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国药集团
SINOPHARM

國藥控股股份有限公司
SINOPHARM GROUP CO. LTD.*

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

(Stock Code: 01099)

ANNOUNCEMENT ON 2018 INTERIM RESULTS

The board of directors (the "**Board**") of Sinopharm Group Co. Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**") together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	For the six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Revenue	*5*	**147,486,194**	137,767,540
Cost of sales	*8*	**(134,718,614)**	(126,875,479)
Gross profit		**12,767,580**	10,892,061
Other income	*6*	**146,303**	211,681
Selling and distribution expenses	*8*	**(4,203,940)**	(3,311,234)
Administrative expenses	*8*	**(2,257,001)**	(1,906,842)
Operating profit		**6,452,942**	5,885,666
Other gains – net	*7*	**51,182**	29,566
Finance income		**145,475**	152,326
Finance costs		**(1,823,629)**	(1,150,449)
Finance costs – net	*10*	**(1,678,154)**	(998,123)
Share of profits and losses of:			
Associates		**328,654**	238,460
A joint venture		**9,212**	1,735
		337,866	240,195
Profit before tax		**5,163,836**	5,157,304
Income tax expense	*11*	**(1,136,651)**	(1,125,467)
Profit for the period		**4,027,185**	4,031,837
Attributable to:			
Owners of the parent		**2,678,626**	2,764,650
Non-controlling interests		**1,348,559**	1,267,187
		4,027,185	4,031,837
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic	*12*	**0.97**	1.00
– Diluted	*12*	**0.97**	1.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit for the period	**4,027,185**	4,031,837
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		
Remeasurements of post-employment benefit obligations	**(7,864)**	9,003
Fair value losses on financial asset, net of tax	**(4,592)**	-
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	**(12,456)**	9,003
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Fair value losses on available-for-sale financial asset, net of tax	**-**	(12,326)
Exchange differences	**(2,084)**	7,205
Share of other comprehensive (loss)/income of associates	**(2,145)**	2,843
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(4,229)**	(2,278)
Other comprehensive (loss)/income for the period, net of tax	**(16,685)**	6,725
Total comprehensive income for the period	**4,010,500**	4,038,562
Attributable to:		
Owners of the parent	**2,665,131**	2,775,619
Non-controlling interests	**1,345,369**	1,262,943
	4,010,500	4,038,562

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
ASSETS			
Non-current assets			
Prepaid land lease payments		**1,324,150**	1,348,599
Investment properties		**388,650**	401,121
Property, plant and equipment		**9,228,504**	7,795,659
Intangible assets		**6,829,966**	6,674,179
Investment in a joint venture		**22,105**	12,893
Investments in associates		**5,198,243**	5,051,003
Available-for-sale investments		**-**	553,456
Financial assets at fair value through other comprehensive income		**29,452**	-
Financial assets at fair value through profit or loss		**734,406**	-
Deferred tax assets		**903,426**	836,511
Other non-current assets		**2,006,407**	2,022,214
Total non-current assets		**26,665,309**	24,695,635
Current assets			
Inventories		**27,357,090**	26,768,692
Trade receivables	*14*	**99,690,091**	75,528,859
Prepayments and other receivables		**9,161,653**	8,675,478
Available-for-sale investments		**-**	516
Financial assets at fair value through profit or loss		**418**	-
Pledged deposits and restricted cash		**5,597,863**	4,858,412
Cash and cash equivalents		**23,353,710**	29,011,436
Total current assets		**165,160,825**	144,843,393
Total assets		**191,826,134**	169,539,028
Current liabilities			
Trade payables	*15*	**72,824,837**	66,612,779
Contract liabilities		**813,606**	-
Accruals and other payables		**12,477,367**	13,159,792
Dividends payable		**1,623,940**	54,892
Tax payable		**737,645**	885,933
Interest-bearing bank and other borrowings		**46,531,643**	30,162,908
Total current liabilities		**135,009,038**	110,876,304
Net current assets		**30,151,787**	33,967,089
Total assets less current liabilities		**56,817,096**	58,662,724

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Non-current liabilities		
Interest-bearing bank and other borrowings	**1,448,426**	5,441,488
Deferred tax liabilities	**655,601**	666,872
Post-employment benefit obligations	**350,273**	358,895
Contract liabilities	**27,933**	-
Other non-current liabilities	**890,416**	925,815
Total non-current liabilities	**3,372,649**	7,393,070
Net Assets	**53,444,447**	51,269,654
EQUITY		
Equity attributable to owners of the parent		
Share capital	**2,767,095**	2,767,095
Treasury shares held for share incentive scheme	**(183,415)**	(193,003)
Reserves	**33,725,405**	32,683,543
	36,309,085	35,257,635
Non-controlling interests	**17,135,362**	16,012,019
Total equity	**53,444,447**	51,269,654

NOTES:
(All amounts in Renminbi thousands unless otherwise stated)

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 ("**Stock Exchange**") on 23 September 2009.

