



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 國藥控股股份有限公司)
Stock Code: 01099

SPS+

國藥控股
專業藥房

All for Health Health for All

2021

Interim Report

* 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

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

The Group is mainly engaged in pharmaceutical and medical devices distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, delivery 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.



**Corporate
Mission**

All for Health
Health for All



**Corporate
Vision**

Becoming a distinguished
(technological and innovative)
global pharmaceutical and
healthcare service provider

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Corporate Information

As at the date of this report

Directors

Mr. Yu Qingming (*Executive Director and Chairman*)
Mr. Liu Yong (*Executive Director and President*)
Mr. Chen Qiyu (*Non-executive Director and Vice Chairman*)
Mr. Hu Jianwei (*Non-executive Director*)
Mr. Ma Ping (*Non-executive Director*)
Mr. Deng Jindong (*Non-executive Director*)
Mr. Wen Deyong (*Non-executive Director*)
Mr. Li Dongjiu (*Non-executive Director*)
Ms. Feng Rongli (*Non-executive Director*)
Mr. Zhuo Fumin (*Independent Non-executive Director*)
Mr. Chen Fangruo (*Independent Non-executive Director*)
Mr. Li Peiyu (*Independent Non-executive Director*)
Mr. Wu Tak Lung (*Independent Non-executive Director*)
Mr. Yu Weifeng (*Independent Non-executive Director*)

Supervisors

Ms. Guan Xiaohui (*Chief Supervisor*)
Mr. Liu Zhengdong
Mr. Zhang Hongyu
Ms. Lu Haiqing

Joint Company Secretaries

Mr. Wu Yijian
Mr. Chan Sing Yuen Roy

Strategy and Investment Committee

Mr. Yu Qingming (*Chairman*)
Mr. Liu Yong
Mr. Chen Qiyu
Mr. Hu Jianwei
Mr. Ma Ping
Mr. Deng Jindong
Mr. Wen Deyong
Mr. Li Dongjiu
Mr. Chen Fangruo
Mr. Li Peiyu

Audit Committee

Mr. Wu Tak Lung (*Chairman*)
Mr. Deng Jindong
Mr. Li Dongjiu
Mr. Zhuo Fumin
Mr. Li Peiyu

Remuneration Committee

Mr. Li Peiyu (*Chairman*)
Mr. Deng Jindong
Ms. Feng Rongli
Mr. Wu Tak Lung
Mr. Yu Weifeng

Nomination Committee

Mr. Yu Qingming (*Chairman*)
Mr. Hu Jianwei
Ms. Feng Rongli
Mr. Zhuo Fumin
Mr. Chen Fangruo
Mr. Wu Tak Lung
Mr. Yu Weifeng

Corporate Information

As at the date of this report

Legal and Compliance and Environmental, Social and Governance Committee

Mr. Yu Weifeng (*Chairman*)
Mr. Yu Qingming
Mr. Liu Yong

Authorized Representatives

Mr. Yu Qingming
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
Registered PIE auditor

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 Headquarters in the PRC

Sinopharm Group Building,
No. 385, East Longhua Road, Huangpu District,
Shanghai 200023, the PRC

Registered Office in the PRC

1st Floor, No.385,
East Longhua Road,
Huangpu District,
Shanghai 200023, the PRC

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

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

Stock Code

01099

Principal Banks

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

Office of Board of Directors

Tel:(+86 21)2305 2666
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Definitions

In this interim report, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CNPGC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“CNPGC Group”	CNPGC and its subsidiaries and associates (excluding the Group)
“Company” or “Sinopharm Group”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“Directors”	the director(s) of the Company
“Fosun High Technology”	Shanghai Fosun High Technology (Group) Company Limited, a company incorporated in the PRC with limited liability
“Fosun Holdings”	Fosun Holdings Limited, a company incorporated in the PRC with limited liability
“Fosun International”	Fosun International Limited, a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
“Fosun International Holdings”	Fosun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Group”	the Company and its subsidiaries
“Henlius”	Shanghai Henlius Biotech, Inc., a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“PRC”	the People’s Republic of China
“Reporting Period”	the six months ended 30 June 2021
“Shareholder(s)”	the shareholder(s) of the Company
“Sinopharm Accord”	China National Accord Medicines Corporation Ltd., a joint stock company incorporated in the PRC with limited liability, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange
“Sinopharm (CNCM LTD)”	China National Medicines Corporation Ltd., a joint stock company incorporated in the PRC with limited liability, whose A shares are listed and traded on the Shanghai Stock Exchange
“Sinopharm Investment”	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), a company incorporated in the PRC with limited liability
“Supervisor(s)”	the supervisor(s) of the Company

Management Discussion and Analysis

Industry Overview

Pandemic prevention and control is normalized, and economic quality is continuously improved

In the first half of 2021, the PRC government has actively coordinated the normalized prevention and control of the pandemic and economic and social development. As the national economy continued to maintain a steady and positive trend, enterprises have constantly improved their financial performance and profits achieved faster growth as compared to the same period of the previous year. China's economic recovery in the post-pandemic period is at the forefront of the world, and the operation quality of the economy has been further improved.

During the period, the PRC government continued to maintain the necessary support for the steady development of the economy. On the basis of maintaining a prudent monetary policy, a more flexible and targeted policy regulation was adopted in order to support economic high-quality recovery with moderate monetary growth.

According to relevant data released by the National Bureau of Statistics (preliminary statistics), China's gross domestic product (GDP) reached RMB53.22 trillion in the first half of 2021, representing an increase of 12.7% over the same period of the previous year. By quarter, the first quarter grew by 18.3% year-on-year, while the second quarter grew by 7.9% year-on-year. Economic indicators showed a steady growth, economic growth rate steadily improved, and the fulfillment of the main objectives and tasks of economic and social development was better than expected.

Medical insurance reform is gradually deepened, and the restructuring of industry landscape is accelerated

In the first half of 2021, the pharmaceutical distribution market made a constant recovery, and the industry growth rate basically recovered to the level of the same period in 2019. According to data from the Pharmaceutical Distribution Statistics System of the Ministry of Commerce, the total sales of seven major categories of pharmaceutical commodities nationwide in the first quarter of 2021 amounted to RMB651.6 billion, representing an increase of 17.65% over the same period of the previous year. Sales in the pharmaceutical retail market reached RMB136.3 billion, representing a year-on-year growth of 8.87%. The revenue from main operations of pharmaceutical distribution enterprises reported directly reached RMB484.4 billion, representing a year-on-year increase of 18.63%, and the profit reached RMB7.7 billion, representing a year-on-year increase of 14.06%. As a whole, the entire healthcare industry maintained a healthy recovery after the pandemic.

The outbreak of the pandemic and the deepening of medical insurance reform have brought about a profound impact on the medical insurance system. In the first half of this year, the successive implementation of medical reform policies such as "adjustment of the Medical Insurance Catalog and volume-based procurement ("VBP") of drugs and medical devices" has put pressure on the overall profitability of the medical industry, and therefore the deep transformation and reform has been further accelerated. The effect of policy implementation has undoubtedly brought new challenges to the operation mode and service capability of the pharmaceutical and medical device distribution industry. Leading companies are actively consolidating their leading position in the industry through outward expansion and internal transformation to increase their market shares and create barriers to competition in the new competitive landscape.

Management Discussion and Analysis

As the “dual channel” policy supports the “prescription outflows” in the post-pandemic era, the implementation of the “separation of medical services and pharmaceutical sales” was accelerated, the market landscape witnessed rapid evolution, and the business structure became more and more diversified. With the channel reconstruction and service transformation of the entire pharmaceutical distribution industry, China’s multi-level medical service guarantee system is increasingly improved, the supply chain channels experience continuous expansion, and the demand for “wholesale and retail synergic development” has increased significantly. With the organic integration of “Internet-based online services” and “offline network with physical pharmacies as the core”, the Group also accelerated the construction of an integrated full-cycle closed-loop business model of “medical, medicine, patient and insurance”, the whole industry is in a new stage of development and facing new challenges.

Business Review

The year 2021 is the first year of the Group’s “14th Five-Year” Development Strategy. During the Reporting Period, under the leadership of the Board and the management, the Group overcame the adverse impact caused by the pandemic and the complex and volatile challenges such as the sustained pressure on the gross profit of the industry, and provided new services including vaccine distribution and marketing and promotion. Thus, the Group fulfilled its responsibility as a state-owned enterprise in the pharmaceutical industry and consolidated its leading position in its core business on the basis of ensuring the stable growth of all businesses. The Group also promoted digital transformation, and achieved its business development targets in the first half of the year by coordinating and promoting various key tasks such as business development and model transformation. In terms of the overall financial performance in the first half of 2021, the Group’s revenue, net profit and other performance indicators saw a fast year-on-year growth, expense ratio and other cost indicators continued to decline, and efficiency indicators such as days of turnover of accounts receivable and inventories as well as overall operating cycle improved significantly.

During the Reporting Period, the Company achieved revenue of RMB249,120.23 million, representing a year-on-year increase of 22.26%. Net profit was RMB6,028.53 million, representing a year-on-year increase of 25.51%, and net profit attributable to owners of the parent company reached RMB3,582.84 million, representing a year-on-year increase of 23.73%. The growth rate of all indicators continued to exceed the average level of the industry, and market share increased in an orderly manner.

During the Reporting Period, the Group achieved rapid growth in sales revenue from all business segments. Revenue from the pharmaceutical distribution business realized a year-on-year increase of 20.92%, and its share in the total revenue of the Group decreased by 1.74 percentage points compared with the same period of the previous year. Revenue from the medical device business realized a year-on-year increase of 33.19%, and its share in the total revenue of the Group increased by 1.32 percentage points compared with the same period of the previous year, revenue from the retail pharmacy business realized a year-on-year increase of 24.57%, and its share in the total revenue of the Group increased by 0.03 percentage point compared with the same period of the previous year. In addition, the Group’s industrial segment achieved rapid development during the Reporting Period. The revenue contribution of chemical reagents recovered rapidly compared with the period of pandemic. In addition to consolidating the existing business, the Group’s own brands such as “HUSHI” and “WOKAI” focused on promoting the construction of out-of-hospital channel networks such as university laboratories and third-party testing laboratories. Therefore, the scale of sales continued to grow and its contribution to the Group’s revenue continued to increase.

Management Discussion and Analysis

The Company's outstanding business performance and performance of duties have been repeatedly recognized and honored by industry authorities such as the State-owned Assets Supervision and Administration Commission of the State Council, the National Health Commission and other governments at all levels, continuously enhancing the Group's brand image and industry leadership position. In the "Fortune China 500 List" released on 20 July 2021, the Company maintained the 22nd place in the List and continued to rank first in the industry.

Pharmaceutical distribution strength remains stable, and service innovation is accelerating

In January 2021, the General Office of the State Council issued the Opinions on Promoting the Normalization and Institutionalization of the Centralized Volume-based Procurement of Pharmaceuticals for the purpose of steadily expanding the scope of VBP and deepening the reform of the pharmaceutical and health system. During the Reporting Period, the fourth round of VBP has been implemented in May, and the results of the fifth round of VBP were officially announced on 28 June 2021. According to the statistics of the National Healthcare Security Administration, the first five rounds of VBP involved a total of 218 varieties, accounting for 30% of the procurement amount of chemical drugs in public medical institutions at the price before VBP, and continued to bring challenges to the profit level and business model of the entire pharmaceutical distribution industry.

The Group has responded to the rapid transformation of the competitive landscape of the industry, coordinated the network distribution and supply chain resources within the Group, continuously promoted the orderly increase of market share and facilitated the high-quality transformation of the service model. During the Reporting Period, the Group's pharmaceutical distribution business achieved sales revenue of RMB190,446.44 million, representing a year-on-year increase of 20.92%. The acquisition rate of the varieties involved in VBP of the Group remained at the leading position in the industry, and the market share and total distribution volume continued to increase.

The Group also focused on the adjustment and optimization of business structure and channel proportion to accelerate the improvement of end customer coverage. Through the endogenous business expansion and network sinking of the Group, the proportion of the revenue derived from the direct sales business to medical institutions and retail terminals continued to increase, with the revenue from the direct sales to tertiary and secondary hospitals increasing by nearly 30% year-on-year; the revenue from the direct sales to primary medical institutions and retail terminals both achieved a year-on-year increase of nearly 20%, the advantages of network coverage emerged at a faster pace.

In recent years, the continuous expansion of VBP has partly restructured the marketing and distribution model of the products. The Group actively integrated its existing network and resources and accelerated the construction of marketing and promotion and value-added service capabilities beyond distribution and delivery by relying on the advantages of long-term and in-depth cooperation with upstream suppliers. During the Reporting Period, the Group gradually implemented the integrated transformation of its marketing team and is promoting the rapid development of value-added services including marketing promotion, centralized distribution and drug SPD with superior resources that are difficult to replicate through the intellectualization of service processes and standardization of service systems.

