



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 國藥股份有限公司)
Stock Code: 01099

All for Health Health for All

INTERIM REPORT

2020



*Anti-pandemic Frontline
The Medicine Deliverer*

* 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.

The cover picture of this interim report was designed based on the photo taken by CanDo News during an interview with an employee of a subsidiary of the Group.

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Corporate Mission

All for Health
Health for All

Corporate Vision

Becoming a premium
global pharmaceutical
and healthcare service
provider

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. Feng Rongli (*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. Feng Rongli
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 Group Building
No. 385 East Longhua Road, Huangpu District
Shanghai 200023, the PRC

Registered Office in the PRC

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Shanghai 200002, the PRC

Company's Website

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H Share Registrar

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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

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Management Discussion and Analysis



Industry Overview

Stable recovery of macro economy with economic growth turning from negative to positive

In 2020, the Chinese economy faced severe challenges brought about by the COVID-19 pandemic and the complex and ever-changing domestic and foreign environment. Faced with the sudden outbreak of the pandemic, the Chinese government has adopted a series of strict prevention and control measures. As a result, national pandemic situation has improved since March, and the resumption of work and production has begun in an orderly manner. To promote the continuous recovery of various economic development activities, the government has successively introduced a series of stimulus policies. Through a number of powerful relief measures such as strengthening funding support, reducing taxes and fees, and providing subsidy for loan interest, the negative impact of the pandemic on the stable operation of the economy and society has been curbed, thereby providing a strong support for the restoration of corporate operations. In addition, the PBOC further ensured the reasonable abundance of market and corporate liquidity and stabilized economic growth expectations through adjustment measures such as medium-term lending facility (MLF) interest rate cuts, reverse repurchases, and lower real economy financing costs.

In the first half of 2020, China's economy declined first and then rose, its GDP growth turned from negative to positive in the second quarter with an increase of 3.2% over the same period of the previous year, representing a significant rebound from the 6.8% decline in the first quarter. Economic operations recovered steadily, and major economic indicators showed a rebounding growth.

Impact of the pandemic was gradually mitigated as policy reforms continued to advance

In the first half of 2020, affected by the decrease in hospital diagnosis and treatment activities during the outbreak of the COVID-19 pandemic, non-pandemic-related pharmaceutical production and service activities were significantly impacted. The pharmaceutical distribution market greatly fluctuated and was in a downward trend as a whole. According to data from the Pharmaceutical Distribution Statistics System of the Ministry of Commerce, the total sales of the seven major categories of pharmaceutical products nationwide recorded a year-on-year decrease of 8.08% in the first quarter of 2020, and the growth rate of such total sales decreased by 16.71 percentage points as compared to the same period last year. While the total sales of the pharmaceutical retail market recorded a year-on-year increase of 9.21% in the first quarter of 2020, the growth rate of such total sales decreased by 0.49 percentage points as compared to the same period last year. On the whole, although the short-term performance of the pharmaceutical industry was affected by the pandemic, as the resumption of work and production progressed in an orderly manner, the economic activities of the medical and healthcare industry are further approaching normal levels. As a result of this, coupled with the growth of rigid medical demands driven by population aging and consumption upgrade, the growth rate of the industry is expected to maintain the development trend of being higher than the growth rate of the macro economy.



Management Discussion and Analysis

The COVID-19 pandemic greatly tested China's public health emergency support system and disease prevention and control system. The government will continue to increase resource investment in the medical and health industry, further improve the national public health emergency management system from the mechanism perspective, improve the ability to respond to outbreak of major public health incidents, and promote the steady development of the entire medical and healthcare industry. In addition, a series of pandemic prevention and control requirements have further boosted rigid demands such as "contactless diagnosis and treatment" and "Internet medical treatment" and accelerated the "digital upgrade" of medical services, while mechanism issues such as healthcare and insurance connection are also expected to be resolved with the support of the government. The entire medical industry has ushered in a new era of development opportunities.

At present, as the pandemic prevention and control enters the normalization stage, relevant reform measures such as "linkage among medical treatment, medical insurance and pharmacy" and "medical insurance fee control" are still being steadily advanced. Building on the basis of continuously expanding the scope of drug volume-based procurement ("**VBP**"), government regulatory authorities are also actively promoting the implementation of policies such as "consistency evaluation for injection" and "high-value consumables VBP". Outdated production capacity and unreasonable operating mechanism have been gradually weeded out, the medical insurance payment structure has been continuously optimized, and the supply chain system of the pharmaceutical industry has been continuously transformed and upgraded.

Business Review

At the beginning of year 2020, the COVID-19 pandemic had a serious impact on the production and operation of the Group, and the growth rate of revenue and profit of each business segment declined to a certain extent. With the gains achieved by the government adopting various strict prevention and control policies, the daily diagnosis and treatment services of medical institutions in China have begun to resume. At the same time, we actively formulated a number of control measures to accelerate business development and business conditions continued to improve. The overall business performance of the Group in the second quarter notably recovered from the trough in the first quarter of this year. The year-on-year changes of the business of the Group in the first half of the year far exceeded the industry average level.

During the Reporting Period, the Group achieved sales revenue of RMB203,764.71 million, representing an increase of 1.04 percentage points as compared to the same period last year. In particular, the pharmaceutical distribution business was relatively more affected by the pandemic, and revenue from the business recorded a year-on-year decrease of 4.38%. Benefiting from the Group's strategic layout and the growth of industry demands, the pharmaceutical retail and medical device segments showed strong resilience and growth potential during the special period of the pandemic. During the Reporting Period, the revenue from these two segments recorded a year-on-year increase of approximately 24.59% and 23.59%. The proportion of the Group's business segments showed a trend of further diversification.

Management Discussion and Analysis



Looking back at the first half of the year, when the Chinese people were facing major risks of the COVID-19 pandemic, the Group dauntlessly assumed risks and responsibilities, and went all out to ensure the supply of medical supplies in pandemic-stricken areas and throughout the country with the sense of mission of “the national team of the pharmaceutical industry” and its own efficient pharmaceutical supply chain system, fully demonstrating our emergency response capabilities and experience advantages in the face of major health emergencies. The outstanding contribution of the Group in the fight against the pandemic has been highly praised by local governments and medical institutions at all levels, which has further enhanced the corporate image and brand recognition of the company, and consolidating the dominant position of our business network in the national medical and health supply chain system.

Advantages of a leading distributor consolidated amidst deepening policy impacts

Affected by a series of prevention and control measures to prevent crowd gathering during the pandemic, although medical services gradually recovered after the pandemic was under control, the number and frequency of visits to medical institutions were still reduced, and it will take time for the business volume in certain areas to fully return to normal. During the Reporting Period, the Group endeavored to overcome the impact of the pandemic and continuously explored the competitive advantages of its pharmaceutical distribution network. Relying on its integrated pharmaceutical supply chain and leading management and control capabilities, the Group promoted the continuous recovery of pharmaceutical distribution business while successfully cooperating with local governments to complete anti-pandemic related tasks. During the Reporting Period, revenue from the pharmaceutical distribution business amounted to RMB157,494.67 million, representing a year-on-year decrease of 4.38%, and accounted for 75.91% of the Group’s revenue, representing a decrease of 4.47 percentage points as compared to the same period last year.

In the past two years, regulatory policies such as “drug VBP” and “national medical insurance negotiation” have had a profound impact on the drug distribution industry. According to publicly available information, the results of winning bid for the third round of VBP was announced recently and the frequency of the implementation of policies has accelerated obviously. As the number of products that passed the consistency evaluation continued to increase, various policies and systems became more mature, and their impacts on the pharmaceutical distribution industry will continue to manifest. To better respond to the industry’s macro-control and seize the historical opportunity of structural reforms in the drug distribution industry, the Group continued to improve service quality, leveraged existing pharmaceutical channels and network advantages, focused on varieties under VBP, national medical insurance negotiation and medical insurance catalog adjustments, undertook related business to small and medium-sized distributors, and promoted the extension of distribution channels to lower-tiered markets, so as to achieve continuous growth in market share. Judging from the results of the first two rounds of VBP, our distribution share and the varieties for which we obtained exclusive distribution rights in various provinces have increased significantly. Meanwhile, the Group actively responded to adjustments to supplier strategy and business structure resulted from industry changes, deeply explored the unique network and service advantages, continued to promote the development of value-added supply chain business with higher profitability with VBP at the core, and accelerated the Group’s transformation and upgrade to a service provider with comprehensive promotion capabilities, thereby further consolidating leading position in the industry.



Management Discussion and Analysis

In addition, the outbreak of the pandemic further accelerated the implementation of systems such as the “hierarchical diagnosis and treatment system” and the “county-level comprehensive medical insurance reform”. To better adapt to the structural changes of the market, the Group took advantage of integrated operations and synergy of business resources to actively strengthen the coverage of primary health and medical institutions, focus on promoting business pilots for county-level hospital consortium and medical community, explore customized service strategies of primary medical institutions, private hospitals and other customer groups, and improve the service capabilities of medical and health institutions at all levels. On the basis of maintaining the existing market share in medical institutions, the Group continued to expand the construction of community hospital distribution network to comprehensively enhance the core competitive advantage of the pharmaceutical distribution business. During the Reporting Period, the Group largely resumed direct sales of medicines to secondary and tertiary hospitals, while direct sales to hospitals in non-provincial capital cities rose against the trend. The business coverage over lower-tiered markets continued to increase, significantly contributing to the stability of the Group’s overall revenue.

Retail business grew rapidly with coordinated development of online and offline business

The outbreak of the pandemic accelerated the implementation of policies such as “separation of medical services and pharmaceutical sales” and “prescription outflow”. The demand for “centralized connection of medical insurance” and “out-of-hospital drug purchase” increased significantly. The retail industry is presented with unprecedented development opportunities and changes. During the Reporting Period, by leveraging the “wholesale-retail integration” and industry resource advantages, the Group conducted in-depth cooperation with local governments and medical institutions to connect with Internet medical platforms, undertook the demand for online prescription circulation, and promoted the continuous development of the core businesses of professional pharmacies such as critical and chronic disease pharmacies, DTP pharmacies, and medical insurance unification pharmacies in which the Group has unique advantages. The number of professional pharmacies of the Group increased from 1,183 as at the end of 2019 to 1,209 as at the end of the Reporting Period, The number of pharmacies of Guoda Drugstore increased from 5,021 as at the end of 2019 to 5,838 as at the end of the Reporting Period.

In addition, the Group achieved orderly expansion in the retail network through the endogenous growth and external mergers and acquisitions as well as franchising, and also improved the single-store operation efficiency of retail pharmacies. During the Reporting Period, the Group focused on pushing forward business adjunction with online platform of third-party medical institutions, promoting the integration of online and offline businesses, synergizing the Group’s supply chain system, and comprehensively strengthening our business advantages. During the Reporting Period, overcoming the impact of the pandemic, the revenue from retail business reached RMB11,015.77 million, achieving a rapid year-on-year growth of 24.59%.

Management Discussion and Analysis



Drug-device synergic development manifested advantages with accelerating value-added services

During the Reporting Period, the pandemic has a significant impact on the product structure of the medical device business. The demand for ventilators, virus detection reagents, and protective consumables related to pandemic prevention and control increased significantly. However, the sales of consumables and equipment for conventional medical businesses slowed down. During the Reporting Period, the Group's medical device business recorded sales revenue of RMB35,873.04 million, representing a year-on-year increase of 23.59%.

From the perspective of the whole industry, the impacts of policies such as the “two-invoice system for medical device” and the “VBP of high-value consumables” had gradually manifested, leading to similar structural adjustments to medical device distribution as that to drug distribution, and further concentration of product structure and market share. The Group actively seized important opportunities arising from the integration of the medical device industry, strengthened its business data analysis capabilities, and made full use of its competitive advantages of “drug-device synergic development” to provide accurate marketing network and business coverage for the business expansion of upstream customers, assist in the preparation for VBP, and increase the stickiness of upstream customers. Meanwhile, during the pandemic, the Group actively expanded the lower-tier market and continued to promote the rapid development of value-added services such as the benchmarking model of centralized delivery of consumables for hospital consortium and medical community, in-hospital logistics, and smart logistics, so as to achieve a rapid growth of network coverage and business share. While helping medical institutions to strengthen their pandemic management and control capabilities, the Group effectively improved the refined management capabilities of the business, created an advantage in integrated comprehensive service within the hospital, and laid the foundation for the steady development of the medical device business.

