaudited)(Restated)						
Segment results						
External segment revenue	133,324,988	7,053,886	21,172,812	1,922,009	–	163,473,695
Inter-segment revenue	1,436,863	47,687	174,912	164,902	(1,824,364)	–
Revenue	134,761,851	7,101,573	21,347,724	2,086,911	(1,824,364)	163,473,695
Operating profit	5,875,936	255,730	847,092	187,104	–	7,165,862
Other gains – net	2,928	2,591	(10,696)	45,397	–	40,220
Share of profits and losses of associates and joint ventures	9,928	1,207	28,652	326,599	–	366,386
	5,888,792	259,528	865,048	559,100	–	7,572,468
Finance costs – net						(1,928,717)
Profit before tax						5,643,751
Income tax expense						(1,250,184)
Profit for the period						4,393,567
Other segment items included in the statement of profit or loss						
Provision for impairment of financial and contract assets	310,149	91	89,824	3,255		403,319
Provision/(reversal of provision) for impairment of inventories	20,294	581	15,881	(1,295)		35,461
Amortisation of prepaid land lease payments	25,554	76	–	3,390		29,020
Depreciation of property, plant and equipment	307,183	44,437	120,268	33,709		505,597
Depreciation of investment properties	8,377	534	11,284	2,342		22,537
Amortisation of intangible assets	111,599	7,291	5,728	1,998		126,616
Capital expenditures	1,921,037	77,458	288,806	43,417		2,330,718

5. Segment Information (continued)

(ii) At 30 June 2019 and 31 December 2018

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical devices RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
As at 30 June 2019 (Unaudited)						
Segment assets and liabilities						
Segment assets	**210,368,638**	**11,412,847**	**44,663,530**	**12,131,564**	**(5,375,678)**	**273,200,901**
Segment assets include:						
Investments in associates and joint ventures	**238,196**	**23,550**	**18,252**	**6,374,294**	**–**	**6,654,292**
Unallocated assets – Deferred tax assets						**1,284,399**
Total assets						**274,485,300**
Segment liabilities	**97,939,479**	**6,549,134**	**30,564,673**	**2,366,388**	**(5,220,411)**	**132,199,263**
Unallocated liabilities – Deferred tax liabilities and borrowings						**70,606,633**
Total liabilities						**202,805,896**
As at 31 December 2018 (Audited)						
Segment assets and liabilities						
Segment assets	179,476,396	11,606,634	36,205,427	11,283,868	(3,873,390)	234,698,935
Segment assets include:						
Investments in associates and joint ventures	241,061	26,254	15,009	6,099,743	–	6,382,067
Unallocated assets – Deferred tax assets						1,072,142
Total assets						235,771,077
Segment liabilities	82,270,366	6,997,294	24,590,817	2,002,591	(4,267,049)	111,594,019
Unallocated liabilities – Deferred tax liabilities and borrowings						55,901,291
Total liabilities						167,495,310

6. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenue from contracts with customers		
Sales of goods	**200,825,168**	162,874,626
Consulting income	**191,275**	136,070
Revenue from logistics service	**204,410**	141,993
Franchise fees and other service fee from medicine chain stores	**177,872**	152,883
Import agency income	**12,061**	4,645
Others	**157,619**	78,893
Revenue from other sources		
Operating lease income	**96,736**	84,585
	201,665,141	163,473,695

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June 2019 (Unaudited)				
Segments	**Pharmaceutical distribution RMB'000**	**Retail pharmacy RMB'000**	**Medical devices RMB'000**	**Others RMB'000**	**Total RMB'000**
Type of goods or services					
Sale of goods	**161,642,379**	**8,378,974**	**28,751,502**	**2,052,313**	**200,825,168**
Others	**348,087**	**213,034**	**68,947**	**113,169**	**743,237**
Total revenue from contracts with customers	**161,990,466**	**8,592,008**	**28,820,449**	**2,165,482**	**201,568,405**
Geographical markets					
China	**161,990,466**	**8,592,008**	**28,820,449**	**2,165,482**	**201,568,405**
Timing of revenue recognition					
Recognised at a point in time	**161,990,466**	**8,592,008**	**28,820,449**	**2,165,482**	**201,568,405**

6. Revenue (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Segments	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical devices RMB'000	Others RMB'000	Total RMB'000
	For the six months ended 30 June 2018 (Unaudited) (Restated)				
Type of goods or services					
Sale of goods	133,111,746	6,802,448	21,114,362	1,846,070	162,874,626
Others	213,242	166,853	58,450	75,939	514,484
Total revenue from contracts with customers	133,324,988	6,969,301	21,172,812	1,922,009	163,389,110
Geographical markets					
China	133,324,988	6,969,301	21,172,812	1,922,009	163,389,110
Timing of revenue recognition					
Recognised at a point in time	133,324,988	6,969,301	21,172,812	1,922,009	163,389,110

7. Other income

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Government grants	**175,155**	173,249

Government grants mainly represent subsidy income received from various government authorities as incentives to certain members of the Group.