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

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

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

These interim condensed consolidated financial statements have been reviewed by Ernst & Young, not audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with HKAS 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements have been approved and authorised by the Board to be published on 24 August 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong

2 BASIS OF PREPARATION(CONTINUED)

Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants.

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those in the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised standards and interpretations effective on 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following new standards, interpretations and amendments for the first time for the financial year beginning on 1 January 2018.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Other than as further explained below, the adoption of other new standards, interpretations and amendments do not have a material impact on the interim condensed consolidated financial statements of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (continued)

Other than the impact of HKFRS 15 as disclosed in the Group's financial statements in the Group's annual report for the year ended 31 December 2017, the Group expects that the adoption of the above new and revised standard will have no significant impact on these financial statements.

Presentation and disclosure requirements

As required for the condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Impact on the financial statements

Impact on the condensed consolidated statement of financial position as at 1 January 2018:

	31 December 2017	Adjustments	1 January 2018
Non-current liabilities			
Other non-current liabilities(i)	925,815	(28,357)	897,458
Contract liabilities(i)	-	28,357	8,357
Total non-current liabilities	925,815	-	925,815
Current liabilities			
Accruals and other payables- Advances from customers and related parties	13,159,792	(727,742)	12,432,050
Contract liabilities	-	727,742	727,742
Total current liabilities	13,159,792	-	13,159,792
Total liabilities	14,085,607	-	14,085,607

(i) Sale of goods

The Group's contracts with customers for pharmaceutical distribution, retail pharmacy and other business generally include one performance obligation. The Group has concluded that revenue from pharmaceutical distribution, retail pharmacy and other business should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of medicines, medical instruments and related products. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (continued)

Impact on the financial statements (continued)

Customer loyalty programs

The Group's retail pharmacy operates a customer loyalty programs in Mainland China, which allows customers to accumulate award points when they purchase the Group's products. The points can be redeemed for free products, subject to a minimum number of points obtained. Prior to adoption of HKFRS 15, the customer loyalty programs offered by the Group resulted in the allocation of a portion of the transaction price to the customer loyalty programs using the fair value of award points issued and recognition of the deferred revenue in relation to award points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the award points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty programme should be same compared to the previous accounting policy. The Other non-current liabilities related to this award points was reclassified to Contract liabilities.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018 and not adjusting the comparative information for the period beginning 1 January 2017.

Impact on the financial statements

Impact on the condensed consolidated statement of financial position as at 1 January 2018:

	31 December 2017	Adjustments	1 January 2018
Non-current assets			
Available-for-sale investments	553,456	(553,456)	-
Financial assets at fair value through other comprehensive income	-	35,518	35,518
Financial assets at fair value through profit or loss	-	517,938	517,938
Total non-current assets	553,456	-	553,456

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (continued)

Impact on the financial statements (continued)

Impact on the condensed consolidated statement of financial position as at 1 January 2018 (continued):

	31 December 2017	Adjustments	1 January 2018
Current assets			
Available-for-sale investments	516	(516)	-
Financial assets at fair value through profit or loss	-	516	516
Total current assets	516	-	516
Total assets	553,972	-	553,972

Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's other assets, Trade and other receivables, Pledged deposits and restricted cash, cash and cash equivalents and etc.

Other financial assets are classified and subsequently measured, as follows:

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9.

Financial assets at FVPL comprise derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for financial liabilities has not changed from that required by HKAS 39.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 didn't resulted in increases nor decrease in impairment allowances of the Group's debt financial assets.

4 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 three business types in the PRC:

(1) Pharmaceutical distribution – the distribution of medicines, medical instruments and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;

(2) Retail pharmacy – the operation of pharmaceutical chain stores; and

(3) Other business – the distribution of laboratory supplies, manufacturing and distribution of chemical reagents, production and sale of pharmaceutical products.

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

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

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

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

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

Intersegment 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.