Improve headquarters' support capabilities to strengthen business risk management and control

Faced with constant changes in the industry structure and competitive environment, the Group continued to promote the optimization of the top-level system and the improvement of the internal control system in the first half of the year to improve operation efficiency, innovate services ability and strengthen the internal control. We actively strengthened the strategy streamlining of subsidiaries at all levels and enhanced the parent company's comprehensive business governance capabilities, pushed forward the process of “regional integration”, and improved the efficiency of cross-regional and cross-sector collaborative operations between subsidiaries. To better respond to policy changes and the needs of business diversification, the Group actively promoted the digital transformation of its business. By optimizing the basic data structure, we further strengthened our ability to organize and analyze business data and built an innovative digital technology-driven information sharing platform covering the entire industry chain to comprehensively improve the service level for various terminal medical institutions and further tap the competitive advantages and development ‘potential of the Group's business.



Management Discussion and Analysis

At the same time, with the continuous and in-depth implementation of policies such as “VBP” and “national medical insurance negotiation”, the iteration of medicines has been significantly accelerated, and the requirement for suppliers has also undergone tremendous changes. The Group actively explored product and service innovation, leveraged the operational capabilities of the integrated global procurement and supply chain, took full advantage of our network and resource advantages of covering terminals at all levels in the industry, intensified market expansion and model innovation of innovative drugs, first-to-mark generic drugs and other products focusing on derivative services, and further improved the service capabilities and quality of upstream companies in the industry.

During the Reporting Period, we also focused on strengthening the risk management and control process to prevent credit and business risks that may occur during the special period of the pandemic, strictly controlled the scale of accounts receivable, and strengthened the supervision of capital efficiency. We effectively used the relatively lax liquidity and funding environment during the economic recovery period to further improve the quality of business operations. As at the end of the Reporting Period, our financial expense ratio decreased by 0.04 percentage point on a year-on-year basis.

Fulfilling our missions beyond the pandemic

“All for Health, Health for All” is the corporate mission that the Company has firmly adhered to since its establishment. In the face of the sudden outbreak of the pandemic, the Group responded quickly and efficiently coordinated, overcame numerous difficulties and went all out to fight the pandemic. We quickly implemented the central government’s emergency reserve allocation instructions and fulfilled the responsibility of the central emergency reserve unit. Relying on our strong capability of “network coverage”, we gave full play to the advantages of cross-regional business synergy during the effective period of the pandemic-induced isolation measures to ensure that pandemic prevention supplies were shipped to key areas with the highest efficiency during the special period. Meanwhile, the Global Purchasing Center efficiently integrated domestic and foreign resources and carried out emergency global material dispatch to ensure the rapid procurement and transportation of imported materials. The Group’s logistics network and resource allocation capabilities withstood the stringent test during the pandemic.

With its advantages of an efficient supply chain and the selfless dedication of all employees to fighting the pandemic, the Group completed the distribution and delivery of a large number of medical devices and anti-pandemic drugs such as masks, protective suits and ventilators during the period of pandemic prevention and control. During this period, our retail stores also stuck to their posts to dedicatedly provide patients with professional pharmaceutical services and undertook medical service demands from hospitals on the basis of complying with various prevention and control policies. This fully demonstrated the outstanding contributions made by the various business segments of the Group in assisting Chinese government in responding to “public health emergencies”, and once again reaffirmed our commitment to social responsibility.

Management Discussion and Analysis



Future Plans

2020 is a year for the Company to lay down its plans for the “14th Five-Year Plan”. Faced with challenges from the oscillating pandemic and complex geopolitics, the Group will continuously follow the strategic guidance of the Board, closely focus on the Company’s overall positioning, optimize the implementation path, actively explore the supply chain service innovation with commercial and trading distribution at the core, give play to the synergy between various businesses and strengthen the Group’s diversified business layout to achieve a long-term high-quality growth of the overall business through the following business development strategies.

Consolidating the leading position in distribution and optimizing the structure and quality of business

The Group will actively respond to the national policy of further improving the “Public Health Emergency Support System”, follow the general trend of upgrading medical service demand, enhance network advantages, and accelerate the expansion of new-type customers such as urban hospital consortium, county medical communities, private medical institutions, and internet hospitals. At the same time, it will continue to optimize its product structure, focus on channels for products such as innovative drugs and first-to-market generic drugs, promote the development of marketing projects, improve its comprehensive service capabilities to upstream customers, and accelerate the integration of advantageous channel resources.

Expanding the retail business network and strengthening the advantages of professional pharmacies

Against the current backdrop of the “linkage among medical treatment, medical insurance and pharmacy”, the Group will achieve sustained high-quality growth in its business scale through the method of “self-construction & mergers and acquisitions” and “direct operation & franchising”. While consolidating its advantages of the social pharmacy business, it leverage the advantage of the “wholesale-retail integration” to primarily expand the professional pharmacy service system with critical and chronic disease pharmacies, DTP pharmacies and medical insurance unification pharmacies at the core, so as to enhance professional pharmaceutical service capabilities for patients with chronic and critical illnesses. At the same time, the Group will promote the digital transformation of retail business, upgrade its information technology platform, further strengthen the cooperation with internet hospitals and online platforms, enhance its ability to undertake online medical service demands, and build a three-dimensional retail network highly integrating online and offline business.

Accelerating the development of medical device business and optimizing the comprehensive service capabilities

The medical device business will be presented with greater integration space and development opportunities in the future. The Group will leverage the advantages of its existing channels and network for pharmaceutical distribution to actively respond to the industry changes brought about by the “VBP of high-value consumables”, deeply explore the synergetic development of the pharmaceutical distribution and medical device segments, promote the improvement of professional service capabilities and the innovation of business models, and consolidate the leading advantage in medical device distribution. At the same time, the Group will promote medical device OEM and intelligent manufacturing, focus on cutting-edge technological innovation, accelerate its development in upstream industries, and create a highly specialized business ecosystem for medical devices.



Management Discussion and Analysis

Exploring innovative technology applications and continuing to promote digital transformation

Guided by customer needs and business drivers, the Group will continue to promote the digital transformation, explore the use and promotion of advanced applied digital technologies such as automated programs, artificial intelligence, and unmanned technology to actively seek opportunities for innovative business development. In addition, we will strive to improve the operation management system and the internal control system, further improve the business operation efficiency and profitability performance, and promote the high-quality growth of the overall business.

In the first half of 2020, there has been an incessant influx of tests and challenges loomed. With the Group's dominant position in the medical industry in China, and under the leadership of the Board, each of the Group's business segments recovered and successfully returned to the development track, and sustained a steady and healthy growth. In the future, according to relevant guidelines under the latest "Notice on the Main Tasks of Strengthening the Reform of Healthcare System in second half of 2020" issued by the General Office of the State Council, the entire medical and health industry will still be subject to tremendous structural changes caused by a series of policies such as "deepening reform of the medical security system", "Pilot Program of Diagnosis-Related Groups (DRGs) Payment", and "Expansion of the Scope of National VBP of Drugs". At the same time, the continuous advancement of a series of reform measures such as "Strengthening the Construction of the Public Health System", "Improving the Drug Supply Support System", "Promoting Hierarchical Diagnosis and Treatment, and Deepening County Medical Reform" will bring new development opportunities to the industry. The Group will actively improve the "Five-Year Plan" for the next development cycle, make full use of the experience and advantages accumulated in the pharmaceutical distribution industry, focus on value-added services in the pharmaceutical distribution supply chain, and promote win-win development with upstream manufacturing industry and downstream end customers. At the same time, the Group will further promote the development strategy of "wholesale-retail integration" and "drug-device synergic development", enhance the profitability and market competitiveness of core businesses, and, empowered by technology and driven by innovation, pursue the synergetic development of innovative businesses, sparing no efforts to build 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 RMB203,764.71 million, representing an increase of RMB2,099.57 million or 1.04% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,803.38 million, representing a decrease of RMB164.84 million or 3.32% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB2,895.68 million, representing a decrease of RMB79.50 million or 2.67% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB0.93, representing a decrease of 7.00% as compared with the corresponding period of last year.

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Operating result			
Revenue	203,764.71	201,665.14	2,099.57
Earnings before interest and tax	7,644.80	7,875.53	(230.73)
Profit attributable to owners of the parent	2,895.68	2,975.18	(79.50)
Profitability			
Gross margin	8.46%	8.67%	decreased by 0.21 percentage point
Operating margin	3.53%	3.73%	decreased by 0.20 percentage point
Net profit margin	2.36%	2.46%	decreased by 0.10 percentage point
Earnings per share – Basic (RMB)	0.93	1.00	(0.07)
Key operational indicators			
Trade receivables turnover ratio (days)	125	111	14
Inventory turnover ratio (days)	43	38	5
Trade payables turnover ratio (days)	96	88	8
Current ratio (times)	1.27	1.24	0.03



Management Discussion and Analysis

Unit: in millions of RMB unless otherwise stated

	30 June 2020	31 December 2019	Change
Asset position			
Total assets	306,331.01	269,888.37	36,442.64
Equity attributable to owners of the parent	51,969.67	47,422.15	4,547.52
Gearing ratio	73.00%	71.49%	increased by 1.51 percentage points
Cash and cash equivalents	39,323.37	39,191.97	131.40

Revenue

During the Reporting Period, the Group recorded revenue of RMB203,764.71 million, representing an increase of 1.04% as compared with RMB201,665.14 million for the six months ended 30 June 2019. This increase was due to the increase in revenue from retail pharmacy business as well as medical device business.

- Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB157,494.67 million, representing a decrease of 4.38% as compared with RMB164,700.64 million for the six months ended 30 June 2019, and accounting for 75.91% of the total revenue of the Group. Such decrease was primarily due to the increasingly competitive environment of the pharmaceutical distribution business.
- Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB11,015.77 million, representing an increase of 24.59% as compared with RMB8,841.93 million for the six months ended 30 June 2019, and accounting for 5.31% 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 RMB35,873.04 million, which accounted for 17.29% of the total revenue of the Group and represented an increase of 23.59% as compared with RMB29,024.79 million for the six months ended 30 June 2019. The increase was primarily due to the acquisition for expansion and the business growth of the Group's medical device business.
- Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB3,078.91 million, representing an increase of 32.14% as compared with RMB2,330.07 million for the six months ended 30 June 2019, primarily due to the growth from chemical reagent and pharmaceutical manufacturing business.

Management Discussion and Analysis



Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB186,522.84 million, representing an increase of 1.27% as compared with RMB184,180.15 million for the six months ended 30 June 2019, which was comparable with the growth rate of the sales revenue.

Gross Profit

The gross profit of the Group for the Reporting Period decreased by 1.39% from RMB17,484.99 million for the six months ended 30 June 2019 to RMB17,241.88 million.

The gross profit margin of the Group for the six months ended 30 June 2020 was 8.46%, whilst the gross profit margin for the same period in 2019 was 8.67%, the slight decrease in the gross profit margin was 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 RMB317.74 million, representing an increase of 81.40% as compared with RMB175.16 million for the six months ended 30 June 2019. 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 RMB6,259.80 million, representing an increase of 7.26% as compared with RMB5,835.89 million for the six months ended 30 June 2019. The increase in selling and distribution expenses was primarily attributable to the 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 RMB3,024.57 million, representing a decrease of 0.32% from RMB3,034.31 million for the same period in 2019.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group decreased to 1.48% from 1.50% for the six months ended 30 June 2019, which was due to the tighter administrative budget.

Operating Profit

The operating profit of the Group for the Reporting Period was RMB7,189.95 million, representing a decrease of 4.54% from RMB7,531.59 million for the six months ended 30 June 2019.



Management Discussion and Analysis

Other Gains, Net

The other gains, net of the Group increased by RMB43.85 million from RMB41.91 million for the six months ended 30 June 2019 to RMB85.76 million for the Reporting Period, primarily contributed by the foreign exchange gain.

Other expenses

The other expenses of the Group were zero for the Reporting Period as there were no impairment of intangible assets for the Reporting Period.

Finance Costs, Net

During the Reporting Period, the finance costs of the Group were RMB1,427.67 million, representing a decrease of RMB61.54 million as compared with RMB1,489.21 million for the six months ended 30 June 2019. The decrease was primarily due to the increase in interest income of the Group.

Share of Profits and Losses of Associates

During the Reporting Period, the Group's share of profits and losses of associates was RMB367.54 million, representing a decrease of 5.26% as compared with RMB387.93 million for the six months ended 30 June 2019.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of profits and losses of joint ventures was RMB1.55 million, representing a decrease of 77.80% as compared with RMB6.97 million for the six months ended 30 June 2019.

Income Tax Expense

The Group's income tax expense decreased by 0.31% from RMB1,418.10 million for the six months ended 30 June 2019 to RMB1,413.75 million for the Reporting Period. Such decrease was primarily due to the decrease in income tax expenses corresponding to the decrease in the taxable profits of the Group. The Group's effective income tax rate increased from 22.21% for the six months ended 30 June 2019 to 22.74% for the six months ended 30 June 2020.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB4,803.38 million, representing a decrease of 3.32% from RMB4,968.22 million for the six months ended 30 June 2019. The Group's net profit margin for the Reporting Period and for the corresponding period of 2019 was 2.36% and 2.46%, respectively.