8. Other gains – net/Other expenses

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Other gains-net		
Write-back of certain liabilities	**2,617**	11,357
Gain on changes in fair value of financial assets at fair value through profit or loss	**146**	43,755
Gain on disposal of portion of equity investment in an associate	**40,384**	–
(Loss)/gain on disposal of prepaid land lease payment, investment properties, property, plant and equipment	**(46)**	4,158
Foreign exchange loss – net	**(12,273)**	(1,801)
Donation	**(8,407)**	(19,443)
Interest income from asset-backed securities	**4,947**	132
Dividend from:		
Equity investments at fair value through other comprehensive income	**–**	330
Financial assets at fair value through profit or loss	**9,136**	32
Others – net	**5,407**	1,700
	41,911	40,220
Provision for impairment of intangible assets (Note 15)	**(92,870)**	–

9. Expenses by nature

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Raw materials and trading merchandise consumed	**184,009,558**	148,723,099
Changes in inventories of finished goods and work in progress	**(112,469)**	(48,133)
Employee benefit expenses (Note 10)	**4,704,591**	3,593,268
Impairment of financial and contract assets, net:	**488,382**	403,319
– Impairment of trade and bills receivables, net	**467,026**	379,665
– Impairment of contract assets, net	**1,521**	–
– Impairment of other receivables, net	**20,001**	23,654
– Impairment of other non-current assets, net	**(166)**	–
Provision/(reversal of provision) for impairment of inventories	**(49,117)**	35,461
Lease rental in respect of land and buildings	**236,359**	614,882
Depreciation of property, plant and equipment (Note 15)	**554,639**	505,597
Depreciation of investment properties (Note 15)	**20,759**	22,537
Depreciation of right-of-use assets (Note 2(2))	**605,394**	–
Amortisation of intangible assets (Note 15)	**151,328**	126,616
Amortisation of prepaid land lease payments (Note 15)	**–**	29,020
Auditor's remuneration	**17,500**	12,000
Advisory and consulting fees	**134,799**	103,201
Transportation expenses	**675,679**	602,067
Travel expenses	**183,673**	143,753
Market development and business promotion expenses	**1,093,481**	1,011,814
Utilities	**48,327**	74,223
Others	**775,847**	528,358
Total cost of sales, selling and distribution expenses, administrative expenses and impairment losses on financial and contract assets	**193,538,730**	156,481,082

10. Employee benefit expenses

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Salaries, wages, allowance and bonuses	**3,678,577**	2,713,358
Contributions to pension plans (i)	**415,142**	351,092
Post-employment benefits (Note 21)	**2,917**	24,458
Housing benefits (ii)	**155,890**	129,866
Share incentive expenses (Note 28)	**6,923**	13,591
Other benefits (iii)	**445,142**	360,903
	4,704,591	3,593,268

Notes:

(i) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 7% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 14% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

(ii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' basic salary.

(iii) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

11. Finance income and costs

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest expense:		
– Borrowings	**1,300,163**	1,139,593
– Discounting of bills receivables	**288,618**	261,488
– Factoring of trade receivables	**634,311**	472,094
– Net interests on net defined benefit liability (Note 21)	**7,003**	6,898
– Lease liabilities	**88,619**	–
Gross interest expense	**2,318,714**	1,880,073
Bank charges	**225,935**	211,164
Less: capitalised interest expense	**(1,329)**	(5,338)
Finance costs	**2,543,320**	2,085,899
Finance income:		
– Interest income on deposits in bank or other financial institutions	**(257,756)**	(125,134)
– Interest income on long-term deposits	**(26,381)**	(32,048)
Net finance costs	**2,259,183**	1,928,717

12. Taxation

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax	**1,675,544**	1,389,440
Deferred income tax (Note 20)	**(257,446)**	(139,256)
	1,418,098	1,250,184

During the six months ended 30 June 2019, enterprises incorporated in the PRC are normally subject to enterprise income tax ("**EIT**") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

One of the Group's subsidiaries is subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong.

13. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent excluding the cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as at the end of the reporting period and the weighted average number of ordinary shares of 2,971,656,000 (31 December 2018: 2,971,656,000) in issue excluding restricted shares at the end of the reporting period.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the restricted shares expected to be unlocked in the future. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and included the number of restricted shares expected to be unlocked in the future.

13. Earnings per share (Continued)

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,975,178**	2,798,078
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(2,376)**	(3,500)
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**2,972,802**	2,794,578
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	**2,967,629**	2,965,316
Effect of dilution – restricted shares ('000)	**4,027**	6,340
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	**2,971,656**	2,971,656
Basic earnings per share (RMB per share)	**1.00**	0.94
Diluted earnings per share (RMB per share)	**1.00**	0.94

14. Dividends

The final dividend for year 2018 of RMB0.59 per share (tax inclusive), amounting to RMB1,753,277,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 27 June 2019 ("**2018 AGM**"). Pursuant to the relevant resolution passed at 2018 AGM, the final dividend for year 2018 will be paid on 27 August 2019 to the shareholders whose names appeared on the register of members of the Company on 9 July 2019.

No interim dividend was proposed for the six-month ended 30 June 2019.