During the Reporting Period, the Group successfully promoted broad marketing cooperation for four oncology and blood products in 18 provinces, accelerating the emerging of the competitive advantages of the leading companies and further enriching and optimizing the revenue structure.

Management Discussion and Analysis

Rapid growth in medical device distribution business promotes the orderly advancement in upstream manufacturing

In January 2021, the national VBP of coronary stents officially started. In April, the national VBP work of orthopedic artificial joint products has been officially started. The implementation of the policies has brought about a far-reaching impact on the device distribution industry similar to that of the drug distribution industry. As the concentration of upstream product supply increases, the profit distribution mechanism of the whole industry chain is reconstructed, and the landscape of the industry faces reshuffle. Since the device distribution industry has not experienced the adjustment of the “two-invoice system”, the implementation of the expansion of “VBP” further demonstrated the importance and difference of the network efficiency, service quality and resource coordination and other terms of distributors. Through constantly strengthening the systematic construction of the distribution service team, the Group continuously improved the network coverage and service capability and promoted a rapid growth of the medical device segment. During the Reporting Period, the Group’s revenue from the device business reached RMB47,780.34 million, representing a year-on-year increase of 33.19% and accounting for 18.61% of the Group’s total revenue, with a year-on-year increase of 1.32 percentage points.

The category complexity and product specificity of medical devices have undoubtedly raised more professional requirements on the comprehensive strength of distribution quality and value-added services of distributors. In order to follow the new trend of service transformation, the Group has continuously strengthened its premium product agency capabilities, promoted business collaboration and technology empowerment, and continued to promote the rapid development of value-added services such as centralized distribution, in-hospital logistics management and intelligent logistics. During the Reporting Period, the Group added 114 SPD projects and 134 centralized distribution projects. Relying on the continuous implementation of the projects, the Group further improved the one-stop supply chain solution, promoted the standardization of clinical services in the industry, and improved the level and efficiency of in-hospital medical services while properly handling the demand for clinical services.

In addition, the Group also focused on promoting the development of “device manufacturing” as an important strategic segment and deployed the expansion and extension of the Group’s upstream industrial manufacturing capabilities. As of the end of the Reporting Period, the Group has initially possessed the manufacturing capacity of more than 100 products in the medical consumables category, and completed the product launch and sales in more than 30 provinces nationwide by quickly relying on the advantages of downstream distribution network. For some important categories with the attribute of “coordinated potential” with the Group’s distribution network, the Group has actively carried out relevant investigation and preliminarily completed the screening of relevant targets, thus providing reserves for the subsequent expansion of upstream manufacturing business.

Wholesale and retail synergy consolidates advantages, and policy leads to steady growth

In 2021, the implementation of “dual channel” policy is expected to solve the problem of difficult access to hospitals for drugs negotiated for medical insurance, and provided a policy guarantee for the expansion of out-of-hospital supply channels. The implementation of the policy not only imposed higher requirements on the pharmaceutical service capacity of designated institutions and the professional qualifications of pharmacists in the stores, but also demonstrated the importance of the drug storage and management capacities of out-of-hospital channels and the coordination capacities of wholesale and retail networks.

Management Discussion and Analysis

During the Reporting Period, the Group implemented the development strategy of “wholesale and retail synergy”, coordinated procurement and logistics resources, and promoted the coordinated development of “retail and wholesale”, “drugs and devices”, and “professional pharmacies and social pharmacies”. Thus, the Group continued to improve the accessibility of prescription varieties and pharmaceutical services in retail pharmacies. As at the end of the Reporting Period, the Group’s revenue from the retail pharmacy business amounted to RMB13,722.19 million, representing a year-on-year increase of 24.57%. Revenue from the pharmaceutical retail business accounted for 5.34% of the Group’s total revenue with the growth rate substantially higher than the average industry level. According to the “2020-2021 Top 100 China Pharmacy Value List”, both the Group’s pharmaceutical retail segment and directly managed store system ranked first in the industry.

The accelerated implementation of a series of policies such as the “dual channel” has provided a huge development opportunity for the retail business segment. In order to better meet the pharmaceutical service and drug purchase needs flowing out from in-hospital pharmacies to the retail system, the Group further improved the layout of its store network, continued to increase the proportion of pharmacies with obvious service advantages, including pharmacies close to hospitals and medical insurance unification pharmacies, and optimized business processes in terms of supply chain integration of “wholesale and retail synergy” to build a retail chain network with professional pharmaceutical service capabilities in the new environment. As of the end of June 2021, the Group’s total number of retail stores reached 9,782, representing an increase of 805 stores compared with the end of 2020. Among them, there were 8,439 Guoda pharmacies, representing an increase of 779 compared with the end of 2020, and 1,343 professional pharmacies, representing an increase of 26 compared with the end of 2020.

During the Reporting Period, relying on the advantages of “the Group’s brands” and “control system”, the Group implemented the development concepts of taking “prescription outflows as the core” and “dual channel drugs as the diversion means”, established and improved the safety monitoring and traceability mechanism for the use of drugs in strict compliance with the policy requirement of “designated institutions, designated physicians and traceability”, and further coordinated the ratio of pharmacists stationed in designated pharmacies to improve professional service capacity. In addition, the Group also optimized the efficiency of retail operations and, promoted informatization and digital transformation of retail business. With respect to the different business scenarios, the Group upgraded the membership system with high stickiness and continuous activity, thus building an “online plus offline” omni-channel retail service network. In terms of payment, the Group deepened its integration with the payment channels of medical insurance accounts, focused on exploring innovative cooperation projects with commercial insurance companies, joined hands with medical insurance and hospitals to create a new model of “Internet plus chronic disease management”, and promoted resource coordination between distribution and retail supply chain systems, thus laying a solid foundation for the medium- and long-term development of the retail segment.

Management Discussion and Analysis

Strengthen internal control to control risks, and improve governance through digital transformation

During the Reporting Period, the Group strengthened internal control and governance and implemented various expense and credit risk control measures. Benefiting from strict expense control, excellent capital management efficiency and efficient use of financing channels, the Group recorded a continuous decrease in all cost and expense ratios. As of the end of the Reporting Period, the overall expense ratio was 5.07%, representing a year-on-year decrease of 0.19 percentage point; the financial expense ratio in the first half of the year was 0.64%, continuing to decrease by 0.06 percentage point compared with the same period of the previous year.

The Group focused on deploying business data governance, data architecture improvement and data logic analysis in accordance with the digital transformation ideas and blueprint studied and determined in the early stage, and continued to improve the digitalization of processes and information processing efficiency. Relying on innovative technological means such as artificial intelligence and programmed processing, the Group promoted the integration and optimization of business processes and facilitated the transformation of management system towards flattening and refinement, laying a solid foundation for the orderly promotion of the overall digital transformation of the entire system and processes.

During the Reporting Period, the Group continued to promote the establishment and building of shared financial system and information technology capabilities, focused on building the national integrated service capability and resource coordination advantage of middle offices and comprehensively strengthened the refined assessment and structural adjustment of costs and expenses. Meanwhile, the Group implemented the regulatory measures of internal control and governance, and further optimized its credit risk governance and focused on strengthening the collection and management of accounts receivable over one year and non-normal receivable. The Group continuously released endogenous drivers of efficiency optimization of enterprise while strengthening risk management and control.

Make every effort on vaccine distribution, and take the responsibility of the Group as a state-owned enterprise

As of the end of June 2021, the National Medical Products Administration has approved 22 vaccine varieties of 5 technical routes in an emergency manner to carry out clinical trials, and approved 4 COVID-19 vaccines with conditions for marketing in accordance with laws and regulations. With the mission of fulfilling its social responsibility, the Group overcome difficulties such as high delivery frequency, many vaccination sites and high distribution pressure by strengthening its efforts in vaccine distribution and coordinating resources such as cold chain, cold storage and vehicles. The Group gave full play to the processing efficiency and service advantages of the Group's self-developed "TracentSure System", in order to ensure that the distribution business for various types of COVID-19 vaccines were carried out in an orderly manner. It vigorously enhanced the service capacity of cold chain logistics while orderly guaranteeing the safety of vaccine distribution, thereby further highlighting the Group's competitive advantages in the terms of cold chain professional services.

Management Discussion and Analysis

Future Plans

Looking forward to the second half of 2021, the internal circulation driving force of China's economy will continue to emerge, but the sporadic outbreak of the pandemic has led to an uneven recovery across the economy. Therefore, consolidating the foundation for stable development still faces challenges.

The pharmaceutical distribution industry is at an important point of regulatory strengthening and business transformation. The Group will continue to leverage its national network and channel advantages to fully explore the resource and demands of upstream and downstream enterprises and end customers, seek transformation with high-quality innovation, people-oriented services and intelligent technologies, and explore coordination and innovation among different businesses, thus seizing opportunities in transformation, and seeking breakthroughs in competition.

Accelerate the process of digital transformation

On the basis of ensuring the orderly integration with the existing information system, combining leading information technologies in the industry and successful practical experience, the Group will focus on the iterative upgrade of key management information systems including business, finance, logistics, retail and e-commerce, and promoted the construction and transformation of digital platforms by sorting out and improving its business system and process, thereby improving the information governance capacity of business. On this basis, the Group will also explore the construction of a digital asset and big data management platform suitable for the industry's supply chain management structure, promote the "integration of the Internet, big data, artificial intelligence and real business" in an orderly manner through management innovation and mechanism guarantee, and enhance deep value mining capability for data, so as to provide guarantee for optimizing operating efficiency and driving transformation and innovation.

Strengthen the synergistic advantages of business segments

In the context of deepening medical insurance reform, the implementation of the "reform of the diversified and composite medical insurance payment method" mainly based on "Diagnosis-Related Groups payment" in the future will bring more demands for integrated solutions and development opportunities for medical products supply chain. The Group will further strengthen the integration and synergy capabilities among its business segments, consolidate its leading position in drug and device distribution, deepen the exploration of innovative business models such as "wholesale-retail integration", "drug-device synergic development" and "retail-device synergic development", enhance the accessibility and convenience of high-quality drug and device supply chain and pharmaceutical services, and optimize the comprehensive service level of in-hospital and out-of-hospital distribution channels, thus laying a solid foundation for consolidating its competitive advantages in the new development environment.

Management Discussion and Analysis

Enhance the synergy capabilities of business resources

The implementation of the expansion of “VBP” and the mass vaccination of COVID-19 vaccines have undoubtedly raised higher requirements on the “national-wide integration” operational capability of the drug and device distribution network. The Group will further strengthen the matching and synergy of network resources among various businesses and regions, explore the innovation of business management and control model, and accelerate and promote the upgrade of supply chain network to national-wide integration and service standardization. The Group will also further strengthen the building of service capacity for the whole supply chain system and improve the infrastructure layout of special services, including “national cold chain logistics”, so as to constantly consolidate the Group’s professional service advantages and industry leadership position.

Build a comprehensive joint innovation system

The Group will build an innovative business incubation system with “Channel Synergy” as the core, and build a business strength of “medical, medicine, patient and insurance” closed-loop services. The Group will strengthen the innovative design of management models and appraisal system, explore multi-dimensional cooperation models with leading enterprises or technical R&D companies, accelerate the introduction and incubation of innovative projects and promote the orderly integration with existing business resources. Relying on the Group’s existing industry status and business experience, the Group will also strengthen communication with government, participate in and promote the research and development of industry standards, and promote the standardization and traceability of supply chain services, thus constantly contributing to the overall transformation and upgrading of the pharmaceutical distribution industry.

Continuously optimize the efficiency of business governance

The Group will promote the improvement of financial supervision and business governance capability in an orderly and in-depth manner, strictly implement the various performance indicators of “High-Quality Development” by focusing on the four development directions of “Healthy Growth, Cost Reduction, Efficiency Improvement and Risk Control” to strengthen the supervision of internal control, improve the efficiency of capital turnover, and optimize business operation indicators.

The year 2021 is not only the first year for the Group to implement the “14th Five-Year” Development Strategy, but also a critical year for the in-depth transformation of the industry and the innovation and transformation of the Group’s business. The Group will seize the opportunity of transformation and change in the industry and promote various reform initiatives. Under the leadership of the Board, the Group will respond to the development trend of the industry, and with “model innovation and technology empowerment” as the core driving force, continue to promote the medium- and long-term sound development of all businesses to create investment value and long-term returns for shareholders.

Management Discussion and Analysis

Financial Summary

The financial summary set out below is extracted from the unaudited interim 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 RMB249,120.23 million, representing an increase of RMB45,355.52 million or 22.26% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB6,028.53 million, representing an increase of RMB1,225.15 million or 25.51% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB3,582.84 million, representing an increase of RMB687.16 million or 23.73% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.15, representing an increase of 23.66% as compared with the corresponding period of last year.