Management Discussion and Analysis



Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB2,895.68 million, representing an decrease of 2.67%, or RMB79.50 million, from RMB2,975.18 million for the six months ended 30 June 2019.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB1,907.70 million, representing a decrease of 4.28% from RMB1,993.04 million for the six months ended 30 June 2019.

Liquidity and Capital Sources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB245,857.56 million, of which approximately RMB154,215.24 million were not yet utilized. At the end of the reporting period, cash and cash equivalents of RMB39,323.37 million primarily comprise cash, bank savings and income from current operating activities.

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 Group 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 services and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB27,596.61 million. The net cash used in operating activities of the Group was RMB13,342.01 million for the six months ended 30 June 2019. The increase was primarily attributed to the delayed collection of trade receivables and positive payment in trade payables during the Reporting Period.

Net cash generated from/used in investment activities

During the Reporting Period, the net cash generated from investment activities of the Group was RMB1,990.63 million as compared with RMB437.61 million net cash used in investment activities for the six months ended 30 June 2019. Such increase was primarily due to the collection of the restricted cash during the Reporting Period.



Management Discussion and Analysis

Net cash generated from financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB25,740.65 million, representing an increase of RMB18,807.31 million as compared with RMB6,933.34 million for the six months ended 30 June 2019. Such increase was primarily due to the proceeds received from borrowings from banks and placing of new H shares.

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, 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 RMB1,618.11 million, representing a decrease of RMB604.78 million as compared with RMB2,222.89 million for the six months ended 30 June 2019, 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 mainland China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

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 RMB15.52 billion in the first half of 2020 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 mainly denominated in RMB.

As of 30 June 2020, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD ("**USD**"), Euro ("**EUR**"), GBP ("**GBP**"), CHF ("**CHF**") and JPY ("**JPY**").

Management Discussion and Analysis



Indebtedness

As of 30 June 2020, the Group had aggregated banking facilities of RMB245,857.56 million, of which RMB154,215.24 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. As of 30 June 2020, among the Group's total borrowings, RMB75,752.06 million will be due within one year and RMB8,045.66 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 2020, the Group's gearing ratio was 73.00% (31 December 2019: 71.49%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2020.

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 2020, part of the Group's borrowings and notes payable were secured by bank deposits of RMB7,570.69 million (unaudited), properties, plant and equipment with book value of RMB37.63 million (unaudited), intangible assets with book value of RMB29.79 million (unaudited) and trade and bills receivables with book value of RMB1,051.78 million (unaudited).

Going Concern

Based on the current financial forecast and available financing facilities, 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.



Management Discussion and Analysis

Contingent Liabilities and Material Litigations

As at 30 June 2020, 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 2020, the Group had a total of 98,234 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 also provided training programs to employees with different functions.

For remuneration and performance, the Group has established a normalised salary management system based on the principle of “performance-oriented compensation, prioritizing efficiency and considering fairness”. The Group implements top-down performance assessment to establish a compensation system with position and ability as basis and performance as the cornerstone. The employee remunerations include basic salary, performance remuneration, bonus and piece rate wage. Remuneration is adjusted based on factors such as the results of the corporation, work performance and capability as well as job responsibilities of employees.

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to determine Directors’ remuneration incentive policies, and designed a compensation structure comprising “basic remuneration, performance-based remuneration, and medium and long-term incentives”. The basic annual salary is the basic fixed income, the performance-based annual salary is the immediate floating income based on the completion of the annual performance goals, which is paid after evaluation; the “medium and long-term incentive” is the share incentive scheme, which is contingent on the excellent performance in the medium and long term, designed to bind interests and share risks with shareholders.

For details of employee salaries of the Group during the Reporting Period, please refer to note 11 to the interim condensed consolidated financial statements.

Management Discussion and Analysis



Subsequent Events

On 6 July 2020, the Company entered into the JV Agreement with China National Biotech Group Company Limited (中國生物技術股份有限公司), Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. (國藥集團廣東環球製藥有限公司), Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司), and China State Institute of Pharmaceutical Industry (中國醫藥工業研究總院) in relation to the proposed formation of the Joint Venture Company. Pursuant to the JV Agreement, the Company has agreed to contribute RMB60 million in cash, representing 60% of the total capital contributions of the Joint Venture Company, each of China National Biotech Group Company Limited, Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd., Shanghai Shyndec Pharmaceutical Co., Ltd., and China State Institute of Pharmaceutical Industry has agreed to contribute RMB10 million in cash, each representing 10% of the total capital contributions of the Joint Venture Company, respectively. The project drove the penetration extension and layout improvement of the Group's high-quality medical supplies reserve network, further consolidating Sinopharm's preeminent position in the national medical and medicine emergency supplies support system. For details, please refer to the announcement of the Company dated 6 July 2020.

On 24 July 2020, the Sinopharm Holding Guoda Drugstores Co., Ltd. (國藥控股國大藥房有限公司, "**Guoda Drugstores**"), an indirect subsidiary of the Group, entered into an equity transfer agreement with Liaoning Chengda Co., Ltd. (遼寧成大股份有限公司, "**Liaoning Chengda**") to acquire 100% equity in Chengda Fangyuan Pharmaceutical Group Co., Ltd. (成大方圓醫藥集團有限公司) held by Liaoning Chengda at a consideration of RMB1.86 billion by way of public tender. The transaction will facilitate Guoda Drugstores (a subsidiary of the Group) to consolidate its leading position in the pharmaceutical retail sector, further increase its market share and concentration, and strengthen its leading position in certain major regions, especially in Liaoning province. It also helps Guoda Drugstores to make strategic plans in advance under the background of the separation of medical services and pharmaceutical sales policy, so as to prepare for the policy benefits such as prescription outflows. For details, please refer to the announcement of the Company dated 24 July 2020.

On 28 July 2020, the Company entered into the Procurement Framework Agreement with Beijing Natong Technology Group Co., Ltd. (北京納通科技集團有限公司, "**Natong Group Company**"), together with its subsidiaries and 30%-controlled companies, the "**Natong Group**", pursuant to which the Group has agreed to procure medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products from the Natong Group. The Board resolved that the annual caps for the continuing connected transactions contemplated under the Procurement Framework Agreement for the three years from 2020 to 2022 are RMB1,500 million, RMB1,800 million and RMB2,000 million respectively. For details, please refer to the announcement of the Company dated 28 July 2020.

On 21 August 2020, the Board of the Company resolved to propose to change the existing registered address of the Company in the People's Republic of China from "6th Floor, No. 221 Fuzhou Road, Huangpu District, Shanghai, the PRC" to "1st Floor, No.385 East Longhua Road, Huangpu District, Shanghai, the PRC". The Board also proposed to make the corresponding amendments to the Articles of Association of the Company which is proposed at the extraordinary general meeting of the Company for approval. For details, please refer to the announcement of the Company dated 21 August 2020.



Management Discussion and Analysis

On 21 August 2020, taking into account the actual capital demand of the Company and its subsidiaries and in order to further improve the efficiency of the use of Net Proceeds, the Board resolved to amend the Use of Proceeds from the H Share Placing (as defined below). According to the amended Use of Proceeds, the Company will use the Net Proceeds to expand the pharmaceutical distribution, retail network and medical device business of the Company and its subsidiaries, to improve the working capital of the Company and its subsidiaries as well as to repay the interest-bearing debts of the Company. For details, please refer to the announcement of the Company dated 21 August 2020.

Whereas the term of office of the fourth session of the board of directors of the Company will expire on 20 September 2020, the Board of the Company nominated candidates of directors of the fifth session of the Board at the Board meeting held on 21 August 2020. Whereas the term of office of the fourth session of the supervisory committee of the Company will expire on 20 September 2020, the supervisory committee of the Company nominated the candidates of shareholder representative supervisor and independent supervisors of the fifth session of the supervisory committee at the meeting of the supervisory committee held on 21 August 2020. For details, please refer to the announcement of the Company dated 21 August 2020.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Li Zhiming, aged 58, is currently an executive Director, the Chairman (Legal Representative), and Deputy Secretary of Party Committee of the Company. Mr. Li has more than 38 years of working experience, over 34 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 held senior management positions such as chairman, general manager and secretary of party committee of Xinjiang Pharmaceutical Group Company from February 2000 to February 2009, and 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 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 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. ("**Sinopharm Investment**"), the director of China National Accord Medicines Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000028 (A Share)/200028 (B Share)) ("**Sinopharm Accord**") and China National Medicines Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600511) ("**National Medicines**"), vice chairman of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600420), and also takes senior management positions in a number of subsidiaries of the Company.



Biographies of Directors, Supervisors and Senior Management

Mr. Yu Qingming, aged 56, is currently an executive Director and Secretary of Party Committee of the Company. Mr. Yu has over 33 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 Shanghai University of Medicine and Health Sciences) in 1987, and graduated from the Party School of the Central Committee of C.P.C majoring in economic management in July 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 and 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, and currently served as the chairman of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd.. 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 also a member of the 13th Beijing Chaoyang District of Chinese People's Political Consultative Conference, a representative of 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 Vaccines etc.

Mr. Liu Yong, aged 51, is currently an executive Director, the President and Deputy Secretary of Party Committee of the Company. Mr. Liu has over 28 years of working experience, over 25 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 served as vice president of the Company from January 2009 to November 2017, and has served as executive Director and president since November 2017, and deputy secretary of party committee since January 2018. During this period, he 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, and served as both joint company secretary and authorized representative of the Company from October 2016 to August 2018. Mr. Liu is also the chairman of Sinopharm Investment and National Medicines, and Sinopharm Accord, and also takes senior management positions in a number of subsidiaries of the Company.

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Qiyu, aged 48, is currently a non-executive Director and vice chairman of the Company. He joined the Company in January 2003, and had served as the chief Supervisor of the Company until May 2010. He has served as a non-executive Director of the Company since May 2010 and has been the vice chairman since November 2013. Mr. Chen has over 27 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. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, stock code: 02196 (H Share)/600196 (A Share)) ("**Fosun Pharmaceutical**") from July 1998 to May 2010, and has been its director and chairman since May 2005 and June 2010, respectively. Mr. Chen has served as the vice president, co-president and co-chief executive officer of Fosun International Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00656) 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. ("**Fosun High Technology**") 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 Beijing Sanyuan Food Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600429) since September 2015. Mr. Chen has served as a director of Shanghai Henlius Biotech, Inc. (a company listed on the Hong Kong Stock Exchange, stock code: 02696) ("**Henlius**") since January 2013 and as chairman of the company's board of directors since December 2018; served as a non-executive director of Babytree Group (a company listed on the Hong Kong Stock Exchange, stock code: 01761) since June 2018; and served as the co-chairman of New Frontier Health Corporation (a company listed on the New York Stock Exchange, stock code: NFH) since December 2019. Mr. Chen served as the supervisor, director as well as the director and general manager of Sinopharm Investment 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 chairman of China Medical Pharmaceutical Material Association, vice chairman of China Association for Pharmaceutical Innovation, honorary chairman and chief supervisor of Shanghai Biopharmaceuticals Industry Association, the vice-chief of Shanghai Society of Genetics and the standing member of the 13th Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Ma Ping, aged 64, is currently a non-executive director of the Company. He joined the Company and has served as a non-executive Director of the Company since October 2016. Mr. Ma has over 37 years of working experience and currently serves as an external director of CNPGC. 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 company listed on the Shenzhen Stock Exchange, stock code: 000766) from March 2000 to September 2001. He served as director, general manager of BMP (a company listed on NASDAQ, stock code: BJGP) from September 2001 to December 2005. He served as director and 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 CNPGC since May 2016. Mr. Ma is also the director of China National Biotec Group Co., Ltd..



Biographies of Directors, Supervisors and Senior Management

Mr. Hu Jianwei, aged 46, is currently a non-executive Director of the Company. He has served as a 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 56, is currently a non-executive Director of the Company. He has been a non-executive Director since he joined the Company in August 2007. Mr. Deng has over 32 years of working experience, over 27 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 been 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 Investment from July 2008 to August 2015 and from August 2015 to January 2016, respectively. He has also been its chairman since January 2016.

Mr. Wen Deyong, aged 49, is currently a non-executive Director of the Company. Mr. Wen has served as a non-executive Director of 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 Fosun Pharmaceutical. Mr. Wen served as the technician in water-needle workshop of Chongqing Pharmaceutical Co., Ltd. No.6 Factory, the sales outworker in sales department, the sales director in sales company, the general manager in No.2 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 a director of Sinopharm Investment since March 2019, a director of National Medicines since May 2019, and a supervisor of Sinopharm Accord since May 2019.