15. Prepaid land lease payments, Investment properties, Property, plant and equipment and Intangible assets

	Prepaid land lease payments RMB'000	Investment properties RMB'000	Property plant and equipment RMB'000	Intangible assets RMB'000
For the six months ended 30 June 2019 (Unaudited)				
Net carrying amount as at 31 December 2018	1,667,325	583,557	11,025,136	7,476,734
– Re-classification	(1,667,325)	–	(126,473)	–
As at 1 January 2019	–	583,557	10,898,663	7,476,734
Additions	–	–	682,775	54,017
Acquisition of subsidiaries (Note 25)	–	47,729	351,872	1,071,637
Transfers	–	2,769	(30,019)	27,250
Disposals	–	–	(69,522)	–
Depreciation or amortisation (Note 9)	–	(20,759)	(554,639)	(151,328)
Impairment	–	–	–	(92,870)
Net carrying amount as at 30 June 2019	–	613,296	11,279,130	8,385,440

15. Prepaid land lease payments, Investment properties, Property, plant and equipment and Intangible assets (Continued)

	Prepaid land lease payments RMB'000	Investment properties RMB'000	Property plant and equipment RMB'000	Intangible assets RMB'000
For the six months ended 30 June 2018 (Unaudited) (Restated)				
Net carrying amount as at 1 January 2018	1,585,043	627,955	9,008,497	7,253,448
Additions	3,220	1,240	1,999,300	47,235
Acquisition of subsidiaries	–	–	40,141	239,582
Transfers	–	(2,275)	(1,467)	3,742
Disposals	(1,779)	(183)	(42,567)	(250)
Depreciation or amortisation (Note 9)	(29,020)	(22,537)	(505,597)	(126,616)
Net carrying amount as at 30 June 2018	1,557,464	604,200	10,498,307	7,417,141

Goodwill is allocated to the Group's cash-generating units ("**CGUs**"), identified by the operating segment. The recoverable amount of a CGU is determined based on value-in-use calculations.

During the reporting period, by comparing the carrying value of the CGUs containing the goodwill with those recoverable amounts, the Group provided goodwill impairment amounting to RMB59,999,000 and intangible assets impairment amounting to RMB32,871,000 related to one CGU in pharmaceutical distribution segment, was recognised in the consolidated statement of profit or loss as other expenses.

16. Investments in associates

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Share of net assets	6,597,407	6,332,163
Goodwill	26,333	26,333
	6,623,740	6,358,496

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
At 1 January	6,358,496	5,479,340
Other additions	54,788	20,000
Share of results	387,929	357,174
Unrealised loss on transactions with associates	16,222	12,173
Share of other comprehensive Income/(loss)	1,172	(2,145)
Share of changes in equity other than comprehensive income and distributions received from associates	48,833	47,947
Other changes in an investment in an associate	–	(18,073)
Dividends declared by associates attributable to the Group	(243,700)	(240,787)
At 30 June	6,623,740	5,655,629

16. Investments in associates (Continued)

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activity
			30 June 2019	31 December 2018	
Shanghai Modern Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司) (i)	Ordinary shares of RMB1 each	Mainland China	**18.14% (ii)**	18.14%	Pharmaceutical manufacturing

(i) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(ii) The Group's investment in this associate is accounted for under the equity method of accounting because the Group has significant influence over it by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interests in it were lower than 20% for the year ended 30 June 2019.

For the year ended 30 June 2019, the shareholding of the Group in Modern Pharmaceutical was 18.14%.

The following table illustrates the summarised financial information of Shanghai Modern Pharmaceutical Co., Ltd. extracted from its financial information, reconciled to the carrying amount in the consolidated financial information:

	30 June 2019 RMB'000 (Unaudited)
Current assets	**10,503,575**
Non-current assets	**7,879,885**
Current liabilities	**(7,112,736)**
Non-current liabilities	**(2,323,173)**
Non-controlling interests	**(1,616,396)**
Net assets	**7,331,155**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**18.14%**
Carrying amount of the investment	**1,329,872**
Revenue	**6,255,380**
Profit for the period	**526,380**
Total comprehensive income for the period	**526,380**
Dividend declared	**14,940**

17. Trade and bills receivables

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**132,588,930**	97,845,345
Bills receivables	**8,191,318**	9,828,703
Net: Impairment	**(1,736,044)**	(1,250,454)
Trade and bills receivables – net	**139,044,204**	106,423,594

The fair value of trade and bills receivables approximates to their carrying amounts.

Retail sales at the Group's medicine chain stores are generally made in cash or by debit or credit cards. For medicine distribution and medicine manufacturing businesses, sales are made on credit terms ranging from 30 to 210 days. The ageing analysis of trade and bills receivables, based on the invoice date and net of provisions, as at the end of the reporting period, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 year	**136,733,183**	105,389,332
1 to 2 years	**2,112,884**	888,066
Over 2 years	**198,137**	146,196
	139,044,204	106,423,594

18. Share capital

	Number of shares 000	Domestic shares with par value of RMB1 per share RMB'000	H shares with par value of RMB1 per share RMB'000	Total RMB'000
As at 1 January 2019 (Audited) and 30 June 2019 (Unaudited)	**2,971,656**	**1,778,845**	**1,192,811**	**2,971,656**
As at 1 January 2018 (Audited) and 30 June 2018 (Unaudited)	2,767,095	1,574,284	1,192,811	2,767,095

19. Interest-bearing bank and other borrowings

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current		
Secured bank borrowings	19,000	9,000
Unsecured bank borrowings	550,000	606,710
Unsecured borrowings from other financial institutions and related parties	10,000	41,600
Bond (i)	4,834,888	4,293,857
	5,413,888	4,951,167
Current		
Secured bank borrowings	2,470,579	995,068
Unsecured bank borrowings	33,266,143	29,501,455
Unsecured borrowings from other financial institutions and related parties	2,059,357	1,323,904
Secured borrowings from other financial institutions and related parties	499,810	274,817
Bond (i)	25,980,998	17,989,974
	64,276,887	50,085,218
Total borrowings	69,690,775	55,036,385

Note:

(i) On 9 March 2016, the Company issued 40,000,000 units of bonds at a total par value of RMB4,000,000,000. After deduction of the expenses of approximately RMB12,852,000 in relation to the issuance, the total net proceeds were approximately RMB3,987,148,000. The bonds will mature 5 years from the issue date (i.e., 9 March 2021), and the annual interest rate is 2.92%. The Company had the right for early redemption at the end of the third year. On 9 March 2019, the Company used the right for early redemption and redeemed bonds par value of RMB3,459,990,000. The left bonds par value of RMB540,010,000 will mature on 9 March 2021. Interest is paid on an annual basis.