4 SEGMENT INFORMATION (CONTINUED)

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

(i) For the six months ended 30 June 2018 and 2017

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Total
Six months ended 30 June 2018 (Unaudited)					
Segment results					
External segment revenue	**138,510,299**	**7,053,886**	**1,922,009**	**-**	**147,486,194**
Intersegment revenue	**1,415,843**	**47,687**	**164,902**	**(1,628,432)**	**-**
Revenue	**139,926,142**	**7,101,573**	**2,086,911**	**(1,628,432)**	**147,486,194**
Operating profit	**6,010,108**	**255,730**	**187,104**	**-**	**6,452,942**
Other gains – net	**3,194**	**2,591**	**45,397**	**-**	**51,182**
Share of profits and losses of associates and a joint venture	**10,060**	**1,207**	**326,599**	**-**	**337,866**
	6,023,362	**259,528**	**559,100**	**-**	**6,841,990**
Finance costs – net					**(1,678,154)**
Profit before tax					**5,163,836**
Income tax expense					**(1,136,651)**
Profit for the period					**4,027,185**
Other segment items included in condensed consolidated statement of profit or loss					
Provision for impairment of trade and other receivables	**318,354**	**91**	**3,255**		**321,700**
Provision/(reversal of provision) for impairment of inventories	**18,688**	**581**	**(1,295)**		**17,974**
Amortisation of prepaid land lease payments	**22,424**	**76**	**3,390**		**25,890**
Depreciation of property, plant and equipment	**318,730**	**44,437**	**33,709**		**396,876**
Depreciation of investment properties	**8,377**	**534**	**2,342**		**11,253**
Amortisation of intangible assets	**115,312**	**7,291**	**1,998**		**124,601**
Capital expenditures	**2,015,005**	**77,458**	**43,417**		**2,135,880**

4 SEGMENT INFORMATION (CONTINUED)

(i) For the six months ended 30 June 2018 and 2017 (continued)

	Pharmaceutical distribution	Retail pharmacy	Other business	Eliminations	Total
Six months ended 30 June 2017 (Unaudited)					
Segment results					
External segment revenue	130,393,475	5,683,893	1,690,172	-	137,767,540
Intersegment revenue	1,306,757	17,012	110,212	(1,433,981)	-
Revenue	131,700,232	5,700,905	1,800,384	(1,433,981)	137,767,540
Operating profit	5,553,739	216,244	119,142	(3,459)	5,885,666
Other gains – net	8,069	4,942	16,555	-	29,566
Share of profits and losses of associates and a joint venture	5,229	1,550	233,416	-	240,195
	5,567,037	222,736	369,113	(3,459)	6,155,427
Finance costs – net					(998,123)
Profit before tax					5,157,304
Income tax expense					(1,125,467)
Profit for the period					4,031,837
Other segment items included in condensed consolidated statement of profit or loss					
Provision/(reversal of provision) for impairment of trade and other receivables	116,990	(162)	2,948		119,776
Provision for impairment of inventories	24,859	211	583		25,653
Provision for impairment of finance lease receivables	-	-	31,752		31,752
Amortisation of prepaid land lease payments	16,211	59	3,270		19,540
Depreciation of property, plant and equipment	278,759	42,911	33,098		354,768
Depreciation of investment properties	7,160	475	2,260		9,895
Amortisation of intangible assets	109,649	4,020	1,763		115,432
Capital expenditures	1,327,716	94,944	42,842		1,465,502

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2018 and 31 December 2017

	Pharmaceutical distribution	Retail pharmacy	Other business	Elimination	Total
As at 30 June 2018 (Unaudited)					
Segment assets and liabilities					
Segment assets	**175,722,817**	**7,914,583**	**10,016,345**	**(2,731,037)**	**190,922,708**
Segment assets include:					
Investments in associates and a joint venture	**211,999**	**24,749**	**4,983,600**	**-**	**5,220,348**
Unallocated assets – Deferred tax assets					**903,426**
Total assets					**191,826,134**
Segment liabilities	**85,320,491**	**5,446,157**	**1,999,275**	**(3,019,906)**	**89,746,017**
Unallocated liabilities – Deferred tax liabilities and borrowings					**48,635,670**
Total liabilities					**138,381,687**
As at 31 December 2017 (Audited)					
Segment assets and liabilities					
Segment assets	154,352,095	7,176,658	9,499,578	(2,325,814)	168,702,517
Segment assets include:					
Investments in associates and a joint venture	198,771	23,589	4,841,536	-	5,063,896
Unallocated assets – Deferred tax assets					836,511
Total assets					169,539,028
Segment liabilities	77,779,995	4,835,357	1,775,599	(2,392,845)	81,998,106
Unallocated liabilities – Deferred tax liabilities and borrowings					36,271,268
Total liabilities					118,269,374

All of the Group's assets are located in the PRC.