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2021	Six months ended 30 June 2020	Change
Operating result			
Revenue	249,120.23	203,764.71	45,355.52
Earnings before interest and tax	9,302.20	7,644.80	1,657.40
Profit attributable to owners of the parent	3,582.84	2,895.68	687.16
Profitability			
Gross margin	8.26%	8.46%	decreased by 0.20 percentage point
Operating margin	3.52%	3.53%	decreased by 0.01 percentage point
Net profit margin	2.42%	2.36%	increased by 0.06 percentage point
Earnings per share – Basic (RMB)	1.15	0.93	0.22
Key operational indicators			
Trade receivables turnover ratio (days)	123	125	-2
Inventory turnover ratio (days)	39	43	-4
Trade payables turnover ratio (days)	92	96	-4
Current ratio (times)	1.29	1.27	0.02

Management Discussion and Analysis

Unit: in millions of RMB unless otherwise stated

	30 June 2021	31 December 2020	Change
Asset position			
Total assets	344,330.90	311,236.71	33,094.19
Equity attributable to owners of the parent	57,788.81	56,358.85	1,429.97
Gearing ratio	72.94%	71.10%	increased by 1.84 percentage points
Cash and cash equivalents	34,359.74	50,178.27	-15,818.52

Revenue

During the Reporting Period, the Group recorded revenue of RMB249,120.23 million, representing an increase of 22.26% as compared with RMB203,764.71 million for the six months ended 30 June 2020. This increase was mainly due to the increase in revenue from the Group's pharmaceutical distribution business, medical device business and retail pharmacy business.

- Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB190,446.44 million, representing an increase of 20.92% as compared with RMB157,494.67 million for the six months ended 30 June 2020, and accounting for 74.17% of the total revenue of the Group. Such increase was mainly due to the increase in the distribution scale of retail pharmacies and the increase in sales in the e-commerce market.
- Medical device segment:** During the Reporting Period, the revenue from medical device of the Group was RMB47,780.34 million, which accounted for 18.61% of the total revenue of the Group and represented an increase of 33.19% as compared with RMB35,873.04 million for the six months ended 30 June 2020. The increase was primarily due to the acquisition for expansion and the business growth of the Group's medical device business.
- Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB13,722.19 million, representing an increase of 24.57% as compared with RMB11,015.77 million for the six months ended 30 June 2020, and accounting for 5.34% 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.
- Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB4,835.31 million, representing an increase of 57.05% as compared with RMB3,078.91 million for the six months ended 30 June 2020. The increase was 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 RMB228,533.01 million, representing an increase of 22.52% as compared with RMB186,522.84 million for the six months ended 30 June 2020, which was comparable with the growth rate of the revenue.

Gross Profit

The gross profit of the Group for the Reporting Period increased by 19.40% from RMB17,241.88 million for the six months ended 30 June 2020 to RMB20,587.22 million.

The gross profit margin of the Group for the six months ended 30 June 2021 was 8.26%, whilst the gross profit margin for the same period in 2020 was 8.46%, 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 RMB243.29 million, representing a decrease of 23.43% as compared with RMB317.74 million for the six months ended 30 June 2020. The decrease in other income was primarily due to the decrease 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 RMB7,605.50 million, representing an increase of 21.50% as compared with RMB6,259.80 million for the six months ended 30 June 2020. 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 RMB3,441.56 million, representing an increase of 13.79% from RMB3,024.57 million for the same period in 2020.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group decreased to 1.38% from 1.48% for the six months ended 30 June 2020, which was mainly due to the tighter administrative budget.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group for the Reporting Period was RMB8,772.03 million, representing an increase of 22.00% from RMB7,189.95 million for the six months ended 30 June 2020.

Management Discussion and Analysis

Other Gains, Net

The other gains, net of the Group decreased by RMB10.32 million from RMB85.76 million for the six months ended 30 June 2020 to RMB75.44 million for the Reporting Period.

Other expenses

The other expenses of the Group were RMB0.18 million for the Reporting Period, representing an increase of RMB0.18 million from RMB0 million for the six months ended 30 June 2020.

Finance Costs, Net

During the Reporting Period, the finance costs of the Group were RMB1,585.25 million, representing an increase of RMB157.58 million as compared with RMB1,427.67 million for the six months ended 30 June 2020. The increase was primarily due to the increase in financing costs 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 RMB454.31 million, representing an increase of 23.61% as compared with RMB367.54 million for the six months ended 30 June 2020.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of profits and losses of joint ventures was RMB0.60 million, representing a decrease of 61.38% as compared with RMB1.55 million for the six months ended 30 June 2020.

Income Tax Expense

The Group's income tax expense increased by 19.43% from RMB1,413.75 million for the six months ended 30 June 2020 to RMB1,688.42 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profits before tax of the Group. The Group's effective income tax rate decreased from 22.74% for the six months ended 30 June 2020 to 21.88% for the six months ended 30 June 2021.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB6,028.53 million, representing an increase of 25.51% from RMB4,803.38 million for the six months ended 30 June 2020. The Group's net profit margin for the Reporting Period and for the corresponding period of 2020 was 2.42% and 2.36%, respectively.

Management Discussion and Analysis

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB3,582.84 million, representing an increase of 23.73%, or RMB687.16 million, from RMB2,895.68 million for the six months ended 30 June 2020.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB2,445.69 million, representing an increase of 28.20% from RMB1,907.70 million for the six months ended 30 June 2020.

Liquidity and Capital Sources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB255,241.21 million, of which approximately RMB145,435.64 million were not yet utilized. At the end of the Reporting Period, the Group's cash and cash equivalents of RMB34,359.74 million primarily comprise cash, bank deposits 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, medical device, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB27,768.36 million. The net cash used in operating activities of the Group was RMB27,596.61 million for the six months ended 30 June 2020. The increase was primarily attributed to the delayed collection of trade receivables and payment in trade payables during the Reporting Period.

Net cash generated from investment activities

During the Reporting Period, the net cash generated from investment activities of the Group was RMB88.30 million as compared with the net cash from investment activities of RMB1,990.63 million for the six months ended 30 June 2020. Such decrease was primarily due to the changes 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 RMB11,860.44 million, representing a decrease of RMB13,880.21 million as compared with RMB25,740.65 million for the six months ended 30 June 2020. Such decrease was primarily due to the proceeds received from placing of new H shares by the Company in the corresponding period of last year.

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems, new store decoration and equipment purchase. The Group's capital expenditures for the Reporting Period amounted to RMB1,325.81 million, representing a decrease of RMB292.31 million as compared with RMB1,618.11 million for the six months ended 30 June 2020, 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 future 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 RMB14.495 billion in the first half of 2021 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 2021, 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, CHF and JPY.

For details of borrowings of the Group, please refer to note 20 to the interim condensed consolidated financial statements.

Management Discussion and Analysis

Indebtedness

As of 30 June 2021, the Group had aggregated banking facilities of RMB255,241.21 million, of which RMB145,435.64 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 2021, among the Group's total borrowings, RMB71,827.22 million will be due within one year and RMB10,320.99 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 2021, the Group's gearing ratio was 72.94% (31 December 2020: 71.10%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2021.

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 under 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 2021, part of the Group's borrowings and notes payable were secured by trade and bills receivables with book value of RMB1,255.00 million (unaudited), bank deposits of RMB8,172.28 million (unaudited), investment real estate with book value of RMB4.71 million (unaudited), properties, plant and equipment with book value of RMB61.63 million (unaudited) and intangible assets with book value of RMB6.12 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.

Contingent Liabilities and Material Litigations

As at 30 June 2021, 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.

Management Discussion and Analysis

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 at 30 June 2021, the Group had a total of 108,370 employees. In order to meet the development needs and 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 specialized 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 their efficiency. The Group conducts periodic performance reviews on its employees and adjusts their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

For remuneration and performance, the Group has established a normative 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. The Restricted Share Incentive Scheme of the Company took effect on 18 October 2016 with an effective period of ten years from the date of adoption. As at 31 December 2020, all the Initial Grant has been completed.

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

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Yu Qingming, aged 57, is the secretary of Party Committee, chairman and executive Director of the Company. Mr. Yu has over 34 years of working experience in the pharmaceuticals industry, especially in the management of pharmaceuticals, medical devices and health products, and holds the professional title of senior engineer. Mr. Yu graduated from Shanghai Medical Equipment College (now known as Shanghai University of Medicine & Health Sciences) in 1987, and graduated from the Party school of the Central of committee of C.P.C majoring in economic management in July 2001 with a master degree. From July 1987 to February 1997, Mr. Yu successively worked at Beijing Pharmaceutical Station of CNPGC, China Medical Instrument Corporation and State Pharmaceutical Administration; from February 1997 to August 2010, Mr. Yu successively held senior management positions in Zhuhai United Laboratories Co., Ltd. and China Medical Instrument Corporation. Mr. Yu has taken senior management positions of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since August 2010. He currently serves as the director of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd.. Mr. Yu joined the Group since December 2018 and currently serves as secretary of Party Committee, chairman and executive Director of the Company. Mr. Yu currently serves as director and general manager of Sinopharm Investment. Mr. Yu is currently also a representative of the 13th National People's Congress, a member of the 13th Beijing Chaoyang District of Chinese People's Political Consultative Conference, vice president of China Association for Medical Devices Industry, vice chairman of China Association of Medical Equipment, and vice president of China Association for Vaccines etc. He is appointed as part-time professor in various universities such as East China University of Science and Technology and Beijing Jiaotong University (formerly known as Northern Jiaotong University).

Mr. Liu Yong, aged 52, is an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu has over 29 years of working experience, over 26 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 joined the Group since July 1992. He worked at Shanghai Pharmaceutical Station, China National Pharmaceutical Group Shanghai Co., Ltd., Shanghai Guoda Drug Chain Store Co., Ltd. and Sinopharm Holding Shenyang Co., Ltd.. Mr. Liu held senior management positions in the Company since January 2009, and is currently also an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu currently serves as the director of Sinopharm Investment and Sinopharm (CNCM LTD), the chairman of Sinopharm Accord, and also takes senior management positions in a number of subsidiaries.

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Qiyu, aged 49, is a non-executive Director and vice chairman of the Company. Mr. Chen has over 28 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and an executive master's degree in business administration from China Europe International Business School in September 2005. Mr. Chen joined Fosun Pharma since 1994, and is currently the non-executive director of Fosun Pharma and executive director of Fosun International, non-executive director and chairman of the Board of Directors of Henlius, co-chairman of New Frontier Health Corporation (a company listed on the New York Stock Exchange, stock code: NFH), director of Beijing Sanyuan Food Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600429), chairman of Shanghai Fosun High Technology (Group) Co., Ltd. and director of Gland Pharma Limited (a company listed on Bombay Stock Exchange and National Stock Exchange of India, stock code: GLAND and GLAND). Mr. Chen has served as the director of Di'an Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (a company listed on the growth enterprise board of the Shenzhen Stock Exchange, stock code: 300244) and Maxigen Biotech Inc. (a company listed on the Taiwan Stock Exchange, stock code: 1783), and non-executive director of Babytree (a company listed on the Hong Kong Stock Exchange). Mr. Chen joined the Company since January 2003, and has served as the chief Supervisor and non-executive Director of the Company, and is currently the non-executive Director and vice chairman of the Company. Mr. Chen is also the deputy chairman of Sinopharm Investment. Mr. Chen is currently also the chairman of China Medical Pharmaceutical Material Association, vice chairman of China Pharmaceutical Innovation and Research Development Association, 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. Hu Jianwei, aged 47, is a non-executive Director of the Company. 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. Hu has served as non-executive Director of the Company since he joined the Company in December 2018.

Mr. Ma Ping, aged 65, is a non-executive Director of the Company. Mr. Ma has over 38 years of working experience and currently serves as an external director of CNPGC. Mr. Ma received a bachelor degree from chemistry department of Fudan University in 1982. Mr. Ma worked at Ministry of Labor and Personnel, National Pharmaceutical Administration and State Planning Commission from February 1982 to March 1992. He also took senior management positions in London Export Corporation, Hoechst (China), Lotus Healthcare, BMP, Sinogen International Ltd. and United Medical Industrial Group respectively from March 1992 to March 2000. He served as a director and a 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 a director and a general manager of BMP from September 2001 to December 2005. He served as an external director of CNPGC from May 2016 to June 2021, and a director of China National Biotec Group Co., Ltd. from May 2016 to July 2021. Mr. Ma currently serves as a director of BioPro Pharmaceutical Inc. and a project consultant of Principle Capital. Mr. Ma has been serving as a non-executive Director of the Company since joining the Company in October 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. Deng Jindong, aged 57, is a non-executive Director of the Company. He has over 33 years of working experience, over 28 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 2004. 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 has been a non-executive Director since he joined the Company in August 2007. He is currently also the chairman of Sinopharm Investment.