On 26 October 2017, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB1,000,000,000. The corporate bonds will expire on 26 October 2022, for a period of five years commencing from the issue date of 26 October 2017. The Company has the right for early redemption at the end of the third year, i.e., 26 October 2020. The annual interest rate of the corporate bonds for the first three years is fixed at 4.80%. Interest is paid on an annual basis. As at 30 June 2019, the corporate bonds were classified as non-current liabilities.

19. Interest-bearing bank and other borrowings (Continued)

Note: (Continued)

On 9 July 2018, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB3,843,000 in relation to the issuance, the total net proceeds were approximately RMB2,996,157,000. The bonds will mature 270 days from the issue date (i.e., 5 April 2019), and the annual interest rate was 4.29%. As at 30 June 2019, the bonds matured and were repaid in 2019.

On 27 August 2018, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB2,483,000 in relation to the issuance, the total net proceeds were approximately RMB2,997,517,000. The bonds will mature 180 days from the issue date (i.e., 23 February 2019), and the annual interest rate was 3.60%. As at 30 June 2019, the bonds matured and were repaid in 2019.

On 14 September 2018, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB3,654,000 in relation to the issuance, the total net proceeds were approximately RMB2,996,346,000. The bonds will mature 270 days from the issue date (i.e., 11 June 2019), and the annual interest rate was 3.70%. As at 30 June 2019, the bonds matured and were repaid in 2019.

On 21 September 2018, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB2,483,000 in relation to the issuance, the total net proceeds were approximately RMB2,997,517,000. The bonds will mature 180 days from the issue date (i.e., 20 March 2019), and the annual interest rate was 3.46%. As at 30 June 2019, the bonds matured and were repaid in 2019.

On 2 November 2018, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB1,573,000 in relation to the issuance, the total net proceeds were approximately RMB1,998,427,000. The bonds will mature 180 days from the issue date (i.e., 2 May 2019), and the annual interest rate was 3.48%. As at 30 June 2019, the bonds matured and were repaid in 2019.

On 26 November 2018, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB3,300,000,000. The corporate bonds will expire on 26 November 2021, for a period of three years commencing from the issue date of 26 November 2018. The annual interest rate of the corporate bonds is fixed at 3.99%. Interest is paid on an annual basis. As at 30 June 2019, the corporate bonds were classified as non-current liabilities.

On 20 February 2019, the Company issued 30,000,000 units of bonds at a total par value of 3,000,000,000. After deduction of the expenses of approximately RMB3,654,000 in relation to the issuance, the total net proceeds were approximately RMB2,996,346,000. The bonds will mature 270 days from the issue date (i.e., 17 November 2019), and the annual interest rate was 3.07%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 1 March 2019, the Company issued 40,000,000 units of bonds at a total par value of 4,000,000,000. After deduction of the expenses of approximately RMB4,607,000 in relation to the issuance, the total net proceeds were approximately RMB3,995,393,000. The bonds will mature 270 days from the issue date (i.e., 26 November 2019), and the annual interest rate was 3.07%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

19. Interest-bearing bank and other borrowings (Continued)

Note: (Continued)

On 8 March 2019, the Company issued 30,000,000 units of bonds at a total par value of 3,000,000,000. After deduction of the expenses of approximately RMB3,654,000 in relation to the issuance, the total net proceeds were approximately RMB2,996,346,000. The bonds will mature 270 days from the issue date (i.e., 3 December 2019), and the annual interest rate was 3.18%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 15 March 2019, the Company issued 40,000,000 units of bonds at a total par value of 4,000,000,000. After deduction of the expenses of approximately RMB3,250,000 in relation to the issuance, the total net proceeds were approximately RMB3,996,750,000. The bonds will mature 180 days from the issue date (i.e., 11 September 2019), and the annual interest rate was 3.20%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 3 April 2019, the Company issued 30,000,000 units of bonds at a total par value of 3,000,000,000. After deduction of the expenses of approximately RMB2,883,000 in relation to the issuance, the total net proceeds were approximately RMB2,997,117,000. The bonds will mature 260 days from the issue date (i.e., 19 December 2019), and the annual interest rate was 3.16%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 15 April 2019, the Company issued 5,000,000 units of bonds at a total par value of 500,000,000. After deduction of the expenses of approximately RMB217,000 in relation to the issuance, the total net proceeds were approximately RMB499,783,000. The bonds will mature 270 days from the issue date (i.e., 12 January 2020), and the annual interest rate was 3.45%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 24 April 2019, the Company issued 30,000,000 units of bonds at a total par value of 3,000,000,000. After deduction of the expenses of approximately RMB3,654,000 in relation to the issuance, the total net proceeds were approximately RMB2,996,346,000. The bonds will mature 270 days from the issue date (i.e., 19 January 2020), and the annual interest rate was 3.39%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 23 May 2019, the Company issued 20,000,000 units of bonds at a total par value of 2,000,000,000. After deduction of the expenses of approximately RMB2,456,000 in relation to the issuance, the total net proceeds were approximately RMB1,997,544,000. The bonds will mature 270 days from the issue date (i.e., 17 February 2020), and the annual interest rate was 3.35%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 28 May 2019, the Company issued 10,000,000 units of bonds at a total par value of 1,000,000,000. After deduction of the expenses of approximately RMB532,000 in relation to the issuance, the total net proceeds were approximately RMB999,468,000. The bonds will mature 110 days from the issue date (i.e., 17 September 2019), and the annual interest rate was 3.40%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