5 REVENUE

Revenue mainly represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the period.

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Sales of goods	**146,949,510**	137,013,514
Operating lease income	**74,806**	71,750
Franchise fees and other service fee from medicine chain stores	**146,363**	115,498
Interest income from finance lease	**-**	284,760
Revenue from logistics service	**141,993**	116,914
Consulting income	**122,510**	118,027
Import agency income	**4,244**	7,340
Others	**46,768**	39,737
	147,486,194	137,767,540

6 OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Government grants	**146,303**	211,681

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

7 OTHER GAINS – NET

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Gain on disposal of prepaid land lease payments, property, plant and equipment and intangible assets	**3,365**	1,722
Gain on changes in fair value of financial assets at fair value through profit and loss	**43,755**	-
Gain on fair value remeasurement of previously held equity interest in the acquiree	**-**	34,933
Foreign exchange loss – net	**(252)**	(7,321)
Write-back of certain liabilities	**11,357**	15,257
Loss on disposal of available-for-sale investments	**-**	(200)
Donation	**(5,773)**	(6,683)
Dividends from available-for-sale investments	**-**	8,592
Dividends from financial assets at fair value through other comprehensive income	**330**	-
Dividends from financial assets at fair value through profit or loss	**32**	-
Others – net	**(1,632)**	(16,734)
	51,182	29,566

8 EXPENSES BY NATURE

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**134,381,942**	126,480,071
Changes in inventories of finished goods and work in progress	**(48,133)**	17,987
Employee benefit expenses *(Note 9)*	**3,110,858**	2,746,186
Provision for impairment of trade receivables	**313,020**	111,756
Provision for impairment of other receivables	**8,680**	8,020
Provision for impairment of inventories	**17,974**	25,653
Provision for impairment of finance lease receivables	**-**	31,752
Operating lease rental in respect of land and buildings	**570,468**	445,026
Depreciation of property, plant and equipment	**396,876**	354,768
Depreciation of investment properties	**11,253**	9,895
Amortisation of intangible assets	**124,601**	115,432
Amortisation of prepaid land lease payments	**25,890**	19,540
Auditors' remuneration	**12,000**	10,440
Advisory and consulting fees	**88,544**	74,033
Transportation expenses	**541,247**	516,259
Travel expenses	**124,432**	118,445
Market development and business promotion expenses	**873,479**	415,130
Utilities	**69,963**	56,449
Others	**556,461**	536,713
Total cost of sales, selling and distribution expenses, and administrative expenses	**141,179,555**	132,093,555

9 EMPLOYEE BENEFIT EXPENSES

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Salaries, wages, allowance and bonuses	**2,333,823**	2,108,340
Contributions to pension plans (i)	**308,745**	244,589
Post-employment benefits	**1,988**	(22,335)
Housing benefits (ii)	**112,904**	96,800
Share incentive expenses	**13,591**	13,725
Other benefits (iii)	**339,807**	305,067
	3,110,858	2,746,186

Notes:

(i) As stipulated by the related regulations in the PRC, the Group makes contributions to state- sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 7% to 10% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 20% to 28% of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

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

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

10 FINANCE INCOME AND COSTS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**1,006,416**	620,415
– Discounting of notes receivable	**239,100**	163,984
– Factoring of accounts receivable	**395,512**	249,114
– Net interests on net defined benefit liability	**6,898**	8,133
Gross interest expense	**1,647,926**	1,041,646
Bank charges	**181,041**	113,476
Less: Capitalised interest expense	**(5,338)**	(4,673)
Finance costs	**1,823,629**	1,150,449
Finance income:		
– Interest income on deposits in bank or other financial institutions	**(113,427)**	(120,557)
– Interest income on long-term deposits	**(32,048)**	(31,769)
Net finance costs	**1,678,154**	998,123

11 TAXATION

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Current income tax	**1,245,166**	1,119,268
Deferred income tax	**(108,515)**	6,199
	1,136,651	1,125,467

During the six months ended 30 June 2018, 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 are subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong.