Ms. Guan Xiaohui, aged 49, is currently a non-executive Director of the Company. She has served as a non-executive Director of the Company since she joined the Group 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 Pharmaceutical in May 2000 and currently serves as the senior vice president and chief financial officer. Before joining Fosun Pharmaceutical 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 Sinopharm Accord. Currently, Ms. Guan is also a supervisor of Sinopharm Investment. Ms. Guan is qualified as Chinese Certified Public Accountant and a member of The Association of Chartered Certified Accountants.

Biographies of Directors, Supervisors and Senior Management

Ms. Feng Rongli, aged 45, is currently a non-executive Director of the Company. She has served as a non-executive Director of the Company since June 2020. Ms. Feng graduated from Shanghai University with a major in microcomputer application in July 1996. In February 2002, she obtained a master's degree in business administration from Columbia Southern University. Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd. (希悦爾包裝(上海)有限公司) from July 1996 to April 2000, a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司) from April 2000 to November 2002, the Asia-Pacific human resources manager of Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司) from November 2002 to July 2006, the China human resources planning manager of Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司) from August 2006 to November 2009, the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司) from November 2009 to January 2015, and the senior director of human resources at F. Hoffmann-La Roche AG from February 2015 to July 2018. Ms. Feng served as the deputy chief human resources officer of Fosun High Technology and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海複星創業投資管理有限公司) from July 2018 to April 2020. Ms. Feng has served as the vice president and the general manager of the human resources department of Fosun Pharmaceutical since April 2020. Ms. Feng has served as the chairman of the supervisory committee of Henlius since May 2020.

Mr. Yu Tze Shan Hailson, aged 64, independent non-executive Director, has served as an independent non-executive Director since September 2014 and has more than 41 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 Holdings Co., Ltd. (formerly known as Winteam Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange, stock code: 00570) since November 2013. He has served as an independent non-executive director of China NT Pharma Group Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01011) since June 2017. Mr. Yu currently is a Chartered 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.



Biographies of Directors, Supervisors and Senior Management

Mr. Tan Wee Seng, aged 65, independent non-executive Director, has served as a 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, stock code: 02331), from January 2003 to November 2008. Mr. Tan was an independent director and chairman of the audit committee of 7 Days Holdings Limited (whose shares 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, stock code: 01112), Sa Sa International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00178), CIFI Holdings (Group) Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00884), Xtep International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01368) and Shineroad International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01587), he is also an independent director of ReneSola Ltd. (a company listed on the New York Stock Exchange, stock code: SOL) and a director of Beijing City International School.

Mr. Liu Zhengdong, aged 50, independent non-executive Director, has been an independent non-executive Director of the Company since September 2014. He is a lawyer who has more than 26 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 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 has been serving as a lawyer. Mr. Liu co-founded Shanghai Junyue Law Firm with others in October 1998 and has been serving as director and chief partner successively. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and was also honored as National Excellent Lawyer and Shanghai Excellent Non-litigation Lawyer. Currently, Mr. Liu serves as deputy to the Shanghai 15th People's Congress, director of the National Lawyers Association, president of Shanghai Bankruptcy Administrators Association (上海市破產管理人協會), vice president of Shanghai General Chamber of Commerce. Mr. Liu also serves as a member of the legal experts of CPC Shanghai Committee (中共上海市委法律專家庫) arbitrators of China International Economic and Trade Arbitration Commission (CIETA), Shanghai International economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC).

Biographies of Directors, Supervisors and Senior Management

Mr. Zhuo Fumin, aged 69, is currently an independent non-executive Director of the Company. Mr. Zhuo has been an independent non-executive Director of the Company since March 2016. Mr. Zhuo has more than 44 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 held senior positions including an office head and an officer assistant of the Shanghai Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo successively held 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 is also 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).

Mr. Chen Fangruo, aged 55, is currently an independent non-executive Director of the Company. He has served as 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. During the foregoing period, 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, the Dean of Antai College of Economics and Management at Shanghai Jiao Tong University and the Dean of the Industry Research Institute of Shanghai Jiao Tong University. Since 2019, he has served concurrently as the vice chairman of the National MBA Education Instruction Committee and a director of the AMBA & BGA's International Management Board.



Biographies of Directors, Supervisors and Senior Management

Supervisors

Mr. Yao Fang, aged 51, 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 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., a company listed on both the Hong Kong Stock Exchange (stock code: 06806 (H Shares)) and the Shenzhen Stock Exchange (stock code: 000166 (A Shares)), 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. (a company listed on the Hong Kong Stock Exchange, stock code: 00980), and executive director of Shanghai Industrial Holding Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00363). Mr. Yao has served in Fosun Pharma since April 2010 and currently serves as the executive director and co-chairman of Fosun Pharma.

Mr. Tao Wuping, aged 65, Supervisor, has been 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 36 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 been the director of Guantao Zhongmao (Shanghai) Law Firm since August 2016. He was 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 an independent director of Shanghai Film Co., Ltd. and China Nature Asset Management Co., Ltd. from March 2014 to March 2019 and from August 2014 to June 2019, respectively. Mr. Tao has served as an independent director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (a company listed 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 58, employee representative Supervisor, has been an employee representative Supervisor of the Company since January 2018. Mr. Zhang has over 34 years of working experience. Mr. Zhang obtained a bachelor degree in economics from East China Normal University in July 1985 and a master 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 of the Company since May 2018.

Ms. Li Xiaojuan, aged 44, is currently a Supervisor of the Company. Ms. Li has served as a Supervisor of the Company since January 2016. Ms. Li has over 18 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 senior 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 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. Li has served as the Chief Financial Officer of Sinopharm Investment since September 2019.



Biographies of Directors, Supervisors and Senior Management

Ms. Jin Yi, aged 45, employee representative Supervisor. Ms. Jin has been the employee representative Supervisor since June 2015. Ms. Jin has approximately 20 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 been 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 the secretary to the Board. Please refer to the section headed "Senior Management" for Mr. Wu's biography.

Dr. Liu Wei, aged 62, 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 and 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 42, joined the Company as a vice president in November 2018. Mr. Li has more than 20 years of working experience, with more than 18 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 July 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 CNPGC from July 2000 to September 2002. Mr. Li also served successively 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 has served as the senior manager of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since January 2011, and currently served as the director and general manager of China National Scientific Instruments and the director, general manager, and secretary of Party Committee of China National Medical Device Co., Ltd.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 56, 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 33 years of working experience, over 22 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 Sinopharm Group from July 1986 to March 2002, and was the deputy head of the department of information, reform office, finance department and deputy manager of the department of pharmacy. Mr. Jiang was deputy head, head and chief financial officer of the finance department of National Medicines from March 2002 to May 2010. Mr. Jiang is currently the chairman of National Medicines, the director of National Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Lian Wanyong, aged 50, joined the Company as a vice president in January 2018. Mr. Lian has over 23 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 was 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 was a director of Sinopharm Investment from December 2008 to March 2014. Mr. Lian was 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 is also a director of National Medicines and a director of National Accord and takes senior management positions in a number of subsidiaries of the Company.

Ms. Wang Jie, aged 55, joined the Company as a vice president in January 2019. Ms. Wang has over 30 years of working experience. Ms. Wang graduated from chemistry department of Sichuan University in July 1987 and obtained a master 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. Ms. Wang served as a marketing department manager of China National Biotec Group from April 2008 to November 2009. Ms. Wang 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. Ms. Wang 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 50, joined the Company as a vice president in January 2018. Mr. Cai has over 27 years of working experience. Mr. Cai received a bachelor degree of pharmacy from School of Pharmacy of Beijing Medical University in July 1992, and later received a master 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 the regional manager in 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 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 the Company 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 a supervisor in CNPGC from December 2012 to January 2018, and served as a vice principal in Sichuan Province Food and Drug Administration from June 2016 to January 2018. Mr. Cai was 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 in a number of subsidiaries of the Company.

Mr. Li Dongjiu, aged 55, joined the Company as a vice president and chief legal advisor in January 2018. Mr. Li has over 32 years of working experience in the pharmaceutical industry, over 27 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 Science and Engineering from Wuhan Transportation University 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, stock code: 600812) ("**North China Pharmaceutical**") as a deputy general manager of North China Pharmaceutical Huasheng Co., Ltd., deputy general manager of North China Pharmaceutical, deputy general manager and financial principal of North China Pharmaceutical, general manager of Sales Company of North China Pharmaceutical Group Corporation and property representative of southern companies of North China Pharmaceutical Group Corporation; successively from July 1987 to September 2009. Mr. Li served as executive president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. from December 2009 to June 2010, and vice president and senior vice president of Fosun Pharmaceutical from June 2010 to January 2018. Mr. Li has served as a non-executive director of the Company from October 2013 to January 2018. He currently serves as a director of National Accord and takes senior management positions in a number of subsidiaries of the Company.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhou Xudong, aged 51, joined the Company as a vice president in January 2018. Mr. Zhou has over 30 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 in a number of subsidiaries of the Company.

Mr. Wu Yijian, aged 50, 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 July 2013, 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 Fosun Pharmaceutical from June 2004 to October 2014 and successively served as its deputy general manager of investment department and president assistant. Mr. Wu served as the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600655) from November 2014 to December 2015. Mr. Wu served as the president assistant of Fosun Pharmaceutical from January 2016 to December 2018. Mr. Wu was a non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018.

Mr. Xu Shuangjun, aged 52, has been the non-executive vice president of the Company since May 2011. He has over 34 years of working experience, over 26 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 was 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 was 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 was 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 been its chairman since June 2013.



Other Information

Changes of Directors and Supervisors

- On 29 April 2020, Ms. Daikun resigned from the position as a non-executive Director and a member of the Nomination Committee. For details, please refer to the announcement of the Company dated 29 April 2020.
- Ms. Feng Rongli was elected as a non-executive Director at the annual general meeting of the Company held on 11 June 2020, and since the date of her election as non-executive Director, Ms. Feng Rongli was also appointed as a member of the Nomination Committee. For details, please refer to the announcement of the Company dated 27 May 2019 and 11 June 2020.
- The candidates for the fifth session of the Board and the fifth session of the Supervisory Committee were also proposed by the Board and the Supervisory Committee of the Company on 21 August 2020, respectively. For details, please refer to the announcement of the Company dated 21 August 2020.
- Please refer to the section headed “Biographies of Directors, Supervisors and Senior Management” for details about the latest biographies of the Director and Supervisors of the Company, including the latest information of the Directors and Supervisors of the Company updated pursuant to Rule 13.51B(1) of the Listing Rules.

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 2020, the interests and 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
Mr. Li Zhiming	H shares	Beneficial owner	174,200	0.01	0.01	Long position
Mr. Yu Qingming	H shares	Beneficial owner	100,000	0.00	0.01	Long position
Mr. Liu Yong	H shares	Beneficial owner	140,700	0.00	0.01	Long position
Ms. Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

Note: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The above mentioned “approximate percentage to the total number of shares of the Company” is calculated based on the total issued shares of the Company of 3,120,656,191 shares as at 30 June 2020, and the term of “approximate percentage to the total number of H shares in issue of the Company” is calculated based on the issued H shares of the Company of 1,341,810,740 shares as at 30 June 2020.

Other Information



Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors and the chief executive of the Company had any interests and 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 2020, 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)	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	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
Citigroup Inc.	H shares	Interest of controlled corporation	10,893,866	0.35	0.81	Long position
			7,685,608	0.25	0.57	Short position
		Approved lending agent (Note 9)	95,535,079	3.06	7.12	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation	94,040,723	3.01	7.01	Long position
		(Note 10)	114,400	0.00	0.01	Short position
JPMorgan Chase & Co.	H shares	Interest of controlled corporation	32,806,887	1.05	2.44	Long position
			23,781,669	0.76	1.77	Short position
		Investment manager	3,417,252	0.11	0.25	Long position
		Person having security interest in shares	1,399,179	0.04	0.10	Long position
		Trustee	19,295	0.00	0.00	Long position
	Approved lending agent (Note 11)	54,121,499	1.73	4.03	Long position	

Notes:

The information was disclosed based on the data available on the 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. 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.

Other Information



- (4) Fosun High Technology is the beneficial owner of 38.51% 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 71.09% 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.
- (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) Citigroup Inc. is interested in an aggregate of long positions of 106,428,945 H shares (of which 95,535,079 H shares are shares available for lending) and short positions of 7,685,608 H shares of the Company.
- (10) BlackRock, Inc. is interested in long positions of 94,040,723 H shares of the Company and short positions of 114,400 H shares indirectly through a series of controlled corporations.
- (11) JPMorgan Chase & Co. is interested in an aggregate of long positions of 91,764,112 H shares (of which 54,121,499 H shares are shares available for lending) and short positions of 23,781,669 H shares of the Company.
- (12) The above mentioned "approximate percentage to the total number of shares of the Company" was calculated based on the total issued shares of the Company of 3,120,656,191 shares as at 30 June 2020. In respect of H shares, the term of "approximate percentage to the relevant class of shares" was calculated based on the issued H shares of the Company of 1,341,810,740 shares as at 30 June 2020. In respect of domestic shares, the term of "approximate percentage to the relevant class of shares" was calculated based on the issued domestic shares of the Company of 1,778,845,451 domestic shares as at 30 June 2020.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2020, 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.