Mr. Wen Deyong, aged 50, is a non-executive Director of the Company. Mr. Wen graduated from Donghua University and received a master's degree in business administration in December 2007. Mr. Wen joined Fosun Pharma in May 2002, and is currently the senior vice president of Fosun Pharma and joint president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd.. Mr. Wen worked at Chongqing Yaoyou Pharmaceutical Co., Ltd. and Chongqing Healthman Pharma Co., Ltd. from September 1995 to May 2016. Mr. Wen has served as the non-executive Director of the Company since September 2017. Mr. Wen is currently also the director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300452), the director of Sinopharm Investment and the director of Sinopharm (CNCM LTD) and the supervisor of Sinopharm Accord.

Mr. Li Dongjiu, aged 56, is a non-executive director of the Company. Mr. Li has over 33 years of working experience in the pharmaceutical industry, over 28 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li is a professor level 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 served senior management positions in North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600812) from July 1987 to December 2009. Mr. Li joined Fosun Pharmaceutical Group since December 2009 and served as vice president and senior vice president of Fosun Pharmaceutical from June 2010 to January 2018. Mr. Li continued to serve as a senior vice president of Fosun Pharmaceutical since March 2021. Mr. Li has served as a non-executive Director of the Company from October 2013 to January 2018 and served as a vice president and chief legal advisor of the Company from January 2018 to March 2021. Mr. Li once served as a director of Sinopharm (CNCM LTD) and Sinopharm Accord and took senior management positions in a number of subsidiaries of the Company.

Biographies of Directors, Supervisors and Senior Management

Ms. Feng Rongli, aged 46, is a non-executive Director of the Company. Ms. Feng graduated from Shanghai University with a major in microcomputer application in July 1996 and obtained a master's degree in business administration from Columbia Southern University in February 2002. Ms. Feng has extensive experience in the field of human resources management. Ms. Feng held human resources management positions in Sealed Air Packaging (Shanghai) Co., Ltd. (希悅爾包裝(上海)有限公司), Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), and F. Hoffmann-La Roche AG from July 1996 to February 2015. 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. (上海復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 of Fosun Pharma since April 2020 and served as the senior vice president of Fosun Pharma since March 2021. Ms. Feng currently serves as the chairman of the supervisory committee of Henlius and the non-executive director of Sisram Medical Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 01696). Ms. Feng has served as the non-executive Director of the Company since June 2020.

Mr. Zhuo Fumin, aged 70, is an independent non-executive Director of the Company. Mr. Zhuo has more than 45 years of experience in the field of enterprise management and capital markets. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science (currently known as Shanghai 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 the chairman and managing partner of V Star Capital. Between 1987 and 1995, Mr. Zhuo served positions including an office head and an officer assistant of the Shanghai Government Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo held in turn various positions such as the managing director and CEO at Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0363). 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 has served as the independent non-executive Director of the Company since March 2016. 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: 0926), and an independent non-executive director of SRE Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1207).

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Fangruo, aged 56, is an independent non-executive Director of the Company. 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 the independent non-executive Director of the Company since December 2018. 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 concurrently as 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. Currently, Mr. Chen also served as the independent director of Yunnan Jianzhijia Health-Chain Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 605266).

Mr. Li Peiyu, aged 58, is an independent non-executive Director of the Company. Mr. Li obtained a bachelor's degree of engineering in Power System and Automation from Tsinghua University, a master's degree of engineering in Management Engineering from the Department of Economics, School of Economics and Management, Tsinghua University, and PhD of management in Management Science and Engineering from School of Economics and Management, Tsinghua University in July 1984, July 1987 and January 2004, respectively, and obtained a Master of Public Administration (MPA) from Harvard University in June 1998. Mr. Li has worked in the areas of economics, finance and management for more than 30 years. From July 1987 to September 2000, he held positions in the Development Research Center of the State Council. From September 2000 to December 2007, Mr. Li successively served as the deputy director of Henan Provincial Development Planning Committee and the mayor of Hebi City in Henan Province. From December 2007 to November 2020, Mr. Li successively served as director of alternative investment department of China Investment Corporation, inspector of the research office of the State Council, chairman of China Reinsurance (Group) Corporation, and managing director of Beijing Zhongyu Green Investment Management Co., Ltd. and managing director of CASIC Investment Fund Management (Beijing) Limited Company (航太科工投資基金管理(北京)有限公司). Mr. Li has served as the independent non-executive Director of the Company since September 2020. Mr. Li has served as the partner of the Beijing Qiyuanhouji Investment Management Co., Ltd. (北京啟源厚積投資管理有限公司) since November 2020.

Biographies of Directors, Supervisors and Senior Management

Mr. Wu Tak Lung, aged 56, is an independent non-executive Director of the Company. Mr. Wu received a bachelor's degree in Business Administration from the Hong Kong Baptist University and a master's degree in business administration jointly from the University of Manchester and the University of Wales, respectively. Mr. Wu currently serves as an independent non-executive director of Sinomax Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1418), China Machinery Engineering Corporation (a company listed on the Hong Kong Stock Exchange, stock code: 1829), Kam Hing International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2307), Henan Jinma Energy Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 6885), Zhongguancun Science-Tech Leasing Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1601) and Minth Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0425). In the last three years, Mr. Wu was an independent non-executive director of Sinotrans Shipping Limited (a company formerly listed on the Hong Kong Stock Exchange and delisted in January 2019, former stock code: 00368), First Tractor Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, stock code: 0038 (H Share)/601038 (A Share)), Olympic Circuit Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603920) and Beijing Media Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1000). Mr. Wu had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years. Mr. Wu has served as the independent non-executive Director of the Company since September 2020. Mr. Wu is currently a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Hong Kong Institute of Chartered Secretaries.

Mr. Yu Weifeng, aged 50, is an independent non-executive Director of the Company. Mr. Yu is a lawyer with more than 25 years of working experience as a practicing lawyer. Mr. Yu obtained a bachelor's degree in laws from Fudan University in June 1995 and a master's degree in business administration from China Europe International Business School in July 2015. In July 2019, he completed the Senior Management Leadership Program of Harvard Business School. From July 1995 to December 1998, Mr. Yu served as a paralegal and lawyer in Shanghai Pu Dong International Law Office (now renamed as Shanghai Pu Dong Law Office). Mr. Yu has served as a partner in Links Law Offices since December 1998, and served as a director thereof from January 2014 to June 2020. Mr. Yu currently serves as an independent director of Deppon Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603056) and Shenergy Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600642) and an external director of Jiahua Chemicals Inc.. Mr. Yu has served as the independent non-executive Director of the Company since September 2020. Currently, Mr. Yu is also an executive councillor and a director of Foreign Affairs Committee of the All China Lawyers Association, president of Shanghai Arbitration Association, a member and an arbitrator of Shanghai Arbitration Commission, and an arbitrator of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center).

Biographies of Directors, Supervisors and Senior Management

Supervisors

Ms. Guan Xiaohui, aged 50, is the chief Supervisor of the Company. 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 is qualified as Chinese Certified Public Account (CPA) and a member of The Association of Chartered Certified Accountants (ACCA). Ms. Guan joined Fosun Pharmaceutical in May 2000 and currently serves as an executive president and chief financial officer of Fosun Pharmaceutical. 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 non-executive director of the Company from March 2019 to March 2021 and also once served as a supervisor of Sinopharm Accord. Ms. Guan serves as the Supervisor and the chief Supervisor of the Company since June 2021, and currently also serves as a non-executive director of Henlius, a director of Gland Pharma Limited (a company listed on Bombay Stock Exchange Limited and National Stock Exchange of India, stock code: GLAND and GLAND) and a supervisor of Sinopharm Industrial Investment Co., Ltd..

Mr. Liu Zhengdong, aged 51, is a Supervisor of the Company. Mr. Liu is a lawyer who has more than 27 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 has served as the independent non-executive Director of the Company from September 2014 to September 2020 and has been a Supervisor of the Company since September 2020. 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 arbitrators of China International Economic and Trade Arbitration Commission (CIETA), Shanghai International Economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC).

Mr. Zhang Hongyu, aged 59, is an employee representative Supervisor of the Company. Mr. Zhang has over 35 years of working experience. Mr. Zhang obtained a bachelor's degree in economics from East China Normal University in July 1985 and a master's degree in EMBA from Shanghai Jiao Tong University in December 2007. Mr. Zhang held human resources management position in China Worldbest Group Co., Ltd. from November 1999 to December 2006. Mr. Zhang joined the Group in March 2007, and served as deputy party secretary and head of Human Resources Department of Sinopharm Logistics Co., Ltd., head of Human Resources Department of Distribution Business Department of the Company, deputy head of Human Resources Department of the Company, head of the Party Affairs Department of the Company and deputy secretary of Discipline Inspection Commission and deputy chairman of Labour Union of the Company as well as the secretary of Discipline Inspection Commission of the Company. Mr. Zhang has been an employee representative Supervisor of the Company since January 2018. Mr. Zhang currently serves as a member of Party Committee and a member of Discipline Inspection Commission of the Company.

Biographies of Directors, Supervisors and Senior Management

Ms. Lu Haiqing, aged 47, is an employee representative Supervisor of the Company. Ms. Lu obtained a master's degree in accounting from the Chinese University of Hong Kong in December 2012. Ms. Lu is a non-executive member of the Chinese Institute of Certified Public Accountants (CPA) and a non-executive member of the International Certified Internal Auditor (CIA) Association. Ms. Lu has approximately 27 years' working experience, with all audit experience obtained from February 2000 to June 2006. She had served successively as the project manager of the audit department of Guangxi GuiXinCheng Certified Public Accountants Co., Ltd. (廣西桂鑫誠會計事務所), the project manager of the audit department of Shanghai Huadong Certified Public Accountants Co., Ltd., Guangxi Branch (上海華東會計師事務所有限公司廣西分所), the project manager of the investment department of Shanghai Kangrun Investment Co., Ltd. (上海康潤投資有限公司), and the audit manager of the audit department of Bosideng Corporation Limited (波司登股份有限公司). Since she joined the Group in July 2006, Ms. Lu has been serving as the deputy head of the audit department of the Company and has served as an employee representative Supervisor of the Company since September 2020. Ms. Lu currently also serves as non-executive directors or supervisors in a number of subsidiaries.

Company Secretaries

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

Mr. Chan Sing Yuen Roy, aged 55, graduated from the University of Leeds School of Law and the Chinese University of Hong Kong with a bachelor degree of law and a bachelor degree in social science, respectively. Mr. Chan is a practicing solicitor of the High Court of Hong Kong and a practicing solicitor of the Senior Courts of England and Wales. He has extensive experience in the financing and governance of listed companies and is a senior partner of DLA Piper. He is also an arbitrator of the Chinese European Arbitration Centre and the Shanghai International Arbitration Centre.

Senior Management

Mr. Liu Yong, Mr. Liu Yong is currently 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 43, is a vice president of the Company. Mr. Li has more than 21 years of working experience, with more than 19 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 an assistant economist. Mr. Li worked at China National Pharmaceutical Group Corporation, General Electric (China) Co., Ltd. and IBA (China) Co., Ltd. from July 2000 to January 2011. Mr. Li served as the senior management positions of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since January 2011. Mr. Li currently serves as the chairman of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. and takes senior management positions in a number of subsidiaries of the Company. Mr. Li joined the Company as a vice president of the Company in November 2018.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 57, is a vice president of the Company. Mr. Jiang has over 34 years of working experience, over 23 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 CNPGC 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 served at Sinopharm (CNCM LTD) from March 2002 to May 2010 and successively served as deputy head, head and chief financial officer of the finance department. Mr. Jiang served as the financial director of the Company from May 2010 to March 2021, and has served as the vice president of the Company since July 2013. Mr. Jiang is currently the chairman of Sinopharm (CNCM LTD) and takes senior management positions in a number of subsidiaries of the Company.

Mr. Lian Wanyong, aged 51, is a vice president of the Company. Mr. Lian has over 24 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-Sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian served at CNPGC from July 2005 to January 2018, and successively served as deputy head of the financial assets management department, head of the investment management department and vice director of policy research office. Mr. Lian has served as the director of Sinopharm Investment from December 2008 to March 2014. Mr. Lian served as the non-executive Director, Supervisor and non-executive Director of the Company from December 2008 to January 2018, and joined the Company as a vice president in January 2018. Mr. Lian is currently also the director of Sinopharm (CNCM LTD) and Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Cai Maisong, aged 51, is a vice president of the Company. Mr. Cai has over 28 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 at Guangzhou Baiyunshan Pharmaceutical Company, Les Laboratoires Servier Industrie, Tianjin purchase station of China National Pharmaceutical Group Corp. and China National Pharmaceutical Group Corp. Tianjin Co., Ltd. from July 1992 to December 2002. 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 of the Company from July 2006 to December 2010. Mr. Cai served as a vice director and a director of risk and operation management department and a vice director of policy research office of CNPGC from January 2011 to August 2017. Mr. Cai served as a supervisor of 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 joined in the Company as a vice president in January 2018. Mr. Cai currently takes senior management positions in a number of subsidiaries of the Company.