12 EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future at the end of the reporting period and the weighted average number of ordinary shares of 2,767,095,000 (30 June 2017: 2,767,095,000) in issue excluding restricted shares at the end of the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. 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 period, as used in the basic earnings per share calculation and included the number of restricted shares expected to be unlocked in the future.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,678,626**	2,764,650
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(3,500)**	(3,285)
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**2,675,126**	2,761,365
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *('000)*	**2,760,755**	2,760,525
Effect of dilution – restricted shares *('000)*	**6,340**	6,570
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *('000)*	**2,767,095**	2,767,095
Basic earnings per share (RMB per share)	**0.97**	1.00
Diluted earnings per share (RMB per share)	**0.97**	1.00

13 DIVIDENDS

The final dividend for year 2017 of RMB0.57 per share (tax inclusive), amounting to approximately RMB1,577,244 thousand in total, was approved by the shareholders at the annual general meeting of the Company held on 28 June 2018 ("**2017 AGM**"). Pursuant to the relevant resolution passed at 2017 AGM, the final dividend for year 2017 will be paid on 28 August 2018 to the shareholders whose names appeared on the register of members of the Company on 11 July 2018.

No interim dividend was proposed for the six-month period ended 30 June 2018.

14 TRADE RECEIVABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accounts receivable	**93,494,681**	64,443,680
Notes receivable	**7,249,698**	11,825,305
	100,744,379	76,268,985
Less: Provision for impairment	**(1,054,288)**	(740,126)
	99,690,091	75,528,859

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

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	**98,826,670**	75,217,475
1 to 2 years	**805,674**	263,405
Over 2 years	**57,747**	47,979
	99,690,091	75,528,859

15 TRADE PAYABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accounts payable	**56,955,645**	51,634,332
Notes payable	**15,869,192**	14,978,447
	72,824,837	66,612,779

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

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Below 3 months	**46,389,550**	49,133,927
Between 3 to 6 months	**13,951,208**	11,665,398
Between 6 months to 1 year	**9,925,582**	3,945,713
Between 1 to 2 years	**1,716,480**	1,207,793
Over 2 years	**842,017**	659,948
	72,824,837	66,612,779

The Group has accounts 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 2018, accounts payable of RMB1,184,127 thousand were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2018, the balance of bank borrowings related to this program was RMB80,283 thousand (31 December 2017: RMB166,835 thousand).

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

Acquisitions during the period are as follows:

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

Subsidiaries acquired	Acquisition date	Acquired interests
Sinopharm Holding Heze Co., Ltd.	January, 2018	80.00%
Sinopharm Holding Tonghua Co., Ltd.	February, 2018	70.00%
Xinjiang Lisheng Medicines and Herbs Co., Ltd.	March, 2018	51.00%
Xinjiang Haoyouduo Medical Chains Co., Ltd.	March, 2018	100.00%
Yining Kangzhuo Pharmaceutical Co., Ltd.	March, 2018	100.00%
Sinopharm Holding Guorun Medical Supply Chain Service (Anhui) Co., Ltd.	April, 2018	70.00%
Sinopharm Holding Wende Pharmaceutical (Nanjing) Co., Ltd.	April, 2018	51.00%
Sinopharm Holding Guangzhou Huadu Co., Ltd.	April, 2018	70.00%
Sinopharm Holding Zhihui Minsheng (Tianjin) Pharmaceutical Co., Ltd.	May, 2018	60.00%
Lanzhou Shengyuan Medicine Co., Ltd.	May, 2018	70.00%

The effect of the above acquisitions is summarised as follows:

Purchase consideration	
– Cash paid	164,387
– Contingent consideration *(i)*	129,980
Total purchase consideration	294,367

16 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
Cash and cash equivalents	148,199
Property, plant and equipment	40,141
Intangible assets	136,125
Deferred tax assets	888
Inventories	119,560
Trade and other receivables	523,177
Trade and other payables	(561,219)
Dividends payable	(11,984)
Interest-bearing bank and other borrowings	(29,850)
Deferred tax liabilities	(35,035)
Net assets	330,002
Non-controlling interest *(ii)*	(139,091)
Goodwill	103,457
Negative goodwill	(1)
	294,367
Total purchase consideration	294,367
Less: Contingent consideration *(i)*	(129,980)
Cash consideration paid during the period	164,387
Cash and cash equivalents in subsidiaries acquired	(148,199)
Cash outflow on acquisition	16,188

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.

16 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 RMB129,980 thousand.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB129,980 thousand. As at 30 June 2018, 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 2018 are summarised as follows:

	From acquisition dates to 30 June 2018 (Unaudited)
Revenue	279,087
Net profit	10,124

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Stable economy with upward trend

During the first half of 2018, China's GDP grew by 6.8% which was slightly lower than that of 2017. The macro economy was performing in a reasonable range, demonstrating a stable pattern with upward trend, but still faces impact from certain domestic and international negative factors such as further slowdown in economic growth, further escalation of Sino-US trade dispute.