On 10 June 2019, the Company issued 25,000,000 units of bonds at a total par value of 2,500,000,000. After deduction of the expenses of approximately RMB3,058,000 in relation to the issuance, the total net proceeds were approximately RMB2,496,942,000. The bonds will mature 270 days from the issue date (i.e., 6 March 2020), and the annual interest rate was 3.39%. As at 30 June 2019, the corporate bonds were classified as current liabilities.

19. Interest-bearing bank and other borrowings (Continued)

At the end of respective reporting period, borrowings were repayable as follows:

	Bank and other borrowings		Bonds	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Within 1 year	**38,295,889**	32,095,244	**25,980,998**	17,989,974
Between 1 to 2 years	**570,000**	176,600	**1,537,856**	997,252
Between 2 to 5 years	**9,000**	480,710	**3,297,032**	3,296,605
	38,874,889	32,752,554	**30,815,886**	22,283,831

20. Deferred income tax

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Deferred tax assets	**1,284,399**	1,072,142
Deferred tax liabilities	**(915,858)**	(864,906)
	368,541	207,236

The gross movements in deferred tax assets and liabilities are as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
At 1 January	**207,236**	73,632
Acquisition of subsidiaries (Note 25)	**(92,363)**	(34,147)
Credited to the consolidated statement of profit or loss (Note 12)	**257,446**	139,256
(Charged)/credited to other comprehensive income	**(1,071)**	4,209
Charged to capital surplus	**(2,707)**	(391)
At 30 June	**368,541**	182,559

21. Post-employment benefit obligations

Certain subsidiaries provide post-employment pension and medical benefits to their retirees. The Group accounts for these benefits using the accounting treatments similar to a defined benefit plan.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current service cost	**2,810**	24,136
Past service cost	**107**	322
Interest expense	**7,003**	6,898
	9,920	31,356

The amounts recognised in the consolidated statement of financial position are analysed as follows:

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Present value of funded obligations	**18,561**	18,925
Fair value of plan assets	**(80,658)**	(82,468)
Surplus of funded plans	**(62,097)**	(63,543)
Present value of unfunded post-employment benefit obligations	**457,170**	479,004
Liability in the consolidated statement of financial position	**395,073**	415,461

The movements in the defined benefit liability during the period were as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
At 1 January	**415,461**	409,896
Charged/(credited) to consolidated statement of profit or loss	**9,920**	31,356
Remeasurements of post-employment benefit obligations recognised in the consolidated statement of other comprehensive income	**344**	10,382
Contributions by employers and benefit payments	**(30,652)**	(36,143)
At 30 June	**395,073**	415,491

22. Other non-current liabilities

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Medical reserve funds		
– general (i)	519,365	505,435
– for H1N1 vaccines	68,407	68,407
Government grants for construction of logistic centres (ii)	77,576	89,069
Government grants for products development	500	600
Deferred revenue	292,748	261,176
Finance lease payables	–	67,934
Payables for purchase of non-controlling interests	17,400	20,400
Payables for acquisition for subsidiaries	422,747	102,194
Others	81,101	34,753
	1,479,844	1,149,968

Notes:

(i) Certain medical reserve funds were received by CNPGC from the PRC government for the State reserve requirements of medical products (including medicines) for serious disasters, epidemics and other emergencies. In accordance with a responsibility letter dated 4 January 2006 signed between CNPGC and the Company, CNPGC has re-allocated the funds in relation to medicines to the Group. The Group received general medical reserve funds of RMB14,114,000 during the six months ended 30 June 2019 from CNPGC.

The Group will have to sell pharmaceutical products to specific customers at cost when there are any serious disasters, epidemic and other emergencies, and the relevant trade and bills receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. RMB184,000 was written-off with the government's approval due to the expiry of relevant medicines during the six months ended 30 June 2019. The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for use as mentioned above.

(ii) Certain of the Group's subsidiaries received funds from local governments as subsidies for construction of logistics centres. As at 30 June 2019, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

23. Trade and bills payables

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	**75,695,711**	64,485,007
Bills payables	**19,766,600**	19,197,920
	95,462,311	83,682,927

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The fair value of trade payables approximates to their carrying amount.

The ageing analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 3 months	**63,998,567**	56,910,303
3 to 6 months	**19,526,803**	17,747,603
6 months to 1 year	**8,692,866**	5,237,674
1 to 2 years	**2,039,485**	2,737,984
Over 2 years	**1,204,590**	1,049,363
	95,462,311	83,682,927

The Group has trade payable financing program with certain banks whereby the banks repaid trade payable on behalf of the Group with an equivalent sum drawn as borrowings. Such drawdown of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows.