Biographies of Directors, Supervisors and Senior Management

Ms. Li Xiaojuan, aged 45, is the chief financial officer of the Company. Ms. Li has over 19 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 non-practicing certified public accountant, a senior economist and an asset valuer. Ms. Li served as the project manager of Beijing Tianhua Accounting Firm and the vice director of strategic cooperation department of TopSun Group from April 2001 to February 2005. Ms. Li served as the manager of finance department, the director of auditing and supervision office and the manager of auditing department of China National Pharmaceutical Industry Corporation from February 2005 to August 2010. Ms. Li served at CNPGC from August 2010 to March 2021, and served as its vice director of investment management department, the vice director of auditing department, the director of auditing department and the director of finance department. Ms. Li has served as the Supervisor of the Company from January 2016 to March 2021 and has served as the chief financial officer of the Company since March 2021. Ms. Li is currently a director of Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Zhou Song, aged 39, is a vice president of the Company. Mr. Zhou obtained a master's degree in law from the School of Law of Renmin University of China in July 2004. Mr. Zhou served at the authorities at both the central and national level from July 2004 to May 2018 with relevant strategic vision, management experience and professional levels. Mr. Zhou served as the secretary of Discipline Inspection Commission, general counsel and supervisor in China National Biotech Group Company Limited from May 2018 to March 2021. Since joining the Company in March 2021, Mr. Zhou started to serve as a vice president of the Company. Currently, Mr. Zhou is also a director of Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Zhou Xudong, aged 52, is a vice president of the Company. Mr. Zhou has over 31 years of working experience. Mr. Zhou received an associate degree of audit from department one from Nanjing Audit University in July 1990. From November 1992 to December 2002, Mr. Zhou worked at Nantong City Chemical Pharmaceutical Raw Material Company, and finally served as its vice general manager. 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 a general manager of Sinopharm Holding Jiangsu Co., Ltd. from December 2011 to June 2019. Mr. Zhou joined the Company as a vice president in January 2018. He is currently a director of Sinopharm (CNCM LTD) and takes senior management positions in a number of subsidiaries of the Company.

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Zhanyu, aged 50, is a vice president of the Company. Mr. Chen graduated from Xi'an University of Finance and Economics with a college degree in industrial accounts in July 1992, and obtained his master's degree in business administration from Northwest University in July 2005, and his master's degree in accounts from the Chinese University of Hong Kong in 2015. Mr. Chen holds the qualification of PRC Certified Public Accountant (CPA). From 1992 to 2011, Mr. Chen served as director of the Finance Department of Baoji Pharmaceutical Machinery Plant, director of the Finance Department of Xi'an Fifth Grinding Wheel Factory, manager of the Finance Department of Xi'an Omeya Beauty Products Co., Ltd., chief financial officer of Topsun Science and Technology Co., Ltd. and chief financial officer of Shaanxi Buchang Pharmaceutical Co., Ltd.. Mr. Chen served as vice president, vice chief financial officer and general manager of the Finance Department in Fosun Pharma Group and served as senior management of several subsidiaries of Fosun Pharma Group from June 2011 to March 2021. Since joining the Company in March 2021, Mr. Chen has served as a vice president of the Company. Currently, Mr. Chen also takes senior management positions in a number of subsidiaries of the Company.

Mr. Xu Shuangjun, aged 53, is a non-executive vice president of the Company. He has over 35 years of working experience, over 27 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. He was the manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co., Ltd., 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 and secretary of the Party Committee of Lerentang Pharmaceutical Group Co., Ltd. from March 1999 to May 2011. Mr. Xu is currently the chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd.. Mr. Xu has been a non-executive vice president of the Company since May 2011.

Mr. Wu Yijian, aged 51, is the secretary to the Board of the Company. 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. Mr. Wu worked at 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 worked at Fosun Pharma from June 2004 to December 2018, and served as its vice general manager of the investment department and president assistant. Mr. Wu has 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 was a non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018. He joined the Company as the secretary to the Board in January 2019. Mr. Wu is currently also a director of Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Other Information

Changes of Directors and Supervisors

- (1) On 12 January 2021, Mr. Li Zhiming tendered his resignation as the chairman of the fifth session of the Board of the Company, an executive director, the chairman of the nomination committee of the Board, the chairman of the strategy and investment committee of the Board and a member of the legal and compliance and environmental, social and governance committee of the Board. On the same day, as considered and approved by the Board, Mr. Yu Qingming was elected to act as chairman of the Board.
- (2) On 14 January 2021, as considered and approved by the Board, Mr. Yu Qingming was elected as the chairman of the fifth session of the Board of the Company, the chairman of the strategy and investment committee of the Board and the chairman of the nomination committee of the Board; and Mr. Liu Yong was elected as the member of the legal and compliance and environmental, social and governance committee of the Board.
- (3) On 1 March 2021, due to the work arrangement, Ms. Li Xiaojuan tendered her resignation as a Supervisor of the Company.
- (4) On 19 March 2021, due to the work arrangement, Ms. Guan Xiaohui tendered her resignation as a non-executive Director of the Company, a member of the strategy and investment committee of the Board and a member of the audit committee of the Board, which shall take effect from the appointment of her replacement at the general meeting of the Company. On the same date, due to the work arrangement, Mr. Wu Yifang tendered his resignation as a Supervisor and a chief Supervisor of the Company, which shall take effect from the appointment of his replacement at the general meeting of the Company. As disclosed in Item (5), such resignation took effect on 10 June 2021.
- (5) On 10 June 2021, as considered and approved at the general meeting, Mr. Li Dongjiu was appointed as a non-executive Director of the Company, and his appointment as a member of the strategy and investment committee of the Board and a member of the audit committee of the Board shall take effect immediately; Ms. Guan Xiaohui was appointed as the Supervisor of the Company. On the same date, the Supervisory Committee elected Ms. Guan Xiaohui as the Chief Supervisor of the fifth session of the Supervisory Committee.

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, which includes the latest information of the Directors and Supervisors of the Company disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information

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 2021, 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 and the capacity	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. Yu Qingming	H shares	Beneficial owner	100,000	0.00	0.01	Long position
Mr. Liu Yong	H shares	Beneficial owner	59,009	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 2021, and the "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 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors or 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.

Other Information

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

As at 30 June 2021, 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	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 International	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	8,328,769	0.27	0.62	Long position
			3,801,965	0.12	0.28	Short position
		Approved lending Agent (Note 9)	73,477,667	2.35	5.48	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation	93,076,725	2.98	6.94	Long position
		(Note 10)	209,200	0.01	0.02	Short position
FMR LLC	H shares	Interest of controlled corporation (Note 11)	67,645,114	2.17	5.04	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) Fosun Pharma is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun High Technology is the beneficial owner of 39.39% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun International is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore, Fosun International is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

Other Information

- (6) Fosun Holdings is the beneficial owner of 72.14% equity interest in Fosun International and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and 0.23% equity interest in Fosun Pharma and, therefore, Fosun International Holdings 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 81,806,436 H Shares of the Company in an aggregate in long position (including 73,477,667 H Shares available for lending) and 3,801,965 H Shares in short position.
- (10) BlackRock, Inc. is interested in long positions of 93,076,725 H shares of the Company and short positions of 209,200 H shares of the Company.
- (11) FMR LLC is interested in an aggregate of long positions of 67,645,114 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 2021. In respect of H shares, the “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 2021. In respect of domestic shares, the “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 2021.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2021, 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, 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 17 January 2020, the Company entered into the placing agreement, the terms of which were set out in the announcement of the Company dated 17 January 2020. 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 Hong Kong Stock Exchange on 16 January 2020 (namely the 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 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 21 August 2020, the Net Proceeds will be used 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. At the beginning of the Reporting Period, a total of RMB129 million of the Net Proceeds was still unused.

The table below sets out the details of the use of the Net Proceeds from the H Share Placing as of the end of the Reporting Period:

Unit: RMB million

Use of proceeds	Amount intended to be invested	Amount invested during the Reporting Period	Cumulative amount invested as of the end of the Reporting Period	Unutilised amount as of the end of the Reporting Period	Expected utilization timetable
Expansion of pharmaceutical distribution, retail network and medical device business of the Company and its subsidiaries	378	0	378	0	Fully utilised
Improvement of working capital of the Company and its subsidiaries	2,589	129	2,589	0	Fully utilised
Repayment of the interest-bearing debts of the Company	600	0	600	0	Fully utilised

Other Information

Dividends

Pursuant to the relevant resolution passed at the 2020 annual general meeting of the Company convened on 10 June 2021, the Company paid the final dividend for the year ended 31 December 2020 to the shareholders of the Company on 10 August 2021, totaling approximately RMB2,153,253,000.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2021.

Audit Committee

As at the date of this report, the Audit Committee of the Company consists of three Independent Non-executive Directors, namely Mr. Wu Tak Lung (Chairman), Mr. Zhuo Fumin and Mr. Li Peiyu, and two Non-executive Directors, namely Mr. Deng Jindong and Mr. Li Dongjiu. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 “**Governance 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 Governance 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 standard regarding securities transactions by the Directors and Supervisors as set out in the Model Code during the Reporting Period.

Disclosure of Information

This report will be dispatched to the shareholders of the Company and published on the websites of the Company (<http://www.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 42 to 90, which comprises the condensed consolidated statement of financial position of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2021 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

20 August 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	6	249,120,231	203,764,712
Cost of sales	10	(228,533,008)	(186,522,837)
Gross profit		20,587,223	17,241,875
Other income	7	243,294	317,738
Selling and distribution expenses	10	(7,605,499)	(6,259,802)
Administrative expenses	10	(3,441,563)	(3,024,566)
Impairment losses on financial and contract assets	8	(710,546)	(697,225)
Losses on derecognition of financial assets measured at amortised cost		(300,878)	(388,070)
Operating profit		8,772,031	7,189,950
Other gains, net	9	75,435	85,763
Other expenses	9	(176)	–
Finance income		313,479	350,122
Finance costs		(1,898,727)	(1,777,787)
Finance costs, net	12	(1,585,248)	(1,427,665)
Share of profits and losses of:			
Associates		454,308	367,540
Joint ventures		597	1,546
		454,905	369,086
Profit before tax		7,716,947	6,217,134
Income tax expense	13	(1,688,416)	(1,413,753)
PROFIT FOR THE PERIOD		6,028,531	4,803,381
Attributable to:			
Owners of the parent		3,582,839	2,895,682
Non-controlling interests		2,445,692	1,907,699
		6,028,531	4,803,381
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)			
– Basic and Diluted	14	1.15	0.93

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	6,028,531	4,803,381
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive (loss)/income that will not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurements of		
post-employment benefit obligations, net of tax	(6,023)	(11,224)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(4,615)	27,231
Income tax effect	1,154	(7,746)
	(3,461)	19,485
Net other comprehensive (loss)/income that will not to be reclassified to profit or loss in subsequent periods, net of tax	(9,484)	8,261
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	1,099	(3,265)
Share of other comprehensive income/(loss) of associates	2,411	(7,275)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax	3,510	(10,540)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(5,974)	(2,279)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	6,022,557	4,801,102
Attributable to:		
Owners of the parent	3,580,883	2,885,672
Non-controlling interests	2,441,674	1,915,430
	6,022,557	4,801,102

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Right-of-use assets	16	6,874,180	6,828,091
Investment properties	16	611,315	634,050
Property, plant and equipment	16	12,062,983	12,067,755
Intangible assets	16	11,006,599	10,729,302
Investment in joint ventures		25,739	35,341
Investments in associates	17	8,020,532	7,735,431
Equity investments designated at fair value through other comprehensive income		82,738	87,353
Financial assets at fair value through profit or loss		613,972	614,750
Finance lease receivables		28,490	33,504
Deferred tax assets	22	1,695,178	1,601,660
Other non-current assets		3,356,452	3,259,496
Total non-current assets		44,378,178	43,626,733
CURRENT ASSETS			
Inventories		50,819,704	47,085,450
Trade and bills receivables	18	190,192,850	145,336,963
Contract assets		917,514	711,114
Prepayments, other receivables and other assets		15,489,249	14,208,872
Financial assets at fair value through profit or loss		169	39,141
Finance lease receivables		1,208	1,130
Pledged deposits and restricted cash		8,172,283	10,029,693
Cash and cash equivalents		34,359,741	50,178,265
Non-current assets held for sale		–	19,345
Total current assets		299,952,718	267,609,973
Total assets		344,330,896	311,236,706
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	3,120,656	3,120,656
Treasury shares held for share incentive scheme		(3,838)	(3,838)
Reserves		54,671,993	53,242,027
		57,788,811	56,358,845