Growth of distribution industry slowed down

Due to influence of policies, the growth of pharmaceutical distribution industry dropped slightly on a year-on-year basis, but still continued to exceed the macroeconomic growth. The industry competition has become more intense, the pharmaceutical distribution and retail enterprises have accelerated the pace of merger, acquisition and expansion, the pace of industry consolidation has accelerated, highlighting the importance of scale advantage.

Opportunities and challenges co-existed

Policies such as "two-invoice system" have brought challenges to the industry, but we believe the impact will be short term, and in the long run they will contribute to facilitate the acceleration of the survival of the fittest and the consolidation of the industry. The concentration ratio of the industry is bound to increase in the future, enabling large-scale enterprises with superior control and management like us to get better development.

Driven by the aging of population, urbanization, increase in chronic diseases, rise in household income and the wider coverage of medical insurance, we have confidence in the outlook of China's healthcare industry. Enterprises like us, relying on leading network advantages, normative operations and superior corporate governance, will become the beneficiaries therein.

Business Review

Growth driven by direct sale with significant effect in structural adjustment

Faced with the challenging industry situation and negative impact from the performance results of the Group in the first quarter of this year, the Group focused on direct sale, deeply engaged end customers, enhanced product aggregation, deepened management and control, and promoted innovation, resulting in significant growth in the direct sale business, increase in the proportion of direct sale business, as well as large increase in gross profit margin. This promoted the recovery growth in the revenue and significant growth in the net profit during the second quarter of this year, further consolidating the leading position and advantages of the Group.

Solid leading position in the distribution business and visible growth in direct sale business

In the pharmaceutical distribution sector, the Group has built an integrated pharmaceutical supply chain, established an advanced supply chain management model, achieved steady adjustments in product structures, continuously optimized customer structure, continually expanded and integrated national distribution network. As at 30 June 2018, the Group's distribution network covered 31 provinces, municipalities and autonomous regions across China. The Group's direct customers included 15,118 hospitals (only referring to ranked hospitals, including 2,307 largest class-III hospitals with the highest rankings), 130,893 small end-customers (including primary health services institutions and others) and 95,971 retail pharmacies.

The Group continued its endeavors to promote integrated operation. Meanwhile, the Group continued to strengthen the construction of a national integrated logistics platform: as at 30 June

2018, the Group's national pharmaceutical distribution logistics network included 5 logistic hubs, 33 logistic centers at provincial level, 242 logistics outlets at municipal level, 26 retail logistics outlets, with a total number of logistics outlets reaching 306.

Leading position in the retail business
In respect of retail pharmacy, aiming to establish an integrated wholesale-retail pharmaceutical distribution model, the Group vigorously promoted the development of the retail business and strengthened its leading advantages. The Group has set up retail chain pharmacies that are either directly operated by the Group or through franchises in major cities throughout China. As at 30 June 2018, Sinopharm Holding Guoda Drugstore Co., Ltd., a subsidiary of the Group, has set up pharmacies covering 19 provinces, municipalities and autonomous regions across the country. The number of retail pharmacies was 4,004, among which 2,965 were directly operated and 1,039 were operated by franchisees. The scale continued to lead the industry.

Stable advancement of "integrated wholesale-retail" strategy
The revenue of retail pharmacy grew rapidly, the number of retail outlets continued to increase. As at 30 June 2018, the Group's retail outlets covered 30 provinces, municipalities and autonomous regions and 194 municipal regions. The Group's competitive advantages in direct sale to retail business were enhanced through steadily advancing integrated B2B business platform and establishing comprehensive solution for distribution retail information service.

Vigorous development of medical device business
The Group actively seized the opportunities of rapid development of medical device industry and vigorously developed medical device distribution business. In the first half of 2018, the sales growth of the Group's medical device business exceeded 30%, leading to the increase in the Group's revenue growth and gross profit margin. The acquisition of 60% equity interest in China's largest medical device distributor China National Scientific Instruments and Materials Co., Ltd. was on track and is expected to close during this year. By then the Group's leading position in China's medical device industry will be further consolidated.

Active promotion of innovative businesses
The Group deeply pushed forward regional integration with continuous management innovation and improvement, and fully promoted and implemented "mature modules" such as procurement rebate, secondary price negotiation and sales rebate in regional integration plan. By leveraging our industry-leading position and strong brand influence combined with industry experience and market demand, the Group pushed forward supply chain financial service and established integrated financial solution based on cargo right and cash flow control. Through establishing a "full track & trace" vaccine tracking system and creating industry standards, the Group achieved the integration of tracking and business process, thereby further enhancing its innovative cold-chain logistics service capabilities.