During the six months ended 30 June 2019, accounts payable of RMB1,630,361,000 were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2019, the balance of bank borrowings related to this program was RMB663,582,000 (31 December 2018: RMB398,646,000).

24. Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

During the period, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Equity interests acquired	Cash consideration
	%	RMB'000
Tumxuk Haikang Drugs Co., Ltd.	31.60%	5,408
		5,408

The effect of changes in the equity interests of these subsidiaries on the total equity attributable to owners of the parent during the period is summarised as follows:

	Effect on the total equity
	RMB'000
Carrying amount of non-controlling interests acquired	5,693
Consideration payable to non-controlling interests	5,408
Excess of consideration paid over the carrying amount acquired	(285)

(b) Disposal of interests in subsidiaries without loss of control

During the reporting period, China National Medical Device (Foshan) Co., Ltd. obtained a capital injection from a non-controlling shareholder amounting to RMB7,530,000. The shareholding of the non-controlling interests in China National Medical Device (Foshan) Co., Ltd. increased by 10.0% and the carrying amount of non-controlling interests increased by RMB7,097,000. The Group recognised an increase in equity attributable to owners of the parent of RMB433,000.

24. Transactions with non-controlling interests (Continued)

(c) Effect of transactions with the non-controlling interests on the total equity for the six months ended 30 June 2019

	Effect on the total equity RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	(285)
– Disposal of interests in subsidiaries without loss of control	(433)
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	(718)

25. Business combinations not under common control

Acquisitions during the period are as follows:

The Group acquired equity interests from independent third parties in certain subsidiaries which are mainly engaged in distribution of medicines and pharmaceutical products and operation of pharmaceutical chain stores to expand the market share of the Group. The subsidiaries acquired by the Group during the period are as follows:

Subsidiaries acquired from third parties	Month of acquisition	Acquired interests
Sinopharm Holding Medical Inspection (TianJin) Co., Ltd.	January, 2019	70.00%
Sinopharm Holdings (Weihai) Weigao Pharmaceutical Co., Ltd.	January, 2019	51.00%
Binzhou Sinopharm Anxin Health Technology Co., Ltd.	January, 2019	75.00%
Qingdao Sinopharm Anxin Green Park Health Technology Co., Ltd.	January, 2019	70.00%
Rizhao Sinopharm Anxin Health Technology Co., Ltd.	January, 2019	75.00%
Weifang Sinopharm Anxin Health Medicine Medical Device Chain Co., Ltd.	January, 2019	75.00%
Zibo Sinopharm Anxin Health Technology Co., Ltd.	January, 2019	75.00%
Sinopharm Instrument (Hainan) Co., Ltd.	January, 2019	60.00%
Sinopharm Instrument (Shandong) Orthopaedics Technology Co., Ltd.	January, 2019	60.00%
Sinopharm Instrument Lian Qi (Beijing) Medical Devices Co., Ltd.	January, 2019	60.00%
Sinopharm Lianrui Xinxiang (Beijing) Medical Devices Co., Ltd.	January, 2019	60.00%
Sinopharm Instrument (Guangdong) Medical Technology Co., Ltd.	January, 2019	60.00%
Sinopharm Bayannur Pharmacy Co., Ltd.	January, 2019	100.00%
Sinopharm Holding Qiqihaer Co., Ltd.	February, 2019	70.00%
Hunan Sinopharm Holding Medical Biotechnology Co., Ltd.	February, 2019	70.00%
Kashi Sanshi Drugs Retail Chain Co., Ltd.	March, 2019	60.00%
Sinopharm Holding Jiaxing Co., Ltd.	April, 2019	60.00%
Sinopharm Jiangyin Huahong Pharmaceutical Co., Ltd.	April, 2019	51.00%
Sinopharm Holding Anhui Pharmaceutical Co., Ltd.	May, 2019	100.00%
Chengdu Yuanhe Huasheng Technology Co., Ltd.	May, 2019	55.00%
Wenzhou Lucheng District Dr. Wumayao Clinic Co., Ltd.	May, 2019	60.00%
Sinopharm Liaoning Medical Examination Co., Ltd.	May, 2019	65.00%
Sinopharm Huixinqingyuan (Beijing) Technology Development Co., Ltd.	May, 2019	70.00%

25. Business combinations not under common control (Continued)

The effect of the above acquisitions is summarised as follows:

	RMB'000
Purchase consideration	
– Contingent consideration (i)	576,295
– Cash paid	1,159,396
Total purchase consideration	1,735,691

The details of the assets and liabilities acquired and cash flows relating to these acquisitions are summarised as follows:

	Fair values at acquisition date RMB'000
Cash and cash equivalents	543,703
Financial assets at fair value through profit or loss	293
Investment properties (Note 15)	47,729
Property, plant and equipment (Note 15)	351,872
Intangible assets (Note 15)	
– Sales network	414,441
– Software	399
Right-of-use assets	27,642
Deferred tax assets (Note 20)	10,189
Inventories	548,034
Other non-current assets	21,275
Trade and other receivables	2,848,855
Trade and other payables	(2,175,010)
Lease liabilities	(12,327)
Deferred tax liabilities (Note 20)	(102,552)
Interest-bearing bank and other borrowings	(1,075,310)
Other non-current liabilities	(9,557)
Total identifiable net assets at fair value	1,439,676
Non-controlling interests (ii)	(360,782)
Provisional Goodwill (Note 15)	656,797
Total purchase consideration	1,735,691
Less: Contingent consideration (i)	(576,295)
	1,159,396
Less: Payables of cash consideration during the period	(199,670)
Cash consideration paid during the period	959,726
Cash and cash equivalents in subsidiaries acquired	(543,703)
Cash outflow on acquisition	416,023

25. Business combinations not under common control (Continued)

The initial accounting for the acquisition of certain companies has only been provisionally determined at the end of the reporting period. At the date of finalisation of the financial information, the necessary market valuations and other calculations had not been finalised and therefore only been provisionally determined by the management's best estimates.