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Non-controlling interests		35,387,850	33,588,476
Total equity		93,176,661	89,947,321
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	20	10,320,986	8,918,726
Lease liabilities	21	3,282,602	3,243,011
Deferred tax liabilities	22	1,073,053	1,111,742
Post-employment benefit obligations	23	393,563	396,417
Contract liabilities		62,242	51,459
Other non-current liabilities	24	3,705,481	3,590,931
Total non-current liabilities		18,837,927	17,312,286
CURRENT LIABILITIES			
Trade and bills payables	25	121,329,598	112,632,393
Contract liabilities		6,542,354	7,323,794
Accruals and other payables		27,755,025	25,969,087
Dividends payable		2,337,246	216,891
Tax payable		1,168,399	1,469,841
Interest-bearing bank and other borrowings	20	71,827,217	54,958,954
Lease liabilities	21	1,356,469	1,406,139
Total current liabilities		232,316,308	203,977,099
Total Liabilities		251,154,235	221,289,385
Total equity and liabilities		344,330,896	311,236,706

Yu Qingming
Director

Wu Tak Lung
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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 2021 (audited)		3,120,656	(3,838)	53,242,027	56,358,845	33,588,476	89,947,321
Total comprehensive income for the period		-	-	3,580,883	3,580,883	2,441,674	6,022,557
Effect of transactions with non-controlling interests	26	-	-	2,149	2,149	(10,433)	(8,284)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	239,388	239,388
Acquisition of subsidiaries	27	-	-	-	-	135,724	135,724
Disposal of a subsidiary		-	-	-	-	71	71
Dividends paid to non-controlling interests		-	-	-	-	(1,007,204)	(1,007,204)
Dividend declared	15	-	-	(2,153,253)	(2,153,253)	-	(2,153,253)
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	(314)	(314)	(202)	(516)
Others		-	-	501	501	356	857
At 30 June 2021 (unaudited)		3,120,656	(3,838)	54,671,993	57,788,811	35,387,850	93,176,661
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		149,000	-	3,418,383	3,567,383	-	3,567,383
Effect of transactions with non-controlling interests		-	-	(15,221)	(15,221)	(1,455)	(16,676)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	203,838	203,838
Acquisition of subsidiaries		-	-	-	-	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		-	-	(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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		7,716,947	6,217,134
Adjustments for:			
– Share of profits and losses of associates	17	(454,308)	(367,540)
– Share of profits and losses of joint ventures		(597)	(1,546)
– Asset impairment		724,739	737,996
– Depreciation of property, plant and equipment and investment properties	16	811,718	644,720
– Amortisation of intangible assets	16	172,975	170,948
– Depreciation of right-of-use assets	16	897,227	775,592
– Gain on disposal of investment properties, property, plant and equipment and intangible assets	9	(40,319)	(3,599)
– Gain on disposal of right-of-use assets	9	(3,728)	(19,900)
– Write-back of certain liabilities	9	(16,010)	(17,023)
– Negative goodwill	27	(579)	–
– Loss on derecognition of financial assets measured at amortised cost		300,878	388,070
– Finance cost		1,745,645	1,653,071
– Gain on disposal of a subsidiary	9	(229)	–
– Gain on disposal of portion of equity investment in associates	9	(11,472)	(19,434)
– Gain on fair value re-measurement of existing equity in business combinations not under common control	9	–	(999)
– Fair value (gain)/loss on financial assets at fair value through profit or loss	9	(28)	21
– Dividend from financial assets at fair value through profit or loss	9	–	(1,113)
– Dividend from financial assets at fair value through other comprehensive income	9	(489)	(360)
– Interest income from asset-backed securities	9	–	(1,081)
– Equity-settled share incentive scheme expense		–	(18,569)
		11,842,370	10,136,388
– Inventories		(3,679,384)	(3,919,363)
– Trade and bills receivables		(45,321,864)	(33,478,140)
– Contract assets		(214,528)	(89,454)
– Prepayments, other receivables and other assets		(360,856)	125,207
– Trade and bills payables		13,144,528	(1,352,052)
– Contract liabilities		(787,086)	2,049,287
– Accruals, other payables and other liabilities		(249,597)	707,280
Cash used in operations		(25,626,417)	(25,820,847)
Income tax paid		(2,141,946)	(1,775,766)
Net cash flows used in operating activities		(27,768,363)	(27,596,613)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of intangible assets		1,877	4,868
Proceeds from disposal of right-of-use assets		3,938	–
Proceeds from disposal of property, plant and equipment		54,785	82,530
Proceeds from disposal of investment properties		–	2,671
Proceeds from disposal of financial assets at fair value through profit or loss		39,778	18,203
Proceeds from disposal of an associate		21,214	106,538
Interest received from long-term deposits		44,971	42,981
Disposal of a subsidiary, net of cash disposed of		97	92
Dividends received from associates		46,031	136,849
Dividends received from joint ventures		10,200	–
Dividends received from financial assets at fair value through profit or loss		–	1,113
Interest income from asset-backed securities		–	1,081
Dividends received from financial assets at fair value through other comprehensive income		489	360
Prepayments of right-of-use assets		(28,358)	(26,018)
Purchase of property, plant and equipment		(791,964)	(588,977)
Purchase of intangible assets		(32,602)	(54,008)
Purchase of investment properties		–	(242)
Withdrawal/(Payments) of long-term deposits		17,716	(155,167)
Acquisition of financial assets at fair value through profit or loss		–	(50,400)
Acquisition of financial assets at fair value through other comprehensive income		–	(2,471)
Consideration paid for prior year acquisition of subsidiaries		(136,545)	–
Acquisition of subsidiaries, net of cash acquired	27	(96,754)	(609,871)
Acquisition of associates		(2,000)	(11,220)
Decrease in restricted cash		935,431	3,091,713
Net cash flows from investing activities		88,304	1,990,625

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings from banks		41,655,582	47,542,847
Proceeds from borrowings from other financial institutions		7,874,857	5,345,536
Repayments of borrowings from banks		(33,385,143)	(31,695,117)
Repayments of borrowings from related parties		(16,710)	(4,625)
Repayments of borrowings from other financial institutions		(3,522,570)	(2,775,280)
Repayments of bonds		(11,540,010)	(8,000,000)
Proceeds from issue of bonds		14,494,735	15,515,889
Proceeds from issue of shares		–	3,567,383
Capital injections from non-controlling shareholders of subsidiaries		239,388	203,838
Dividends paid to owners of the parent of the Company		–	(2,476)
Dividends paid to non-controlling shareholders of subsidiaries		(1,040,102)	(963,952)
Transactions with non-controlling interests of subsidiaries		(91,585)	(94,709)
Release of shares under the share incentive scheme		–	3,812
Interest paid		(1,960,688)	(2,204,584)
Principal portion of lease payments		(847,316)	(697,911)
Net cash flows from financing activities		11,860,438	25,740,651
Net (decrease)/increase in cash and cash equivalents		(15,819,621)	134,663
Cash and cash equivalents at beginning of year		50,178,265	39,191,967
Effect of foreign exchange rate changes, net		1,097	(3,264)
Cash and cash equivalents at end of period		34,359,741	39,323,366

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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. (“**CNPGC**”) 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 1st Floor, No.385 East Longhua 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 distribution of medical devices, (3) the operation of chain pharmacy stores, and (4) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, and production and sale of pharmaceutical products.

The ultimate holding company of the Company is CNPGC, which was established 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 2021

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 2021 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 2020.

(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 2020, 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 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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

(2) Changes in accounting policies (continued)

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB and foreign currencies based on various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB485,000 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 2021.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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 2020.

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 2020.

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 Total RMB'000
As at 30 June 2021 (unaudited)					
Interest-bearing bank and other borrowings	73,403,672	5,984,746	4,847,865	-	84,236,283
Trade and other payables	146,039,809	-	-	-	146,039,809
Dividends payable	2,337,246	-	-	-	2,337,246
Lease liabilities	1,356,469	1,393,713	2,021,369	908,031	5,679,582
Other non-current liabilities	-	11,400	-	-	11,400
	223,137,196	7,389,859	6,869,234	908,031	238,304,320
As at 31 December 2020 (audited)					
Interest-bearing bank and other borrowings	55,889,466	5,195,066	3,752,243	-	64,836,775
Trade and other payables	134,829,790	-	-	-	134,829,790
Dividends payable	216,891	-	-	-	216,891
Lease liabilities	1,406,139	1,376,904	1,996,989	897,080	5,677,112
Other non-current liabilities	-	11,400	-	-	11,400
	192,342,286	6,583,370	5,749,232	897,080	205,571,968

Note: The calculation of expected interest to be paid is based on borrowings as at 30 June 2021 and 31 December 2020 and the interest rates as at 30 June 2021 and 31 December 2020.

Notes to the Interim Condensed Consolidated Financial Information

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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:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The table below presents the Group's assets and liabilities that are measured at fair value at 30 June 2021 and 31 December 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2021 (unaudited)				
Equity investments designated at fair value through other comprehensive income	60,224	14,235	8,279	82,738
Financial assets at fair value through profit or loss	169	3,700	610,272	614,141
Trade and bills receivables held both to collect cash flows and to sell	–	5,655,175	–	5,655,175
	60,393	5,673,110	618,551	6,352,054
As at 31 December 2020 (audited)				
Equity investments designated at fair value through other comprehensive income	38,684	14,235	34,434	87,353
Financial assets at fair value through profit or loss	141	3,700	650,050	653,891
Trade and bills receivables held both to collect cash flows and to sell	–	7,617,162	–	7,617,162
	38,825	7,635,097	684,484	8,358,406

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

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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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Borrowings from banks and other financial institutions (Note 20)	1,637,180	1,234,361	1,659,278	1,240,106
Bonds (Note 20)	8,683,806	7,684,365	8,683,806	7,684,365

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) Medical device – distribution of medical devices;
- (iii) Retail pharmacy – operation of medicine chain stores;
- (iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, and 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 2021

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 right-of-use assets, 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 right-of-use assets, 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 2021

5. Segment Information (continued)

Segment revenue and results

(1) For the six months ended 30 June 2021 and 2020

	Pharmaceutical distribution RMB'000	Medical device RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2021 (unaudited)						
Segment results						
External segment revenue	184,224,465	47,404,998	13,516,587	3,974,181	-	249,120,231
Intersegment revenue	6,221,973	375,342	205,605	861,124	(7,664,044)	-
Revenue	190,446,438	47,780,340	13,722,192	4,835,305	(7,664,044)	249,120,231
Operating profit	6,520,991	1,567,958	120,338	590,513	(27,769)	8,772,031
Other gains/(loss), net	69,033	(82)	4,446	2,038	-	75,435
Other expenses	100	(276)	-	-	-	(176)
Share of profits and losses of associates and joint ventures	7,380	(3,886)	282	451,129	-	454,905
	6,597,504	1,563,714	125,066	1,043,680	(27,769)	9,302,195
Finance costs, net						(1,585,248)
Profit before tax						7,716,947
Income tax expense						(1,688,416)
Profit for the period						6,028,531
Other segment items included in the consolidated statement of profit or loss						
Provision for impairment of financial and contract assets	468,153	233,664	3,985	4,744		710,546
Provision/(reversal of provision) for impairment of inventories	7,003	6,262	(44)	796		14,017
Depreciation of property, plant and equipment	478,459	194,226	96,582	19,205		788,472
Depreciation of investment properties	10,233	11,098	574	1,341		23,246
Depreciation of right-of-use assets	390,757	120,899	361,233	24,338		897,227
Amortisation of intangible assets	137,312	14,076	22,649	(1,062)		172,975
Capital expenditures	742,719	248,546	324,921	9,619		1,325,805

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

5. Segment Information (continued)

Segment revenue and results (continued)

(1) For the six months ended 30 June 2021 and 2020 (continued)

	Pharmaceutical distribution RMB'000	Medical device RMB'000	Retail pharmacy 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	35,455,548	10,752,372	2,885,423	-	203,764,712
Intersegment revenue	2,823,300	417,488	263,399	193,491	(3,697,678)	-
Revenue	157,494,669	35,873,036	11,015,771	3,078,914	(3,697,678)	203,764,712
Operating profit	5,131,889	1,606,911	284,584	222,671	(56,105)	7,189,950
Other gains/(loss), net	105,570	(21,717)	1,536	374	-	85,763
Share of profits and losses of associates and joint ventures	3,969	(1,024)	1,307	364,834	-	369,086
	5,241,428	1,584,170	287,427	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	186,994	220	8,513		697,225
Provision/(reversal of provision) for impairment of inventories	5,099	33,959	1,752	(39)		40,771
Depreciation of property, plant and equipment	371,419	163,337	69,003	16,193		619,952
Depreciation of investment properties	11,915	11,098	553	1,202		24,768
Depreciation of right-of-use assets	267,576	120,572	358,456	28,988		775,592
Amortisation of intangible assets	142,773	11,829	15,615	731		170,948
Capital expenditures	1,037,932	263,745	299,913	16,520		1,618,110