Further improvement in headquarter service and management and control capabilities
The Group strengthened its headquarter service and management and control of finance, human resources, diversified financing, operations management, informatization and procurement, etc. As a result, the gross profit margin was further increased, the operating risks were further decreased, and the enterprise competitiveness was further enhanced.

Future Plan

Continue to solidify leading position in distribution business
The pharmaceutical distribution business will remain an important strategic sector of the Group. The Group will continue to promote the penetration of distribution network to lower-tier market and

optimize its network layout, thereby further utilizing scale and network advantages to continuously consolidate its leading position in the industry. The Group will actively seize the policy opportunity to rapidly increase the market share in direct sale to hospitals. The Group will actively grasp the opportunity of organic growth and cooperative M&A to further accelerate the consolidation of industry resources surrounding main business. The Group will further advance regional integration with the aim to lay a foundation for a national integration.

Continue to promote rapid growth of retail business

The retail pharmacy business still remains a strategic sector for the structural adjustment of the Group. The Group will actively learn from and draw on international advanced technology and experience, and will continue to expand its retail business to form an overall leading pharmaceutical terminal retail network with national layout, vertical development, reasonable structure, integration of wholesale and retail, various profit growth drivers, risk resistance capacity, and global perspective.

Continue to vigorously develop medical device business

The Group will take advantage of the development trend of medical device industry and further exert synergy and scale advantage so as to accelerate business layout, approach manufacturers and end customers, strive to increase the proportion of direct sale, and actively promote strategic cooperation.

Continue to advance and foster innovative businesses

Innovative businesses based on main business are critical for optimizing the Group's revenue structure and profitability. The Group will continue to explore supply chain service new model guided by demand. The Group will deeply push forward "integrated wholesale-retail" with "new retail" as a driver. The Group will continue to integrate logistics resources and build tracking platform. The Group will continue to improve and promote supply chain financial service to increase client loyalty.

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

The Group will continue to optimize operation management capabilities and enhance management and control services through measures such as deeply solidifying integration construction, further advancing finance sharing, adopting innovative information technology, enhancing cash flow control, as well as manners such as enhancing internal audit, improving risk and compliance management so as to achieve healthier sustainable development.

Looking forward, there are still uncertainties in the policies and situation of the pharmaceutical distribution industry, but change represents opportunity. The Group will follow the concept of "high quality development" to guide operation management and innovation reform work, promote the "integrated wholesale-retail" strategy, promote transformation and innovation, with the aim to build a smart healthcare service ecosystem with international competitiveness.

Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB147,486.19 million, representing an increase of RMB9,718.65 million or 7.05% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB4,027.19 million, representing a decrease of RMB4.65 million or 0.12% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB2,678.63 million, representing a decrease of RMB86.02 million or 3.11% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB0.97, representing a decrease of 3.00% as compared with the corresponding period of last year.

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2018	Six months ended 30 June 2017	Change
Operating result			
Revenue	**147,486.19**	137,767.54	9,718.65
Earnings before interest and tax	**6,841.99**	6,155.43	686.56
Profit attributable to owners of the parent	**2,678.63**	2,764.65	(86.02)
Profitability			
Gross margin	**8.66%**	7.91%	increased by 0.75 percentage point
Operating margin	**4.38%**	4.27%	increased by 0.11 percentage point
Net profit margin	**2.73%**	2.93%	decreased by 0.20 percentage point
Earnings per share – Basic (RMB)	**0.97**	1.00	(0.03)
Key operational indicators			
Trade receivables turnover ratio (days)	**108**	104	4
Inventory turnover ratio (days)	**36**	36	0
Trade payables turnover ratio (days)	**93**	98	(5)
Current ratio (times)	**1.22**	1.26	(0.04)

Unit: in millions of RMB unless otherwise stated

	30 June 2018	31 December 2017	Change
Asset position			
Total assets	**191,826.13**	169,539.03	22,287.10
Equity attributable to owners of the parent	**36,309.09**	35,257.64	1,051.45
Gearing ratio	**72.14%**	69.76%	increased by 2.38 percentage point
Cash and cash equivalents	**23,353.71**	29,011.44	(5,657.73)

Revenue

During the Reporting Period, the Group recorded revenue of RMB147,486.19 million, representing an increase of 7.05% as compared with RMB137,767.54 million for the six months ended 30 June 2017. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business as well as retail pharmacy business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB139,926.14 million, representing an increase of 6.25% as compared with RMB131,700.23 million for the six months ended 30 June 2017, and accounting for 94.87% of the total revenue of the Group. Such increase was primarily due to the good development trend of the pharmaceutical distribution business and further expansion of the distribution network of the Group.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB7,101.57 million, representing an increase of 24.57% as compared with RMB5,700.91 million for the six months ended 30 June 2017, and accounting for 4.82% 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 RMB2,086.91 million, representing an increase of 15.91% as compared with RMB1,800.38 million for the six months ended 30 June 2017, primarily due to the growth from chemical reagent and pharmaceutical manufacturing businesses.