The goodwill is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries acquired not under common control combination.

Notes:

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB576,295,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB576,295,000. As at 30 June 2019, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

The Group has elected to recognise non-controlling interests measured at the non-controlling interests in the fair value of acquirees' net assets excluding goodwill.

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2019 are summarised as follows:

	From acquisition dates to 30 June 2019 RMB'000
Revenue	1,159,609
Net profit	67,228

26. Commitments

Capital expenditures at the end of the reporting period are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Property, plant and equipment:		
– contracted but not provided for	68,289	102,033

27. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The PRC government, indirectly, owns 100% of CNPGC, the ultimate holding company of the Company. The Group's significant transactions with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its sale of goods, purchase of goods, purchase of fixed assets, interest expenses on borrowings and interest income from bank deposits. The Group's significant balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its trade and bills receivables, prepayments and other receivables, trade payables and other payables, borrowings, pledged bank deposits, cash and cash equivalents.

27. Significant related party transactions (Continued)

(i) Significant transactions with related parties except for other PRC government-related entities

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Sales of goods		
Ultimate holding company	**9**	–
Associates	**241,335**	258,352
Companies controlled by CNPGC	**518,908**	355,004
Associates of CNPGC	**1**	442
Subsidiary of Fosun Pharmaceutical	**112,069**	90,044
Purchases of goods		
Associates	**1,422,294**	1,333,967
Companies controlled by CNPGC	**1,815,423**	1,489,284
Associates of CNPGC	**677,583**	705,357
Subsidiary of Fosun Pharmaceutical	**1,480,312**	1,074,486
Borrowings		
Associates	**12,576**	18,867
Companies controlled by CNPGC	**3,045,889**	1,782,348
Interest fee paid for other financial services		
Ultimate holding company	**641**	641
Associates	**3,604**	2,636
Companies controlled by CNPGC	**97,468**	76,634
Bills receivable discount		
Companies controlled by CNPGC	**893,615**	1,334,693

27. Significant related party transactions (Continued)

(ii) Significant balances with related parties except for other PRC government-related entities

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash in other financial institution	**6,597,407**	6,332,163
Companies controlled by CNPGC	**663,433**	3,462,436
Trade and bills receivables due from		
Associates	**111,750**	316,826
Companies controlled by CNPGC	**766,310**	877,213
Associates of CNPGC	**153**	398
Subsidiary of Fosun Pharmaceutical	**80,895**	67,071
Other receivables due from		
Associates	**48,908**	50,982
Companies controlled by CNPGC	**106,426**	137,107
Associates of CNPGC	**1,544**	177
Subsidiary of Fosun Pharmaceutical	**4,291**	303
Prepayments to		
Associates	**9,994**	4,696
Companies controlled by CNPGC	**116,985**	124,251
Associates of CNPGC	**1,884**	1,989
Subsidiary of Fosun Pharmaceutical	**76,171**	54,488
Trade and bills payables due to		
Associates	**661,203**	661,413
Companies controlled by CNPGC	**885,264**	807,090
Associates of CNPGC	**195,234**	138,120
Subsidiary of Fosun Pharmaceutical	**607,696**	485,703
Other payables due to		
Ultimate holding company	**–**	39
Associates	**52,922**	657,641
Companies controlled by CNPGC	**131,678**	243,313
Subsidiary of Fosun Pharmaceutical	**618**	1,531
Contract liabilities		
Associates	**17,294**	469
Companies controlled by CNPGC	**144,060**	77,451
Associates of CNPGC	**40**	–
Subsidiary of Fosun Pharmaceutical	**2,566**	367
Borrowing due to		
Ultimate holding company	**31,600**	31,600
Associates	**4,625**	19,889
Companies controlled by CNPGC	**2,532,942**	1,588,832
Other non-current liabilities		
Ultimate holding company	**864,073**	753,508
Associates	**23,504**	113,928
Companies controlled by CNPGC	**4,405**	2,446

27. Significant related party transactions (Continued)

(ii) Significant balances with related parties except for other PRC government-related entities (Continued)

The receivables from the related parties were unsecured, non-interest-bearing and repayable on demand. The payables to the related parties were unsecured and non-interest bearing.

(iii) Key management compensation

The compensation of key management is on an annual basis and still in approval process.

28. Share incentive scheme

The Company operates a share incentive scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme (the "**Scheme Participants**") include the Company's directors, senior management and mid-level management and other employees of the Group who, in the opinion of the Company's directors, shall be awarded. The Scheme became effective on 18 October 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the Scheme, the Board of Directors (the "**Board**") shall select the Scheme Participants and determine the number of shares to be awarded (the "**Restricted Shares**"). An independent trustee appointed by the Board (the "**Trustee**") shall purchase from the market such number of H Shares to be awarded as specified by the Board. In each grant of such Restricted Shares to the Scheme Participants, the exercise price to be funded by each of the Scheme Participants shall be no less than 50% of the grant reference price and no less than the most recent audited net assets value per share of the Company, and the balance will be funded by the Company.