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

5. Segment Information (continued)

Segment assets and liabilities

(2) At 30 June 2021 and 31 December 2020

	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
As at 30 June 2021 (unaudited)						
Segment assets and liabilities						
Segment assets	229,321,856	79,283,647	17,570,737	20,292,654	(3,833,176)	342,635,718
Segment assets include:						
Investments in associates and joint ventures	286,390	125,790	26,589	7,607,502	-	8,046,271
Unallocated assets – Deferred tax assets						1,695,178
Total assets						344,330,896
Segment liabilities	93,316,524	58,365,083	15,176,280	6,085,103	(5,010,011)	167,932,979
Unallocated liabilities – Deferred tax liabilities and borrowings						83,221,256
Total liabilities						251,154,235
As at 31 December 2020 (audited)						
Segment assets and liabilities						
Segment assets	233,447,454	60,062,154	13,618,173	18,055,657	(15,548,392)	309,635,046
Segment assets include:						
Investments in associates and joint ventures	300,074	129,743	26,312	7,314,643	-	7,770,772
Unallocated assets – Deferred tax assets						1,601,660
Total assets						311,236,706
Segment liabilities	115,094,500	41,696,886	9,419,158	5,306,920	(15,217,501)	156,299,963
Unallocated liabilities – Deferred tax liabilities and borrowings						64,989,422
Total liabilities						221,289,385

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 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	247,916,036	202,774,498
Revenue from logistics service	311,947	273,372
Franchise fee and other service fee from medicine chain stores	352,028	278,961
Consulting services	136,743	133,083
Import agency income	36,816	41,807
Others	271,038	192,246
<i>Revenue from other sources</i>		
Operating lease income	95,623	70,745
	249,120,231	203,764,712

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

6. Revenue (continued)

Revenue from contracts with customers

Disaggregated revenue information

Segments	For the six months ended 30 June 2021 (Unaudited)				
	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of goods	183,627,049	47,198,137	13,130,068	3,960,782	247,916,036
Others	597,416	206,861	290,896	13,399	1,108,572
Total revenue from contracts with customers	184,224,465	47,404,998	13,420,964	3,974,181	249,024,608
Geographical market					
China	184,224,465	47,404,998	13,420,964	3,974,181	249,024,608
Timing of revenue recognition					
Recognised at a point in time	184,224,465	47,404,998	13,420,964	3,974,181	249,024,608

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

Notes to the Interim Condensed Consolidated Financial Information

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7. Other income

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants	243,294	317,738

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Impairment of financial and contract assets, net:		
Trade and bills receivables	696,587	685,076
Contract assets	8,128	3,248
Other receivables	7,076	8,869
Other non-current assets	(1,245)	32
	710,546	697,225

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

9. Other gains, net/Other expenses

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Write-back of certain liabilities	16,010	17,023
Gain on disposal of portion of equity investment in associates	11,472	19,434
Gain on fair value re-measurement of existing equity in business combinations not under common control	–	999
Gain on disposal of investment properties, property, plant and equipment, intangible assets and right-of-use assets	44,047	23,499
Gain on disposal of a subsidiary	229	–
Foreign exchange (loss)/gain, net	(5,701)	66,845
Donation	(7,292)	(44,320)
Interest income from asset-backed securities	–	1,081
Dividend from:		
Equity investments at fair value through other comprehensive income	489	360
Financial assets at fair value through profit or loss	–	1,113
Fair value gain/(loss), net:		
Equity investments at fair value through profit or loss	28	(21)
Others, net	16,153	(250)
	75,435	85,763
Provision for impairment of prepayment	(176)	–

Notes to the Interim Condensed Consolidated Financial Information

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10. Expenses by nature

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Raw materials and trading merchandise consumed	227,901,101	186,170,995
Changes in inventories of finished goods and work in progress	(16,091)	(132,080)
Employee benefit expenses (Note 11)	6,128,003	5,072,724
Provision for impairment of inventories	14,017	40,771
Lease payments not included in the measurement of lease liabilities	318,166	283,740
Depreciation of property, plant and equipment (Note 16)	788,472	619,952
Depreciation of investment properties (Note 16)	23,246	24,768
Depreciation of right-of-use assets (Note 16)	897,227	775,592
Amortisation of intangible assets (Note 16)	172,975	170,948
Auditor' s remuneration	24,000	21,000
Advisory and consulting fees	128,001	145,925
Transportation expenses	817,381	733,722
Travel expenses	148,855	126,767
Market development and business promotion expenses	1,365,570	1,034,753
Utilities	95,871	82,088
Others	773,276	635,540
Total cost of sales, selling and distribution expenses, and administrative expenses	239,580,070	195,807,205

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

11. Employee benefit expenses

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, wages, allowances and bonus (i)	4,834,655	4,287,507
Contributions to pension plans (ii)	508,926	196,298
Post-employment benefits (Note 23)	2,318	2,712
Housing benefits (iii)	222,454	191,008
Reversal of share incentive expenses	–	(18,569)
Other benefits (iv)	559,650	413,768
	6,128,003	5,072,724

- (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 approximately 8%(2020: 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% (2020: 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.
- (iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% (2020: 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

30 June 2021

12. Finance income and costs

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expense:		
– Bank and other borrowings	1,384,675	1,301,591
– Discount of bills receivable	329,621	295,974
– Net interests on net defined benefit liability (Note 23)	6,282	6,272
– Lease liabilities (Note 21)	82,672	98,487
Gross interest expense	1,803,250	1,702,324
Bank charges	101,829	87,675
Less: capitalised interest expense	(6,352)	(12,212)
Finance costs	1,898,727	1,777,787
Finance income:		
– Interest income on deposits in bank or other financial institutions	(268,508)	(307,141)
– Interest income on long-term deposits	(44,971)	(42,981)
Net finance costs	1,585,248	1,427,665

13. Taxation

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax	1,843,388	1,519,936
Deferred income tax (Note 22)	(154,972)	(106,183)
	1,688,416	1,413,753

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

13. Taxation (continued)

During the six months ended 30 June 2021, 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% (2020: 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 2020/2021. The first HKD2,000,000 (2020: 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 amounts 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 3,120,656,000 (31 December 2020: 3,111,293,000) 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 2021

14. Earnings per share (continued)

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	3,582,839	2,895,682
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	3,120,656	3,099,900
Effect of dilution – restricted shares ('000)	–	1,926
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	3,120,656	3,101,826
Basic earnings per share (RMB per share)	1.15	0.93
Diluted earnings per share (RMB per share)	1.15	0.93

15. Dividends

The final dividend for year 2020 of RMB0.69 per share (tax inclusive), amounting to RMB2,153,253 thousand in total, was approved by the shareholders at the annual general meeting of the Company held on 10 June 2021 (“**2020 AGM**”). Pursuant to the relevant resolution passed at 2020 AGM, the final dividend for year 2020 was paid on 10 August 2021 to the shareholders whose names appeared on the register of members of the Company on 22 June 2021.

No interim dividend was proposed for the six-month period ended 30 June 2021.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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

	Investment properties RMB'000	Property plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
For the six months ended 30 June 2021 (unaudited)				
Net carrying amount as at 1 January 2021	634,050	12,067,755	10,729,302	6,828,091
Additions	–	813,240	28,684	1,075,220
Acquisition of subsidiaries (Note 27)	–	32,785	413,679	50,107
Transfers	511	(10,324)	9,813	–
Disposals	–	(51,973)	(1,904)	(182,011)
Disposals of a subsidiary	–	(28)	–	–
Depreciation or amortisation (Note 10)	(23,246)	(788,472)	(172,975)	(897,227)
Impairment	–	–	–	–
Net carrying amount as at 30 June 2021	611,315	12,062,983	11,006,599	6,874,180
For the six months ended 30 June 2020 (unaudited)				
Net carrying amount as at 1 January 2020	699,431	11,712,879	8,988,850	6,350,157
Additions	242	662,302	51,711	1,148,481
Acquisition of subsidiaries	–	19,792	840,502	101,118
Transfers	(10,024)	(13,597)	22,059	1,562
Disposals	(2,671)	(78,931)	(4,869)	(285,906)
Depreciation or amortisation (Note 10)	(24,768)	(619,952)	(170,948)	(775,592)
Impairment	–	–	–	–
Net carrying amount as at 30 June 2020	662,210	11,682,493	9,727,305	6,539,820

Goodwill, included in intangible assets, 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.

Notes to the Interim Condensed Consolidated Financial Information

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17. Investments in associates

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At 1 January	7,735,431	7,018,107
Additions	2,000	11,220
Share of results	454,308	367,540
Unrealised gain on transactions with an associate	42,979	9,976
Share of other comprehensive income/(loss)	2,411	(7,275)
Share of changes in equity other than comprehensive income and distributions received from associates	(516)	14
Dividends declared by associates attributable to the Group	(206,340)	(82,503)
Disposal of investment in an associate	(9,741)	(73,467)
Reclassification to investments in subsidiaries upon transfer of control to the Group	–	(22,638)
At 30 June	8,020,532	7,220,974

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		Principal activities
			30 June 2021(i)	31 December 2020	
Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	Mainland China	18.14%	18.14%	Pharmaceutical manufacturing

- (i) 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 2021.

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17. Investments in associates (continued)

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 2021 RMB'000 (Unaudited)
Current assets	11,543,473
Non-current assets	8,262,496
Current liabilities	(7,742,314)
Non-current liabilities	(1,879,414)
Non-controlling interests	(1,731,997)
Net assets	8,452,244
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	18.14%
Carrying amount of the investment	1,533,237
Revenue	7,632,137
Profit for the period	541,049
Total comprehensive income for the year	541,447
Dividend declared	18,621

18. Trade and bills receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	184,508,727	136,340,084
Bills receivables	8,653,244	11,267,761
Less: Provision for impairment	(2,969,121)	(2,270,882)
	190,192,850	145,336,963

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

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18. Trade and bills receivables (continued)

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	176,242,008	130,854,340
1 to 2 years	4,789,082	2,952,952
Over 2 years	539,652	312,690
	181,570,742	134,119,982

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.

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 2021 (audited) and 30 June 2021 (unaudited)	3,120,656	1,778,845	1,341,811	3,120,656
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

Notes to the Interim Condensed Consolidated Financial Information

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20. Interest-bearing bank and other borrowings

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current		
Secured bank borrowings	15,941	–
Unsecured bank borrowings	1,589,605	1,187,383
Unsecured borrowings from other financial institutions and related parties	31,634	46,978
Bond (notes)	8,683,806	7,684,365
	10,320,986	8,918,726
Current		
Secured bank borrowings	3,777,578	2,532,122
Unsecured bank borrowings	49,243,228	40,150,772
Unsecured borrowings from other financial institutions and related parties	7,630,040	3,241,377
Secured borrowings from other financial institutions and related parties	1,062	61,842
Bond (notes)	11,175,309	8,972,841
	71,827,217	54,958,954
Total borrowings	82,148,203	63,877,680

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 31 December 2020, the remaining corporate bonds of RMB540,010,000 were classified as current liabilities. As at June 30 2021, the bond matured and were repaid.

Notes to the Interim Condensed Consolidated Financial Information

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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 creditors have the right for early redemption at the end of the third year, after the issue date 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. The creditors exercised early redemption right and the Company repurchased bonds of RMB10,000,000 in 2020. As at 30 June 2021, the corporate bonds were classified as non-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 2021, the corporate bonds were classified as current liabilities.

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 2021, the corporate bonds were classified as non-current liabilities.

On 28 July 2020, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB2,700,000,000. The corporate bonds will expire on 28 July 2023, for a period of three years commencing from the issue date of 28 July 2020. The annual interest rate of the corporate bonds is fixed at 3.27%. Interest is paid on an annual basis. As at 30 June 2021, the corporate bonds were classified as non-current liabilities.

On 30 October 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 RMB1,325,000 in relation to the issuance, the total net proceeds were approximately RMB1,998,675,000. The bonds will mature 180 days from the issue date (i.e., 28 April 2021), and the annual interest rate was 2.70%. As at 30 June 2021, the corporate bonds matured and were repaid.

On 13 November 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 RMB710,000 in relation to the issuance, the total net proceeds were approximately RMB2,999,290,000. The bonds will mature 60 days from the issue date (i.e., 12 January 2021), and the annual interest rate was 2.70%. As at 30 June 2021, the corporate bonds matured and were repaid.