Other Information

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, save as disclosed in the section headed “Use of Proceeds from Placing of H Shares” below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed Securities.

Use of Proceeds from Placing of H Shares

On 23 January 2020, the Company completed the placing of 149,000,000 new H shares (“**Placing shares**”) to not less than six placees, who are professional, institutional or other investors (the “**H Share Placing**”). The aggregate nominal value of Placing shares was RMB149,000,000, with a nominal value of RMB1 each. The placing price of HK\$27.30 per H share represented a discount of approximately 7.3% over the closing price of HK\$29.45 per H share as quoted on the Stock Exchange on 16 January 2020 (namely last trading date before entering into the placing agreement). The actual net proceeds from the H Share Placing amounted to HK\$4,027 million, equivalent to approximately RMB3,567 million (the “**Net Proceeds**”) and the net price raised per H Share upon completion of the Placing was approximately HK\$27.02. As stated in the announcement of the Company dated 17 January 2020, the Net Proceeds was originally intended to be used for the expansion of pharmaceutical distribution, retail network and medical device business as well as improvement of working capital after the expansion. As of 21 August 2020, the use of Net Proceeds by the Company has been in compliance with the proposed usage as stated above, among which RMB178 million was used for the expansion of pharmaceutical distribution, retail network and medical device business, and RMB1,645 million was used for the improvement of working capital after the expansion.

Taking into account the actual capital demand of the Company and its subsidiaries and in order to further improve the efficiency of the use of Net Proceeds, the Board resolved to amend the use of proceeds on 21 August 2020. According to the amended use of proceeds, the Company will use the Net Proceeds to expand the pharmaceutical distribution, retail network and medical device business of the Company and its subsidiaries, to improve the working capital of the Company and its subsidiaries as well as to repay the interest-bearing debts of the Company (the “**New Use of Proceeds**”).

Other Information



As of the date of this report (i.e. 21 August 2020), details of the use of Net Proceeds from the H Share Placing were as follows (in order to facilitate the continuous update in periodic reports, the followings are presented based on the New Use of Proceeds):

Unit: RMB million

Use of proceeds	Amount intended to be invested	Amount invested during the Reporting Period and up to the date of this report	Accumulated amount invested as of the date of this report	Unutilized amount as of the date this report	Expected utilization timetable
Expansion of pharmaceutical distribution, retail network and medical device business of the Company and its subsidiaries	378	178	178	200	Before the end of December 2021
Improvement of working capital of the Company and its subsidiaries	2,589	1,645	1,645	944	Before the end of December 2021
Repay the interest-bearing debts of the Company	600	–	–	600	Before the end of December 2021

Restricted Share Incentive Scheme

The Restricted Share Incentive Scheme (the “**Scheme**”) of the Company took effect on 18 October 2016. According to the initial grant proposal, the restricted shares under the initial grant are subject to three unlocking periods. Since the Company failed to achieve part of the performance targets for 2019, therefore, it failed to meet unlocking conditions for the third unlocking period. Therefore, upon consideration and approval by the Board on 23 June 2020, except for Scheme Participants who withdrew from the Scheme due to reasons such as resignation or change of positions, the remaining 1.8972 million restricted H shares (representing approximately 0.06% of the total issued share capital of the Company as at the date of this report and 34% of restricted H shares granted to such Scheme Participants) which have been granted to an aggregate of 153 Scheme Participants will not be unlocked. During the Reporting Period, the Company sold a total of 49,600 H shares of the Company to the secondary market through trustee, including a small number of Shares that were sold due to certain Scheme Participants’ withdrawing from the Scheme due to resignation or change of positions.

Dividends

Pursuant to the relevant resolution passed at the 2019 annual general meeting of the Company convened on 11 June 2020, the Company paid the final dividend for the year ended 31 December 2019 to the shareholders of the Company on 11 August 2020, totaling approximately RMB1,872,394,000.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2020.



Other Information

Amendments to the Articles of Association and Rules of Procedure of General Meeting

On 29 March 2020, the Board resolved to make certain amendments to the Articles of Association and the Rules of Procedure of General Meeting of the Company. The proposed amendments were duly approved at the annual general meeting, the H shareholders' class meeting (where applicable) and the domestic shareholders' class meeting (where applicable) of the Company held on 11 June 2020. For details, please refer to the announcements of the Company dated 29 March 2020 and 11 June 2020.

Audit Committee

As at the date of this report, the Audit Committee of the Company consisted 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 interim report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 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 standards for governing the transactions of the Company's listed securities 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 standards 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 BOARD OF DIRECTORS 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 44 to 96, 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 2020 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 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

21 August 2020



Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	6	203,764,712	201,665,141
Cost of sales	10	(186,522,837)	(184,180,153)
Gross profit		17,241,875	17,484,988
Other income	7	317,738	175,155
Selling and distribution expenses	10	(6,259,802)	(5,835,889)
Administrative expenses	10	(3,024,566)	(3,034,306)
Impairment losses on financial and contract assets	8	(697,225)	(488,382)
Losses on disposal of financial assets measured at amortised cost		(388,070)	(769,974)
Operating profit		7,189,950	7,531,592
Other gains, net	9	85,763	41,911
Other expenses	9	–	(92,870)
Finance income		350,122	284,137
Finance costs		(1,777,787)	(1,773,346)
Finance costs, net	12	(1,427,665)	(1,489,209)
Share of profits and losses of:			
Associates		367,540	387,929
Joint ventures		1,546	6,965
		369,086	394,894
Profit before tax		6,217,134	6,386,318
Income tax expense	13	(1,413,753)	(1,418,098)
PROFIT FOR THE PERIOD		4,803,381	4,968,220
Attributable to:			
Owners of the parent		2,895,682	2,975,178
Non-controlling interests		1,907,699	1,993,042
		4,803,381	4,968,220
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)			
– Basic	14	0.93	1.00
– Diluted	14	0.93	1.00

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	4,803,381	4,968,220
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurements of post-employment benefit obligations, net of tax	(11,224)	(1,307)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	27,231	4,953
Income tax effect	(7,746)	(1,238)
	19,485	3,715
Net other comprehensive income that will not to be reclassified to profit or loss in subsequent periods, net of tax	8,261	2,408
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(3,265)	(3,714)
Share of other comprehensive (loss)/income of associates	(7,275)	1,172
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	(10,540)	(2,542)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,279)	(134)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	4,801,102	4,968,086
Attributable to:		
Owners of the parent	2,885,672	2,974,015
Non-controlling interests	1,915,430	1,994,071
	4,801,102	4,968,086



Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Right-of-use assets	16	6,539,820	6,350,157
Investment properties	16	662,210	699,431
Property, plant and equipment	16	11,682,493	11,712,879
Intangible assets	16	9,727,305	8,988,850
Investment in joint ventures		35,821	34,274
Investments in associates	17	7,220,974	7,018,107
Equity investments designated at fair value through other comprehensive income		69,694	38,284
Financial assets at fair value through profit or loss		682,383	729,892
Finance lease receivables		33,162	18,288
Deferred tax assets	22	1,481,246	1,448,853
Other non-current assets		3,281,368	2,849,668
Total non-current assets		41,416,476	39,888,683
CURRENT ASSETS			
Inventories		46,688,818	42,594,396
Trade and bills receivables	18	156,106,219	122,266,917
Contract assets		439,894	353,688
Prepayments, other receivables and other assets		14,755,180	14,930,966
Financial assets at fair value through profit or loss		39,135	156
Finance lease receivables		–	7,965
Pledged deposits and restricted cash		7,561,919	10,653,633
Cash and cash equivalents		39,323,366	39,191,967
Total current assets		264,914,531	229,999,688
Total assets		306,331,007	269,888,371
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	3,120,656	2,971,656
Treasury shares held for share incentive scheme	30	(58,948)	(60,212)
Reserves		48,907,966	44,510,702
		51,969,674	47,422,146
Non-controlling interests		30,733,602	29,517,221
Total equity		82,703,276	76,939,367

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	20	8,045,657	8,372,850
Lease liabilities	21	3,306,753	3,097,485
Deferred tax liabilities	22	1,074,849	1,099,108
Post-employment benefit obligations	23	393,887	399,003
Contract liabilities		68,960	59,671
Other non-current liabilities	24	2,072,320	1,496,253
Total non-current liabilities		14,962,426	14,524,370
CURRENT LIABILITIES			
Trade and bills payables	25	97,784,797	100,333,768
Contract liabilities		7,178,756	5,127,061
Accruals and other payables		23,467,650	27,601,152
Dividends payable		2,289,932	368,295
Tax payable		1,065,312	1,325,439
Interest-bearing bank and other borrowings	20	75,752,061	42,476,715
Lease liabilities	21	1,126,797	1,192,204
Total current liabilities		208,665,305	178,424,634
Total Liabilities		223,627,731	192,949,004
Total equity and liabilities		306,331,007	269,888,371

Li Zhiming
Director

Tan Wee Seng
Director



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Notes	Attributable to owners of the parent					Total equity RMB'000
		Share capital RMB'000	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2020 (audited)		2,971,656	(60,212)	44,510,702	47,422,146	29,517,221	76,939,367
Total comprehensive income for the period		-	-	2,885,672	2,885,672	1,915,430	4,801,102
Issue of shares	19	149,000	-	3,418,383	3,567,383	-	3,567,383
Effect of transactions with non-controlling interests	26	-	-	(15,221)	(15,221)	(1,455)	(16,676)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	203,838	203,838
Acquisition of subsidiaries	27	-	-	-	-	111,080	111,080
Disposal of subsidiaries		-	-	-	-	(489)	(489)
Release of shares from the share incentive scheme		-	1,264	-	1,264	-	1,264
Equity-settled share incentive scheme		-	-	(17,724)	(17,724)	-	(17,724)
Dividends paid to non-controlling interests		-	-	-	-	(1,013,195)	(1,013,195)
Dividend declared	15	-	-	(1,872,394)	(1,872,394)	-	(1,872,394)
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	8	8	6	14
Others		-	-	(1,460)	(1,460)	1,166	(294)
At 30 June 2020 (unaudited)		3,120,656	(58,948)	48,907,966	51,969,674	30,733,602	82,703,276
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		-	-	2,974,015	2,974,015	1,994,071	4,968,086
Effect of transactions with non-controlling interests		-	-	718	718	1,404	2,122
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	351,834	351,834
Acquisition of subsidiaries		-	-	-	-	360,782	360,782
Equity-settled share incentive scheme		-	-	3,667	3,667	549	4,216
Dividends paid to non-controlling interests		-	-	-	-	(579,087)	(579,087)
Dividend declared		-	-	(1,753,277)	(1,753,277)	-	(1,753,277)
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
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 Cash Flows

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		6,217,134	6,386,318
Adjustments for:			
	– Share of profits and losses of associates	(367,540)	(387,929)
	– Share of profits and losses of joint ventures	(1,546)	(6,965)
	– Asset impairment	737,996	533,282
	– Depreciation of property, plant and equipment and investment properties	644,720	575,398
	– Amortisation of intangible assets	170,948	151,328
	– Depreciation of right-of-use assets	775,592	605,394
	– (Gain)/loss on disposal of investment properties, property, plant and equipment and intangible assets	(3,599)	46
	– Gain on disposal of right-of-use assets	(19,900)	–
	– Write-back of certain liabilities	(17,023)	(2,617)
	– Loss on disposal of financial assets measured at amortised cost	388,070	769,974
	– Finance cost	1,653,071	2,285,329
	– Gain on disposal of an investment accounted for the equity method	(19,434)	(40,384)
	– Gain on fair value re-measurement of existing equity in business combinations not under common control	(999)	–
	– Fair value loss/(gain) on financial assets at fair value through profit or loss	21	(146)
	– Dividend from financial assets at fair value through profit or loss	(1,113)	(9,136)
	– Dividend from financial assets at fair value through other comprehensive income	(360)	–
	– Interest income from asset-backed securities	(1,081)	(4,947)
	– Equity-settled share incentive scheme expense	(18,569)	6,923
		10,136,388	10,861,868
	– Inventories	(3,919,363)	(5,081,992)
	– Trade and bills receivables	(33,478,140)	(30,603,481)
	– Contract assets	(89,454)	29,562
	– Prepayments, other receivables and other assets	125,207	(1,665,881)
	– Trade and bills payables	(1,352,052)	13,512,925
	– Contract liabilities	2,049,287	356,103
	– Accruals, other payables and other liabilities	707,280	1,175,483
Cash used in operations		(25,820,847)	(11,415,413)
Income tax paid		(1,775,766)	(1,926,601)
Net cash flows used in operating activities		(27,596,613)	(13,342,014)