The maximum total number of Restricted Shares to be granted under the Scheme shall not exceed 10% of the total issued share capital of the Company as at the effective date of the Scheme. The number of Restricted Shares to be awarded to a Scheme Participant will be subject to the criteria specified in the rules of the Scheme. The total number of Restricted Shares granted or to be granted to any Scheme Participant shall not exceed 1% of the total issued share capital of the Company as at the effective date of the Scheme.

On 16 November 2016, the Board resolved to approve the initial grant of the Restricted Shares (the "**Initial Grant**") under the Scheme to the Scheme participants, pursuant to which Restricted Shares of 7.23 million, representing approximately 0.2613% of the issued share capital of the Company as at 16 November 2016, shall be granted to 190 selected Scheme Participants on 16 November 2016 at the grant reference price of HKD35.46 per Restricted Share (the "**Grant Reference Price**"). The exercise price under the Initial Grant is HKD17.73 per Restricted Share, being 50% of the Grant Reference Price and no less than the most recent audited net assets value per share of the Company. The exercise price shall be funded by the selected Scheme Participants at his/her own cost, and the remaining balance for purchasing each of the Restricted Shares under the Initial Grant will be funded by the Company.

28. Share incentive scheme (Continued)

175 out of 190 of the Scheme Participants have accepted and subscribed the Restricted Shares with their own funds under the Scheme. In June 2017, a total number of 6,570,000 H shares of the Company were purchased by the Trustee of the Scheme at a cost of RMB203,290,000 from the market out of cash contributed by the Group and the Scheme Participants and be held in trust for the relevant Scheme Participants until such shares are vested with the Scheme Participants in accordance with the provisions of the Scheme. The Restricted Shares granted and held by the Trustee until vesting are referred to as the treasury shares held under share incentive scheme and each treasury share shall represent one ordinary share of the Company.

In August and September 2017, due to resignation of certain Scheme Participants, a total number of 230,000 relevant Restricted Shares were sold by the Trustee to the market. Proceeds from the sale of those Restricted Shares were used to pay back the funds paid by those Scheme Participants and the Company to subscribe these Restricted Shares.

In June 2018, due to resignation of certain Scheme Participants, a total number of 287,100 relevant Restricted Shares were sold by the Trustee to the market. Proceeds from the sale of those Restricted Shares were used to pay back the funds paid by those Scheme Participants and the Company to subscribe these Restricted Shares.

On 16 November 2018, except for a total number of 273,900 Restrict Shares were expired, 1,752,300 shares with a total amount of RMB56,109,000 were vested under the share incentive scheme, resulting in the transfer out of RMB48,097,000 from the share incentive reserve. The weighted average share price at the date of vest of these shares was RMB32.02.

28. Share incentive scheme (Continued)

Conditions for unlocking the Initial Grant

Pursuant to approval from the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"), unlocking of the Restricted Shares under the Initial Grant shall be conditional upon fulfilment of the following conditions by the Company and shall be carried out in accordance with the unlocking arrangement as stipulated in the scheme of the Initial Grant:

Unlocking Period	Performance Assessment Target	Proportion of unlocking shares
First unlocking period	The weighted average return on equity ("**ROE**") for 2017 shall be not lower than 12.7% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the net profit in 2015, the compound growth rate of net profit for 2017 shall be not lower than 12% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the economic value added ("**EVA**") in 2015, the compound growth rate of EVA for 2017 shall be not lower than the specified objectives determined by the Board.	33%
Second unlocking period	The weighted average ROE for 2018 shall be not lower than 12.7% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the net profit in 2015, the compound growth rate of net profit for 2018 shall be not lower than 12% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the EVA in 2015, the compound growth rate of EVA for 2018 shall be not lower than the specified objectives determined by the Board.	33%
Third unlocking period	The weighted average ROE for 2019 shall be not lower than 12.8% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the net profit in 2015, the compound growth rate of net profit for 2019 shall be not lower than 12% and not lower than the 75 percentile of benchmarking enterprises; On the basis of the EVA in 2015, the compound growth rate of EVA for 2019 shall be not lower than the specified objectives determined by the Board.	34%

28. Share incentive scheme (Continued)

Particulars and movements in the share incentive scheme are as follows:

Date of grant	As at 1 January 2019 (Audited)	Granted	Vesting	Bonus issue	Forfeited	Lapsed/ expired	As at 30 June 2019 (Unaudited)
16 November 2016	4,026,700	–	–	–	–	–	4,026,700

The fair value of the Restricted Shares granted was calculated based on the market prices of the Company's shares at the respective grant dates. The Group recognised expenses relating to the Scheme of approximately RMB6,923,000 in the consolidated statement of profit or loss during the period.

The fair value of the Restricted Shares granted was estimated as at the date of grant, using the Asian Options Model, taking into account the terms and conditions upon which the shares were granted. This value is inherently subjective and uncertain due to the assumptions made and the limitation of the valuation model used.

29. Events after the reporting period

There are no significant subsequent events after the end of reporting period.

30. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 23 August 2019.