On 11 January 2021, 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 RMB700,000 in relation to the issuance, the total net proceeds were approximately RMB2,999,300,000. The bonds will mature 60 days from the issue date (i.e., 12 March 2021), and the annual interest rate is 2.45%. As at 30 June 2021, the corporate bonds matured and were repaid in 2021.

On 4 February 2021, 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 4 February 2024, for a period of three years commencing from the issue date of 4 February 2021. The annual interest rate of the corporate bonds is fixed at 3.65%. Interest is paid on an annual basis. As at 30 June 2021, the corporate bonds were classified as non-current liabilities.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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

Notes: (continued)

On 26 February 2021, a subsidiary of the group issued 15,000,000 units of bonds at a total par value of RMB1,500,000,000. The total net proceeds were approximately RMB1,500,000,000. The bonds will mature 270 days from the issue date (i.e., 23 November 2021), and the annual interest rate is 3.65%. As at 30 June 2021, the corporate bonds were classified as current liabilities.

On 10 March 2021, 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 RMB730,000 in relation to the issuance, the total net proceeds were approximately RMB2,999,270,000. The bonds will mature 63 days from the issue date (i.e., 12 May 2021), and the annual interest rate is 2.70%. As at 30 June 2021, the corporate bonds matured and were repaid in 2021.

On 12 March 2021, 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 RMB1,900,000 in relation to the issuance, the total net proceeds were approximately RMB2,998,100,000. The bonds will mature 180 days from the issue date (i.e., 8 September 2021), and the annual interest rate is 2.90%. As at 30 June 2021, the corporate bonds were classified as current liabilities.

On 28 April 2021, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB1,300,000 in relation to the issuance, the total net proceeds were approximately RMB1,998,700,000. The bonds will mature 180 days from the issue date (i.e., 25 October 2021), and the annual interest rate is 2.80%. As at 30 June 2021, the corporate bonds were classified as current liabilities.

On 20 May 2021, the Company issued 10,000,000 units of bonds at a total par value of RMB1,000,000,000. After deduction of the expenses of approximately RMB703,000 in relation to the issuance, the total net proceeds were approximately RMB999,297,000. The bonds will mature 180 days from the issue date (i.e., 16 November 2021), and the annual interest rate is 2.60%. As at 30 June 2021, 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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	60,651,908	45,986,113	11,175,309	8,972,841
Between 1 to 2 years	635,854	215,606	4,986,536	4,986,599
Between 2 to 5 years	1,001,326	1,018,755	3,697,270	2,697,766
	62,289,088	47,220,474	19,859,115	16,657,206

21. Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

	30 June 2021 RMB'000	30 June 2020 RMB'000
Carrying amount at 1 January (audited)	4,649,150	4,289,689
New leases	991,750	1,104,023
Additions as a result of acquisition of a subsidiary (Note 27)	27,773	55,615
Accretion of interest recognised during the period	82,672	98,487
Payments	(929,988)	(796,398)
Covid-19-related rent concessions from lessor	(485)	(12,060)
Disposals	(181,801)	(305,806)
Carrying amount at 30 June (unaudited)	4,639,071	4,433,550
Analysed into:		
Current portion	1,356,469	1,126,797
Non-current portion	3,282,602	3,306,753

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

22. Deferred income tax

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Deferred tax assets	1,695,178	1,601,660
Deferred tax liabilities	(1,073,053)	(1,111,742)
	622,125	489,918

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At 1 January	489,918	349,745
Acquisition of subsidiaries (Note 27)	(25,863)	(43,951)
Disposal of a subsidiary	(8)	–
Credited to the consolidated statement of profit or loss (Note 13)	154,972	106,183
Credited/(charged) to other comprehensive income	3,106	(6,426)
Credited to capital surplus	–	846
At 30 June	622,125	406,397

Notes to the Interim Condensed Consolidated Financial Information

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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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current service cost	2,318	2,421
Past service cost	–	291
Interest expense	6,282	6,272
	8,600	8,984

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	Present value of funded obligations	18,072
Fair value of plan assets	(99,993)	(110,389)
Surplus of funded plans	(81,921)	(76,450)
Present value of unfunded post-employment benefit obligations	475,484	472,867
Liability in the consolidated statement of financial position	393,563	396,417

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At 1 January	396,417	399,003
Charged to consolidated statement of profit or loss	8,600	8,984
Remeasurements of post-employment benefit obligations recognised in the consolidated statement of other comprehensive income	7,975	12,180
Contributions by employers and benefit payments	(19,429)	(26,280)
At 30 June	393,563	393,887

24. Other non-current liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Medical reserve funds		
– general (i)	2,781,766	2,731,055
– for H1N1 vaccines	63,407	64,907
Government grants for construction of logistics centres (ii)	79,859	89,152
Other government grants	338,953	313,256
Continuing involvement liabilities	11,400	11,400
Payables for acquisition of subsidiaries	318,024	266,194
Others	112,072	114,967
	3,705,481	3,590,931

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

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 RMB509,248,000 during the six months ended 30 June 2021 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. RMB458,537,000 was written-off with the government's approval due to the expiry of relevant medicines during the six months ended 30 June 2021. 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 2021, 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	92,139,181	78,687,419
Bills payable	29,190,417	33,944,974
	121,329,598	112,632,393

The trade payables are non-interest-bearing and are normally settled within 180 days. The fair value of trade payables approximates to their carrying amount.

Notes to the Interim Condensed Consolidated Financial Information

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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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Below 3 months	86,325,578	84,477,049
Between 3 and 6 months	21,933,103	18,497,256
Between 6 months and 1 year	9,179,842	5,902,758
Between 1 and 2 years	2,264,371	2,343,031
Over 2 years	1,626,704	1,412,299
	121,329,598	112,632,393

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 2021, trade payables of RMB1,519,342,000 (30 June 2020: RMB786,904,000) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2021, the balance of bank borrowings related to this program was RMB507,342,000 (31 December 2020: RMB347,192,000).

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 Holding Chengdu Pharmaceutical Co., Ltd.	10.00%	12,100

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26. Transactions with non-controlling interests (continued)

(a) Acquisition of additional interests in subsidiaries (continued)

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	14,249
Consideration payable to non-controlling interests	12,100
Excess of consideration paid over the carrying amount acquired	<u>(2,149)</u>

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

During the reporting period, the group disposed of 37% of the equity interest of Sinopharm holding Ye Xian Co., Ltd. (“**Sinopharm Ye Xian**”), its wholly owned subsidiary, to an independent third party at a consideration of RMB3,816,100. After the disposal, the group’s equity interest decreased to 63% and the non-controlling interests in Sinopharm Ye Xian increased to RMB3,816,100 accordingly. Management is of the opinion that the transaction consideration is at fair market price and the transaction has no impact on the equity attributable to owners of the parent.

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the six months ended 30 June 2021

	Effect on the total equity
	RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	(2,149)
– Disposal of interests in subsidiaries without loss of control	–
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	<u>(2,149)</u>

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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 pharmacy business 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
Sinopharm Holding Dazhou Co.,LTD	January,2021	60%
Sinopharm Holding Xinte Medicines Beitun Co., Ltd	January,2021	100%
Sinopharm Houde Shijiazhuang Hospital Co., Ltd	January,2021	51%
Sinopharm Instrument Anhui Province Medical Technology Co., Ltd	January,2021	60%
Sinopharm Instrument Cangzhou Co., Ltd.	January,2021	60%
Yunnan Guoda Disheng Pharmacy Chain Co.,LTD	February, 2021	70%
Yunnan Guoda Disheng Medicines Co., Ltd.	February, 2021	70%
Linfen Guokang Taihang Yaozhuang Co., Ltd	June,2021	80%

Businesses acquired from the following companies	Month of acquisition
Shanxi Huimin Kangwei Pharmacy Chain Co.,LTD	February, 2021
Sinopharm Holding Nantong Puji Pharmacy Chain Co.,LTD	March, 2021

The effect of the above acquisitions is summarised as follows:

	RMB'000
Purchase consideration	
– Contingent consideration (i)	295,917
– Cash consideration paid	230,828
Total purchase consideration	526,745

Notes to the Interim Condensed Consolidated Financial Information

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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	134,074
Property, plant and equipment (Note 16)	32,785
Intangible assets (Note 16)	138,802
– Sales network	68,230
– Others	70,572
Right-of-use assets (Note 16)	50,107
Deferred tax assets (Note 22)	526
Inventories	111,957
Other non-current assets	2,140
Trade and other receivables	260,607
Trade and other payables	(283,665)
Lease liabilities (Note 21)	(27,773)
Deferred tax liabilities (Note 22)	(26,389)
Other non-current liabilities	(5,000)
Total identifiable net assets at fair value	388,171
Less: Non-controlling interests (ii)	(135,724)
Goodwill (Note 16)	274,877
Negative Goodwill	(579)
Total purchase consideration	526,745
Less: Contingent consideration (i)	(295,917)
Cash consideration paid during the period	230,828
Cash and cash equivalents in subsidiaries acquired	(134,074)
Cash outflow on acquisition	96,754

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.

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30 June 2021

27. Business combinations not under common control (continued)

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 RMB295,917,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB295,917,000. As at 30 June 2021, 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 2021 are summarised as follows:

	From acquisition dates to 30 June 2021
	RMB'000
	(Unaudited)
Revenue	365,056
Net profit	17,916

Notes to the Interim Condensed Consolidated Financial Information

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28. Commitments

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Property, plant and equipment: contracted but not provided for	174,438	144,064
Fund investment: contracted but not provided for	250,000	–

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of goods		
Associates	322,019	320,524
Companies controlled by CNPGC	1,080,995	745,588
Associates of CNPGC	4	91
Subsidiaries of Fosun Pharmaceutical	172,775	117,667
Subsidiary of Natong Group	1,658	2,458
Purchases of goods		
Associates	1,870,935	1,327,274
Companies controlled by CNPGC	2,735,316	1,628,519
Associates of CNPGC	905,480	630,011
Subsidiaries of Fosun Pharmaceutical	1,774,888	1,202,744
Subsidiary of Natong Group	397,343	336,742
Borrowings		
Associates	–	38,964
Companies controlled by CNPGC	7,874,857	4,834,853
Interest fee paid for other financial services		
Ultimate holding company	612	514
Associates	607	539
Companies controlled by CNPGC	141,644	62,404
Bills receivable discount		
Companies controlled by CNPGC	1,867,514	559,532
Trade receivable factoring		
Associates	524,938	1,345,793
Companies controlled by CNPGC	2,676,771	2,302,685

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

29. Significant related party transactions (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash in other financial institution		
Companies controlled by CNPGC	1,338,342	2,418,935
Trade and bills receivables due from		
Subsidiary of Natong Group	284	324
Associates	140,686	119,527
Companies controlled by CNPGC	1,041,910	966,615
Associates of CNPGC	339	195
Subsidiaries of Fosun Pharmaceutical	131,718	111,883
Other receivables due from		
Subsidiary of Natong Group	100	238
Associates	55,085	54,099
Companies controlled by CNPGC	148,379	30,998
Associates of CNPGC	397	247
Subsidiaries of Fosun Pharmaceutical	2,125	1,168
Prepayments to		
Subsidiary of Natong Group	186	2
Associates	8,611	2,495
Companies controlled by CNPGC	160,598	95,799
Associates of CNPGC	24,719	3,273
Subsidiaries of Fosun Pharmaceutical	34,654	25,639
Trade and bills payables due to		
Subsidiary of Natong Group	305,333	129,096
Associates	817,173	513,655
Companies controlled by CNPGC	1,676,696	1,185,083
Associates of CNPGC	268,375	176,647
Subsidiaries of Fosun Pharmaceutical	796,313	724,781
Other payables due to		
Subsidiary of Natong Group	744	–
Ultimate holding company	249	80,641
Associates	590,211	851,986
Companies controlled by CNPGC	1,524,999	468,876
Associates of CNPGC	614	600
Subsidiaries of Fosun Pharmaceutical	276	1,093

Notes to the Interim Condensed Consolidated Financial Information

30 June 2021

29. Significant related party transactions (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract liabilities		
Subsidiary of Natong Group	–	363
Associates	18,935	18,700
Companies controlled by CNPGC	452,102	114,663
Subsidiaries of Fosun Pharmaceutical	7,212	13,488
Borrowing due to		
Ultimate holding company	31,634	31,637
Associates	–	16,707
Companies controlled by CNPGC	7,627,039	3,274,753
Other non-current liabilities		
Ultimate holding company	1,371,828	1,079,095
Associates	19,891	–
Companies controlled by CNPGC	1,375,048	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. Material subsequent events

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

31. 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 20 August 2021.