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Notes			
CASH FLOWS FROM INVESTING ACTIVITIES:			
	Proceeds from disposal of intangible assets	4,868	–
	Proceeds from disposal of property, plant and equipment	82,530	68,871
	Proceeds from disposal of investment properties	2,671	–
	Proceeds from disposal of financial assets at fair value through profit or loss	18,203	44,174
	Proceeds from disposal of associates	106,538	40,384
	Proceeds from disposal of other non-current assets	–	604
	Interest received from long-term deposits	42,981	26,381
	Disposal of subsidiaries, net of cash disposed of	92	–
	Dividends received from associates	136,849	141,999
	Dividends received from financial assets at fair value through profit or loss	1,113	9,136
	Interest income from asset-backed securities	1,081	4,947
	Dividends received from financial assets at fair value through other comprehensive income	360	–
	Prepayment for acquisition	–	(37,357)
	Prepayments of land lease	(26,018)	(1,330)
	Purchase of property, plant and equipment	(588,977)	(719,284)
	Purchase of intangible assets	(54,008)	(60,992)
	Purchase of investment properties	(242)	–
	(Payments)/withdrawal of long-term deposits	(155,167)	169,668
	Acquisition of financial assets at fair value through profit or loss	(50,400)	(15,250)
	Acquisition of financial assets at fair value through other comprehensive income	(2,471)	–
	Acquisition of subsidiaries, net of cash acquired	(609,871)	(416,023)
	Acquisition of associates	(11,220)	(54,788)
	Acquisition of joint ventures	–	(16)
	Decrease in restricted cash	3,091,713	361,269
	Net cash flows from/(used in) investing activities	1,990,625	(437,607)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings from banks		47,542,847	26,511,043
Proceeds from borrowings from related parties		–	12,576
Proceeds from borrowings from other financial institutions		5,345,536	3,045,889
Repayments of borrowings from banks		(31,695,117)	(26,169,251)
Repayments of borrowings from related parties		(4,625)	(20,527)
Repayments of borrowings from other financial institutions		(2,775,280)	(2,109,092)
Repayments of bonds		(8,000,000)	(17,459,990)
Proceeds from issue of bonds		15,515,889	25,972,035
Proceeds from issue of shares	19	3,567,383	–
Capital injections from non-controlling shareholders of subsidiaries		203,838	351,834
Dividends paid to owners of the parent of the Company		(2,476)	–
Dividends paid to non-controlling shareholders of subsidiaries		(963,952)	(326,272)
Transactions with non-controlling interests of subsidiaries		(94,709)	(106,824)
Release of shares under the share incentive scheme		3,812	–
Interest paid		(2,204,584)	(2,086,726)
Principal portion of lease payments		(697,911)	(681,352)
Net cash flows from financing activities		25,740,651	6,933,343
Net increase/(decrease) in cash and cash equivalents		134,663	(6,846,278)
Cash and cash equivalents at beginning of year		39,191,967	40,298,985
Effect of foreign exchange rate changes, net		(3,264)	(3,714)
Cash and cash equivalents at end of period		39,323,366	33,448,993



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

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. On 23 January 2020, the Company placed and issued 149,000,000 new H shares at the price of HKD27.30 per H share. The actual net proceeds of the placing were HKD4,026,710,000, equivalent to RMB3,567,383,000.

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 pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics, (2) the operation of chain pharmacy stores, (3) the distribution of medical devices, and (4) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

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 2020 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 2019.

(2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of these revised standards has had no significant financial effect on the Group's interim condensed consolidated financial information.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

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

(2) Changes in accounting policies (continued)

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB12,059,681 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

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 this 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 2019.

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 2019.

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

Notes to the Interim Condensed Consolidated Financial Information

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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 2020 (unaudited)					
Interest-bearing bank and other borrowings	80,267,352	3,439,340	2,399,869	-	86,106,561
Trade and other payables	118,315,403	-	-	-	118,315,403
Dividends payable	2,289,932	-	-	-	2,289,932
Lease liabilities	1,126,797	1,121,897	1,716,978	978,894	4,944,566
Other non-current liabilities	-	11,400	-	-	11,400
	201,999,484	4,572,637	4,116,847	978,894	211,667,862
As at 31 December 2019 (audited)					
Interest-bearing bank and other borrowings	43,287,232	4,204,886	4,548,002	-	52,040,120
Trade and other payables	124,529,687	-	-	-	124,529,687
Dividends payable	368,295	-	-	-	368,295
Lease liabilities	1,192,204	1,050,898	1,608,319	916,945	4,768,366
Other non-current liabilities	-	39,000	-	-	39,000
	169,377,418	5,294,784	6,156,321	916,945	181,745,468

Note: The calculation of expected interest to be paid is based on borrowings as at 30 June 2020 and 31 December 2019 and the interest rates as at 30 June 2020 and 31 December 2019.



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

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 2020 and 31 December 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2020 (unaudited)				
Equity investments designated at fair value through other comprehensive income	42,624	14,569	12,501	69,694
Financial assets at fair value through profit or loss	39,135	3,700	678,683	721,518
Trade and bills receivables held both to collect cash flows and to sell	–	5,634,463	–	5,634,463
	81,759	5,652,732	691,184	6,425,675
As at 31 December 2019 (audited)				
Equity investments designated at fair value through other comprehensive income	29,229	871	8,184	38,284
Financial assets at fair value through profit or loss	156	3,700	726,192	730,048
Trade and bills receivables held both to collect cash flows and to sell	–	8,614,014	–	8,614,014
	29,385	8,618,585	734,376	9,382,346

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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Borrowings from banks and other financial institutions (Note 20)	751,283	460,706	878,530	514,204
Bonds (Note 20)	7,294,374	7,912,144	7,294,374	7,912,144

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 device – 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.



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

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, 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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

5. Segment Information (continued)

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

(1) For the six months ended 30 June 2020 and 2019

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical device RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2020 (unaudited)						
Segment results						
External segment revenue	154,671,369	10,752,372	35,455,548	2,885,423	-	203,764,712
Intersegment revenue	2,823,300	263,399	417,488	193,491	(3,697,678)	-
Revenue	157,494,669	11,015,771	35,873,036	3,078,914	(3,697,678)	203,764,712
Operating profit	5,131,889	284,584	1,606,911	222,671	(56,105)	7,189,950
Other gains, net	105,570	1,536	(21,717)	374	-	85,763
Share of profits and losses of associates and joint ventures	3,969	1,307	(1,024)	364,834	-	369,086
	5,241,428	287,427	1,584,170	587,879	(56,105)	7,644,799
Finance costs, net						(1,427,665)
Profit before tax						6,217,134
Income tax expense						(1,413,753)
Profit for the period						4,803,381
Other segment items included in the consolidated statement of profit or loss						
Provision for impairment of financial and contract assets	501,498	220	186,994	8,513		697,225
Provision/(reversal of provision) for impairment of inventories	5,099	1,752	33,959	(39)		40,771
Depreciation of property, plant and equipment	371,419	69,003	163,337	16,193		619,952
Depreciation of investment properties	11,915	553	11,098	1,202		24,768
Depreciation of right-of-use assets	267,576	358,456	120,572	28,988		775,592
Amortisation of intangible assets	142,773	15,615	11,829	731		170,948
Capital expenditures	1,037,932	299,913	263,745	16,520		1,618,110



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

5. Segment Information (continued)

(1) For the six months ended 30 June 2020 and 2019 (continued)

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical device 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
Intersegment 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	6,536,244	282,790	1,318,001	(497,698)	(107,745)	7,531,592
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
	6,488,666	286,104	1,319,949	(111,447)	(107,745)	7,875,527
Finance costs, net						(1,489,209)
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 consolidated statement of profit or loss						
Provision for impairment of financial and contract assets	354,067	858	128,588	4,869		488,382
(Reversal of provision)/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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

5. Segment Information (continued)

(2) At 30 June 2020 and 31 December 2019

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical device RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
As at 30 June 2020 (unaudited)						
Segment assets and liabilities						
Segment assets	219,670,679	13,704,087	60,134,838	16,770,677	(5,430,520)	304,849,761
Segment assets include:						
Investments in associates and joint ventures	290,087	24,479	54,052	6,888,177	-	7,256,795
Unallocated assets – Deferred tax assets						1,481,246
Total assets						306,331,007
Segment liabilities	87,639,835	9,465,939	42,385,791	4,878,817	(5,615,218)	138,755,164
Unallocated liabilities – Deferred tax liabilities and borrowings						84,872,567
Total liabilities						223,627,731
As at 31 December 2019 (audited)						
Segment assets and liabilities						
Segment assets	194,842,420	14,093,474	50,711,498	13,143,861	(4,351,735)	268,439,518
Segment assets include:						
Investments in associates and joint ventures	280,118	23,926	55,076	6,693,261	-	7,052,381
Unallocated assets – Deferred tax assets						1,448,853
Total assets						269,888,371
Segment liabilities	96,238,554	9,696,935	37,593,774	2,577,672	(5,106,604)	141,000,331
Unallocated liabilities – Deferred tax liabilities and borrowings						51,948,673
Total liabilities						192,949,004

The Group's operations are mainly located in the PRC and substantially all non-current assets are located in the PRC.



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

5. Segment Information (continued)

Information about major customers

No revenue from a singular customer in the reporting period amounted to over 10% of the total revenue of the Group.

6. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	202,774,498	200,825,168
Revenue from logistics service	273,372	204,410
Franchise fee and other service fee from medicine chain stores	278,961	177,872
Consulting services	133,083	191,275
Import agency income	41,807	12,061
Others	192,246	157,619
<i>Revenue from other sources</i>		
Operating lease income	70,745	96,736
	203,764,712	201,665,141

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

6. Revenue (continued)

Revenue from contracts with customers

Disaggregated revenue information

Segments	For the six months ended 30 June 2020 (Unaudited)				
	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical device RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of goods	154,096,487	10,472,407	35,327,799	2,877,805	202,774,498
Others	574,882	209,220	127,749	7,618	919,469
Total revenue from contracts with customers	154,671,369	10,681,627	35,455,548	2,885,423	203,693,967
Geographical market					
China	154,671,369	10,681,627	35,455,548	2,885,423	203,693,967
Timing of revenue recognition					
Recognised at a point in time	154,671,369	10,681,627	35,455,548	2,885,423	203,693,967

Segments	For the six months ended 30 June 2019 (Unaudited)				
	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical device 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 market					
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



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

7. Other income

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Government grants	317,738	175,155

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

8. Impairment losses on financial and contract assets

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Impairment of financial and contract assets, net:		
Trade and bills receivables	685,076	467,026
Contract assets	3,248	1,521
Other receivables	8,869	20,001
Other non-current assets	32	(166)
	697,225	488,382

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

9. Other gains, net/Other expenses

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Write-back of certain liabilities	17,023	2,617
Gain on disposal of portion of equity investment in associates	19,434	40,384
Gain on fair value re-measurement of existing equity in business combinations not under common control	999	–
Gain/(loss) on disposal of investment properties, property, plant and equipment, intangible assets and right-of-use assets	23,499	(46)
Foreign exchange loss, net	66,845	(12,273)
Donation	(44,320)	(8,407)
Income from asset-backed securities	1,081	4,947
Dividend from:		
Equity investments at fair value through other comprehensive income	360	–
Financial assets at fair value through profit or loss	1,113	9,136
Fair value gains, net:		
Equity investments at fair value through profit or loss	(21)	146
Others, net	(250)	5,407
	85,763	41,911
Provision for impairment of intangible assets	–	(92,870)

10. Expenses by nature

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Raw materials and trading merchandise consumed	186,170,995	184,009,558
Changes in inventories of finished goods and work in progress	(132,080)	(112,469)
Employee benefit expenses (Note 11)	5,072,724	4,704,591
Provision/(reversal of provision) for impairment of inventories	40,771	(49,117)
Lease payments not included in the measurement of lease liabilities	283,740	236,359
Depreciation of property, plant and equipment (Note 16)	619,952	554,639
Depreciation of investment properties (Note 16)	24,768	20,759
Depreciation of right-of-use assets (Note 16)	775,592	605,394
Amortisation of intangible assets (Note 16)	170,948	151,328
Auditor's remuneration	21,000	17,500
Advisory and consulting fees	145,925	134,799
Transportation expenses	733,722	675,679
Travel expenses	126,767	183,673
Market development and business promotion expenses	1,034,753	1,093,481
Utilities	82,088	48,327
Others	635,540	775,847
Total cost of sales, selling and distribution expenses, and administrative expenses	195,807,205	193,050,348



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

11. Employee benefit expenses

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, wages, allowances and bonus (i)	4,287,507	3,678,577
Contributions to pension plans (ii)	196,298	415,142
Post-employment benefits (Note 23)	2,712	2,917
Housing benefits (iii)	191,008	155,890
(Reversal)/recognition of share incentive expenses (Note 30)	(18,569)	6,923
Other benefits (iv)	413,768	445,142
	5,072,724	4,704,591

Notes:

- (i) Bonus was determined based on the performance of the Group as well as employees' performance and contribution to the Group.
- (ii) 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 8% (2019: 8%) of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 12% to 20% (2019: 12% to 20%) 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. During the reporting period, the Chinese government has introduced a series of relief policies on social welfare contribution.
- (iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% (2019: 5% to 12%) of the employees' basic salary.
- (iv) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

Notes to the Interim Condensed Consolidated Financial Information

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12. Finance income and costs

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest expense:		
– Bank and other borrowings	1,301,591	1,304,852
– Discount of bills receivable	295,974	288,618
– Net interests on net defined benefit liability (Note 23)	6,272	7,003
– Lease liabilities (Note 21)	98,487	88,619
Gross interest expense	1,702,324	1,689,092
Bank charges	87,675	85,583
Less: capitalised interest expense	(12,212)	(1,329)
Finance costs	1,777,787	1,773,346
Finance income:		
– Interest income on deposits in bank or other financial institutions	(307,141)	(257,756)
– Interest income on long-term deposits	(42,981)	(26,381)
Net finance costs	1,427,665	1,489,209

13. Taxation

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax	1,519,936	1,675,544
Deferred income tax (Note 22)	(106,183)	(257,446)
	1,413,753	1,418,098



Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

13. Taxation (continued)

During the six months ended 30 June 2020, 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.

Two of the Group’s subsidiaries were subject to Hong Kong profits tax at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HKD2,000,000 (2019: HKD2,000,000) of assessable profits of this subsidiary was taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

14. 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 3,101,826,000 (31 December 2019: 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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2020

14. Earnings per share (continued)

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	2,895,682	2,975,178
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	-	(2,376)
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	2,895,682	2,972,802
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	3,099,900	2,967,629
Effect of dilution – restricted shares ('000)	1,926	4,027
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	3,101,826	2,971,656
Basic earnings per share (RMB per share)	0.93	1.00
Diluted earnings per share (RMB per share)	0.93	1.00



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15. Dividends

The final dividend for year 2019 of RMB0.60 per share (tax inclusive), amounting to RMB1,872,394,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 11 June 2020 (“**2019 AGM**”). Pursuant to the relevant resolution passed at 2019 AGM, the final dividend for year 2019 was paid on 11 August 2020 to the shareholders whose names appeared on the register of members of the Company on 22 June 2020.

No interim dividend was proposed for the six-month period ended 30 June 2020.

16. Right-of-use assets, Investment properties, Property, plant and equipment and Intangible assets

	Right-of-use assets RMB'000	Investment properties RMB'000	Property plant and equipment RMB'000	Intangible assets RMB'000
For the six months ended 30 June 2020 (unaudited)				
Net carrying amount as at 1 January 2020	6,350,157	699,431	11,712,879	8,988,850
Additions	1,148,481	242	662,302	51,711
Acquisition of subsidiaries (Note 27)	101,118	–	19,792	840,502
Transfers	1,562	(10,024)	(13,597)	22,059
Disposals	(285,906)	(2,671)	(78,931)	(4,869)
Depreciation or amortisation (Note 10)	(775,592)	(24,768)	(619,952)	(170,948)
Impairment	–	–	–	–
Net carrying amount as at 30 June 2020	6,539,820	662,210	11,682,493	9,727,305
For the six months ended 30 June 2019 (unaudited)				
Net carrying amount as at 1 January 2019	5,683,407	583,557	10,898,663	7,476,734
Additions	1,005,425	–	682,775	54,017
Acquisition of subsidiaries	–	47,729	351,872	1,071,637
Transfers	–	2,769	(30,019)	27,250
Disposals	–	–	(69,522)	–
Depreciation or amortisation (Note 10)	(605,394)	(20,759)	(554,639)	(151,328)
Impairment	–	–	–	(92,870)
Net carrying amount as at 30 June 2019	6,083,438	613,296	11,279,130	8,385,440

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16. Right-of-use assets, Investment properties, Property, plant and equipment and Intangible assets (continued)

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 the higher of value-in-use and fair value less costs of disposal. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

Management determined the budgeted gross margin and growth rates based on past performance of the CGUs and expectations for market development. The discount rates used are before tax after reflecting specific risks of the relevant businesses.

17. Investments in associates

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Share of net assets	7,194,641	6,991,774
Goodwill	26,333	26,333
	7,220,974	7,018,107
	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At 1 January	7,018,107	6,358,496
Other additions	11,220	54,788
Share of results	367,540	387,929
Unrealised loss on transactions with associates	9,976	16,222
Share of other comprehensive (loss)/income	(7,275)	1,172
Share of changes in equity other than comprehensive income and distributions received from associates	14	48,833
Dividends declared by associates attributable to the Group	(82,503)	(243,700)
Disposal of investment in an associate	(73,467)	-
Reclassification to investments in subsidiaries upon transfer of control to the Group	(22,638)	-
At 30 June	7,220,974	6,623,740



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17. Investments in associates (continued)

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentages of equity interest attributable to the Group (ii)		Principal activities
			30 June 2020	31 December 2019	
Shanghai Shyndec Pharmaceutical Co., Ltd. (上海现代製藥股份有限公司) (i)	Ordinary shares of RMB1 each	Mainland China	18.14%	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 period ended 30 June 2020.

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

	30 June 2020 RMB'000 (Unaudited)
Current assets	9,757,495
Non-current assets	8,073,122
Current liabilities	(6,026,006)
Non-current liabilities	(2,327,842)
Non-controlling interests	(1,664,567)
Net assets	7,812,202
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	18.14%
Carrying amount of the investment	1,417,133
Revenue	6,211,856
Profit for the period	427,915
Total comprehensive income for the year	428,665
Dividend declared	18,621

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18. Trade and bills receivables

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	150,191,362	111,058,298
Bills receivables	8,193,616	12,791,131
Less: Provision for impairment	(2,278,759)	(1,582,512)
	156,106,219	122,266,917

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

The term of bills receivable are all less than 12 months. 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 receivables, based on the invoice date and net of provisions, as at the end of the reporting period, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	143,301,195	107,850,187
1 to 2 years	4,294,278	1,437,537
Over 2 years	342,110	224,072
	147,937,583	109,511,796

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the ageing from billing.



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19. 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
At 1 January 2020 (audited)	2,971,656	1,778,845	1,192,811	2,971,656
Issue of shares	149,000	–	149,000	149,000
At 30 June 2020 (unaudited)	3,120,656	1,778,845	1,341,811	3,120,656
At 1 January 2019 (audited) and 30 June 2019 (unaudited)	2,971,656	1,778,845	1,192,811	2,971,656

On 23 January 2020, the Company placed and issued 149,000,000 new H shares at the price of HKD27.30 per H share (the “**Placing Shares**”). The Placing Shares represent 11.1% and 4.8%, respectively, of the total issued H share capital and the total issued share capital of the Company as enlarged by the issue of the Placing Shares. The actual net proceeds of the placing were HKD4,026,710,000, equivalent to RMB3,567,383,000.

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20. Interest-bearing bank and other borrowings

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current		
Unsecured bank borrowings	699,705	400,554
Unsecured borrowings from other financial institutions and related parties	51,578	60,152
Bond (notes)	7,294,374	7,912,144
	8,045,657	8,372,850
Current		
Secured bank borrowings	1,419,476	1,515,005
Unsecured bank borrowings	47,050,039	26,365,060
Unsecured borrowings from other financial institutions and related parties	4,079,038	1,286,187
Secured borrowings from other financial institutions and related parties	1,909,390	121,731
Bond (notes)	21,294,118	13,188,732
	75,752,061	42,476,715
Total borrowings	83,797,718	50,849,565

Notes:

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, i.e., 9 March 2019. Interest is paid on an annual basis. The Company exercised its early redemption right and repurchased bonds of RMB3,459,990,000 in 2019. As at 30 June 2020, the remaining corporate bonds of RMB540,010,000 were classified as current liabilities.



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20. Interest-bearing bank and other borrowings (continued)

Notes: (continued)

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 2020, the corporate bonds were classified as current liabilities.

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 2020, the corporate bonds were classified as non-current liabilities.

On 15 April 2019, the Company issued 5,000,000 units of bonds at a total par value of RMB500,000,000. The total net proceeds were approximately RMB500,000,000. The bonds will mature 270 days from the issue date (i.e., 12 January 2020), and the annual interest rate was 3.35%. As at 30 June 2020, the corporate bonds matured and were repaid in 2020.

On 24 April 2019, 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., 19 January 2020), and the annual interest rate was 3.39%. As at 30 June 2020, the corporate bonds matured and were repaid in 2020.

On 23 May 2019, 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 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 2020, the corporate bonds matured and were repaid in 2020.

On 10 June 2019, the Company issued 25,000,000 units of bonds at a total par value of RMB2,500,000,000. 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 2020, the corporate bonds matured and were repaid in 2020.

On 5 September 2019, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000,000. The corporate bonds will expire on 5 September 2022, for a period of three years commencing from the issue date of 5 September 2019. The annual interest rate of the corporate bonds is fixed at 3.53%. Interest is paid on an annual basis. As at 30 June 2020, the corporate bonds were classified as non-current liabilities.

20. Interest-bearing bank and other borrowings (continued)

Notes: (continued)

On 21 October 2019, 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 RMB4,787,000 in relation to the issuance, the total net proceeds were approximately RMB3,995,213,000. The bonds will mature 270 days from the issue date (i.e., 17 July 2020), and the annual interest rate was 3.18%. As at 30 June 2020, the corporate bonds were classified as current liabilities.

On 7 January 2020, 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 RMB4,450,000 in relation to the issuance, the total net proceeds were approximately RMB3,995,550,000. The bonds will mature 260 days from the issue date (i.e., 23 September 2020), and the annual interest rate was 3.00%. As at 30 June 2020, the corporate bonds were classified as current liabilities.

On 16 January 2020, the Company issued 25,000,000 units of bonds at a total par value of RMB2,500,000,000. After deduction of the expenses of approximately RMB3,020,000 in relation to the issuance, the total net proceeds were approximately RMB2,496,980,000. The bonds will mature 270 days from the issue date (i.e., 12 October 2020), and the annual interest rate was 3.04%. As at 30 June 2020, the corporate bonds were classified as current liabilities.

On 13 February 2020, 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 RMB4,764,000 in relation to the issuance, the total net proceeds were approximately RMB3,995,236,000. The bonds will mature 270 days from the issue date (i.e., 9 November 2020), and the annual interest rate was 2.50%. As at 30 June 2020, the corporate bonds were classified as current liabilities.

On 14 February 2020, 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 RMB3,413,000 in relation to the issuance, the total net proceeds were approximately RMB2,996,587,000. The bonds will mature 270 days from the issue date (i.e., 10 November 2020), and the annual interest rate was 2.50%. As at 30 June 2020, the corporate bonds were classified as current liabilities.

On 28 February 2020, 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 RMB2,399,000 in relation to the issuance, the total net proceeds were approximately RMB1,997,601,000. The bonds will mature 270 days from the issue date (i.e., 24 November 2020), and the annual interest rate was 2.50%. As at 30 June 2020, the corporate bonds were classified as current liabilities.

All proceeds from the issuance of the above bonds are used to supplement the group's working capital and repaying bank borrowings and debentures.



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20. Interest-bearing bank and other borrowings (continued)

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

	Borrowings and other borrowings		Bonds	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	54,457,943	29,287,983	21,294,118	13,188,732
Between 1 to 2 years	154,691	460,706	3,297,920	3,915,825
Between 2 to 5 years	596,592	–	3,996,454	3,996,319
	55,209,226	29,748,689	28,588,492	21,100,876

21. Lease liabilities

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January (audited)	4,289,689	3,677,338
New leases	1,091,963	967,564
Additions as a result of acquisition of a subsidiary (Note 27)	55,615	12,327
Accretion of interest recognised during the period	98,487	88,619
Payments	(796,398)	(681,352)
Disposals	(305,806)	–
Carrying amount at 30 June (unaudited)	4,433,550	4,064,496
Analysed into:		
Current portion	1,126,797	1,154,699
Non-current portion	3,306,753	2,909,797

The maturity analysis of lease liabilities is disclosed in note 4 to the financial information.

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22. Deferred income tax

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Deferred tax assets	1,481,246	1,448,853
Deferred tax liabilities	(1,074,849)	(1,099,108)
	406,397	349,745

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At 1 January	349,745	207,236
Acquisition of subsidiaries (Note 27)	(43,951)	(92,363)
Credited to the consolidated statement of profit or loss (Note 13)	106,183	257,446
Charged to other comprehensive income	(6,426)	(1,071)
Credited/(charged) to capital surplus	846	(2,707)
At 30 June	406,397	368,541



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23. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current service cost	2,421	2,810
Past service cost	291	107
Interest expense	6,272	7,003
	8,984	9,920

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
	Present value of funded obligations	18,947
Fair value of plan assets	(91,207)	(100,105)
Surplus of funded plans	(72,260)	(67,073)
Present value of unfunded post-employment benefit obligations	466,147	466,076
Liability in the consolidated statement of financial position	393,887	399,003

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23. Post-employment benefit obligations (continued)

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At 1 January	399,003	415,461
Charged to consolidated statement of profit or loss	8,984	9,920
Remeasurements of post-employment benefit obligations recognised in the consolidated statement of other comprehensive income	12,180	344
Contributions by employers and benefit payments	(26,280)	(30,652)
At 30 June	393,887	395,073

24. Other non-current liabilities

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Medical reserve funds		
– general (i)	1,127,495	520,562
– for H1N1 vaccines	68,407	68,407
Government grants for construction of logistics centres (ii)	78,044	84,194
Other government grants	319,480	289,450
Continuing involvement liabilities	11,400	39,000
Payables for acquisition of non-controlling interests	119,973	117,898
Payables for acquisition of subsidiaries	287,265	322,027
Others	60,256	54,715
	2,072,320	1,496,253



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24. Other non-current liabilities (continued)

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 RMB607,209,000 during the six months ended 30 June 2020 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 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. RMB276,000 was written-off with the government's approval due to the expiry of relevant medicines during the six months ended 30 June 2020. 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 2020, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

25. Trade and bills payables

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	75,900,929	71,012,123
Bills payable	21,883,868	29,321,645
	97,784,797	100,333,768

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.

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25. Trade and bills payables (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Below 3 months	69,386,095	73,248,556
Between 3 and 6 months	16,762,143	18,772,174
Between 6 months and 1 year	8,418,818	5,362,146
Between 1 and 2 years	1,809,088	1,666,546
Over 2 years	1,408,653	1,284,346
	97,784,797	100,333,768

The Group has trade payable financing program with certain banks whereby the banks repaid accounts 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 2020, trade payables of RMB786,904,000 (30 June 2019: RMB1,630,361,000) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2020, the balance of bank borrowings related to this program was RMB465,559,000 (31 December 2019: RMB186,362,000).



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26. 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
Sinopharm Qinghai Co., Ltd.	15.00	43,020
Sinopharm Ningxia Guyuan Co., Ltd.	14.29	1,253
Sinopharm Group Haoyang Mianyang Pharmaceutical Co., Ltd.	19.00	15,870
		60,143

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	19,394
Consideration payable to non-controlling interests	60,143
Excess of consideration paid over the carrying amount acquired	40,749

26. Transactions with non-controlling interests (continued)

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

During the reporting period, Sinopharm Jienuo Medical Service Co., Ltd. obtained a capital injection from a non-controlling shareholder amounting to RMB18,988,000. The shareholding of the non-controlling interests in Sinopharm Jienuo Medical Service Co., Ltd. increased by 15.8% and the carrying amount increased by RMB4,654,000. The Group recognised an increase in equity attributable to owners of the parent of RMB14,334,000.

During the reporting period, Sinopharm Pharmaceutical Beijing Medical Technology Co., Ltd. obtained a capital injection from a non-controlling shareholder amounting to RMB15,362,000. The shareholding of the non-controlling interests in Sinopharm Pharmaceutical Beijing Medical Technology Co., Ltd. increased by 15.0% and the carrying amount increased by RMB7,401,000. The Group recognised an increase in equity attributable to owners of the parent of RMB7,961,000.

Other disposal of interests in subsidiaries without loss of control amounted to RMB9,117,000, resulting in the carrying amount of the shareholding of the non-controlling interests increasing by RMB5,884,000. The Group recognised an increase in equity attributable to owners of the parent of RMB3,233,000.

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the six months ended 30 June 2020

	Effect on the total equity
	RMB'000
<hr/>	
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	40,749
– Disposal of interests in subsidiaries without loss of control	(25,528)
	<hr/>
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	15,221
	<hr/>



Notes to the Interim Condensed Consolidated Financial Information

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27. Business combinations not under common control

Acquisitions during the period are as follows:

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

Subsidiaries acquired from third parties	Month of acquisition	Acquired interests
Shanghai Dingqun Enterprise Management Consulting Co., Ltd. (Note)	January, 2020	100%
Sinopharm Quanzhou Yibao Pharmaceutical Co., Ltd.	January, 2020	100%
Sinopharm Holdings Tongling Co., Ltd.	January, 2020	60%
Chengdu Sinopharm Tongai Hospital Co., Ltd.	January, 2020	66%
Sinopharm Anhui Medical Inspection Co., Ltd.	January, 2020	60%
Sinopharm Group Jinzhou Jiuzhou Longda Pharmaceutical Co., Ltd.	April, 2020	70%
Sinopharm Kaifeng Pusheng Co., Ltd.	April, 2020	70%

Note: The Group acquired the equity interest in Shanghai Dingqun Enterprise Management Consulting Co., Ltd. from Qiling Equity Investment Center LP, which is controlled by the Group's associate Sinopharm CICC Medical Industry Fund. The purchase consideration is RMB934,240,000, and the related goodwill amounted to RMB520,836,000.

Businesses acquired from the following companies	Month of acquisition
Liaoning Xianzhen Pharmaceutical Co., Ltd.	January, 2020

The effect of the above acquisitions is summarised as follows:

	RMB'000
Purchase consideration	
– Contingent consideration (i)	34,590
– Cash payable	1,026,215
Total purchase consideration	1,060,805

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27. Business combinations not under common control (continued)

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	62,455
Property, plant and equipment (Note 16)	19,792
Intangible assets (Note 16)	265,032
– Sales network	163,000
– Others	102,032
Right-of-use assets (Note 16)	101,118
Deferred tax assets (Note 22)	23,180
Inventories	380,226
Other non-current assets	99,669
Trade and other receivables	1,173,177
Trade and other payables	(1,152,888)
Lease liabilities (Note 21)	(55,615)
Deferred tax liabilities (Note 22)	(67,131)
Interest-bearing bank and other borrowings	(252,600)
Total identifiable net assets at fair value	596,415
Less: Non-controlling interests (ii)	(111,080)
Goodwill (Note 16)	575,470
Total purchase consideration	1,060,805
Less: Contingent consideration (i)	(34,590)
	1,026,215
Less: Payables of cash consideration at period end	(353,889)
Cash consideration paid during the period	672,326
Cash and cash equivalents in subsidiaries acquired	62,455
Cash outflow on acquisition	609,871



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27. Business combinations not under common control (continued)

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 RMB34,590,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB34,590,000. As at 30 June 2020, 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 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 2020 are summarised as follows:

	From acquisition dates to 30 June 2020
	RMB'000
	(Unaudited)
Revenue	1,156,290
Net profit	31,859

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28. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property, plant and equipment: contracted but not provided for	144,064	171,208

29. 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.



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29. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of goods		
Ultimate holding company	-	9
Associates	320,524	241,335
Companies controlled by CNPGC	745,588	518,908
Associates of CNPGC	91	1
Subsidiaries of Fosun Pharmaceutical	117,667	112,069
Purchases of goods		
Associates	1,327,274	1,422,294
Companies controlled by CNPGC	1,628,519	1,815,423
Associates of CNPGC	630,011	677,583
Subsidiaries of Fosun Pharmaceutical	1,202,744	1,480,312
Borrowings		
Associates	38,964	12,576
Companies controlled by CNPGC	4,834,853	3,045,889
Interest fee paid for other financial services		
Ultimate holding company	514	641
Associates	539	3,604
Companies controlled by CNPGC	62,404	97,468
Bills receivable discount		
Companies controlled by CNPGC	559,532	893,615
Trade receivable factoring		
Associates	1,345,793	1,856,406
Companies controlled by CNPGC	2,302,685	4,090,141

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29. Significant related party transactions (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash in other financial institution		
Companies controlled by CNPGC	1,848,582	2,783,078
Trade and bills receivables due from		
Associates	102,551	69,950
Companies controlled by CNPGC	903,860	753,292
Associates of CNPGC	1,899	1,869
Subsidiaries of Fosun Pharmaceutical	83,822	76,713
Other receivables due from		
Associates	50,834	60,233
Companies controlled by CNPGC	71,556	33,365
Associates of CNPGC	137	1,244
Subsidiaries of Fosun Pharmaceutical	855	6,112
Prepayments to		
Associates	2,472	3,943
Companies controlled by CNPGC	102,135	139,527
Associates of CNPGC	5,264	4,548
Subsidiaries of Fosun Pharmaceutical	26,062	54,764
Trade and bills payables due to		
Associates	745,284	749,017
Companies controlled by CNPGC	908,829	1,114,798
Associates of CNPGC	221,167	159,843
Subsidiaries of Fosun Pharmaceutical	591,998	650,930
Other payables due to		
Ultimate holding company	400,000	81,491
Associates	547,016	794,447
Companies controlled by CNPGC	448,402	398,705
Associates of CNPGC	600	–
Subsidiaries of Fosun Pharmaceutical	906	820



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29. Significant related party transactions (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contract liabilities		
Associates	222	464
Companies controlled by CNPGC	138,115	85,243
Subsidiaries of Fosun Pharmaceutical	362	2,261
Borrowing due to		
Associates	3,893	–
Companies controlled by CNPGC	4,064,337	1,192,510
Other non-current liabilities		
Ultimate holding company	1,173,221	864,073
Associates	34,017	91,841
Companies controlled by CNPGC	2,445	2,446

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.

30. 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.

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.



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30. Share incentive scheme (continued)

In June 2018, due to resignation of certain Scheme Participants, a total number of 200,000 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.

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.

In November 2019, due to resignation of certain Scheme Participants, a total number of 80,400 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 November 2019, a total number of 1,943,700 Restrict Shares were expired. 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.

According to the Initial Grant proposal, the Restricted Shares under the Initial Grant are subject to three unlocking periods. As the Company failed to achieve part of the performance targets for 2019, the Company failed to meet the unlocking conditions of the third unlocking period. Upon consideration and approval by the board of directors of the Company on 23 June 2020, except for Scheme Participants who withdrew from the Scheme due to reasons such as resignation or change of positions, the remaining 1.8972 million restricted H shares which have been granted to an aggregate of 153 Scheme Participants (representing approximately 0.06% of the total issued share capital of the Company as at the date of this announcement, and representing 34% of the restricted H shares granted to these Scheme Participants) will not be unlocked.

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:

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30. Share incentive scheme (continued)

<u>Unlocking Period</u>	<u>Performance Assessment Target</u>	<u>Proportion of unlocking shares</u>
First unlocking period	<p>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;</p> <p>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;</p> <p>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.</p>	33%
Second unlocking period	<p>The weighted average ROE for 2018 shall be not lower than 12.7% and not lower than the 75 percentile of benchmarking enterprises;</p> <p>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;</p> <p>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.</p>	33%
Third unlocking period	<p>The weighted average ROE for 2019 shall be not lower than 12.8% and not lower than the 75 percentile of benchmarking enterprises;</p> <p>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;</p> <p>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.</p>	34%



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30. Share incentive scheme (continued)

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

Date of grant	As at 1 January 2020 (Audited)	Granted	Vesting	Bonus issue	Forfeited	Lapsed/ expired	As at 30 June 2020 (Unaudited)
16 November 2016	2,002,600	-	-	-	(105,400)	(1,897,200)	-

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 reversed expenses relating to the Scheme of approximately RMB18,569,000 in the consolidated statement of profit or loss during the period. As such, the Initial Grant under the Restricted Share Incentive Scheme of the Company has come to an end.

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.

31. Material subsequent events

On 24 July 2020, Sinopharm Holding Guoda Drugstores Co., Ltd. ("**Guoda Drugstores**"), a subsidiary of the Company, acquired 100% equity interests in Chengda Fangyuan Pharmaceutical Group Co., Ltd. ("**Chengda Fangyuan**") for cash consideration of approximately RMB1,860,000,000 (the "**Acquisition**") from Liaoning Chenda Co., Ltd. At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Chengda Fangyuan. The fair values of the assets and liabilities of Chengda Fangyuan have not been disclosed as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about the acquisition-related costs and any contingent liabilities of the acquired entity.

32. 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 21 August 2020.