Cost of Sales
During the Reporting Period, the cost of sales of the Group was RMB134,718.61_million, representing an increase of 6.18% as compared with RMB126,875.48 million for the six months ended 30 June 2017, which was comparable with the growth rate of the sales revenue.

Gross Profit
The gross profit of the Group for the Reporting Period increased by 17.22% from RMB10,892.06 million for the six months ended 30 June 2017 to RMB12,767.58 million.

The gross profit margin of the Group for the six months ended 30 June 2018 was 8.66%, whilst the gross profit margin for the same period in 2017 was 7.91%, the increase in gross profit margin is mainly due to the fast increase in the proportion of direct sale business and rapid growth from high-margin businesses such as medical device and retail pharmacy.

Other Income
During the Reporting Period, other income of the Group was RMB146.30 million, representing a decrease of 30.89% as compared with RMB211.68 million for the six months ended 30 June 2017. 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 RMB4,203.94 million, representing an increase of 26.96% as compared with RMB3,311.23 million for the six months ended 30 June 2017. The increase in selling and distribution expenses was primarily attributable to purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

Administrative Expenses
During the Reporting Period, the administrative expenses of the Group were RMB2,257.00 million, representing an increase of 18.36% from RMB1,906.84 million for the same period in 2017.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group increased to 1.53% from 1.38% for the six months ended 30 June 2017, which was due to the increase in employee benefits.

Operating Profit
The operating profit of the Group for the Reporting Period was RMB6,452.94 million, representing an increase of 9.64% from RMB5,885.67 million for the six months ended 30 June 2017.

Other Gains – Net
The other net gains of the Group increased by RMB21.61 million from RMB29.57 million for the six months ended 30 June 2017 to RMB51.18 million for the Reporting Period, primarily contributed by gain on changes in fair value of financial assets at fair value through profit and loss.

Finance Costs – Net
During the Reporting Period, the finance costs of the Group were RMB1,678.15 million, representing an increase of RMB680.03 million as compared with RMB998.12 million for the six months ended 30 June 2017. The increase was primarily due to the increase in interest expenses of the Group.

Share of Profits and Losses of Associates and a Joint Venture
During the Reporting Period, the Group's share of profits and losses of associates and a joint venture was RMB337.87 million, representing an increase of 40.66% as compared with RMB240.20 million for the six months ended 30 June 2017, mainly because Sinopharm Holding (China) Financial Leasing Co., Ltd. ("**Sinopharm Financial Leasing**") changed from a subsidiary to an associate in 2017.

Income Tax Expense
The Group's income tax expense increased by 0.99% from RMB1,125.47 million for the six months ended 30 June 2017 to RMB1,136.65 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group. The Group's effective income tax rate increased from 21.82% for the six months ended 30 June 2017 to 22.01% for the six months ended 30 June 2018.

Profit for the Reporting Period
As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB4,027.19 million, representing a decrease of 0.12% from RMB4,031.84 million for the six months ended 30 June 2017.

Profit Attributable to Owners of the Parent
During the Reporting Period, profit attributable to owners of the parent was RMB2,678.63 million, representing a decrease of 3.11%, or RMB86.02 million, from RMB2,764.65 million for the six months ended 30 June 2017. The Group's net profit margin for the Reporting Period and for the corresponding period of 2017 was 1.82% and 2.01%, respectively.

Profit Attributable to Non-controlling Interests
Profit attributable to non-controlling interests for the Reporting Period was RMB1,348.56 million, representing an increase of 6.42% from RMB1,267.19 million for the six months ended 30 June 2017.

Cash Flow

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

Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB9,175.73 million. The net cash used in operating activities of the Group was RMB11,104.93 million for the six months ended 30 June 2017. The decrease was primarily attributed to the change of Sinopharm Financial Leasing from a subsidiary to an associate in 2017.

Net cash used in investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB2,877.67 million, representing an increase of RMB1,638.18 million as compared with RMB1,239.49 million for the six months ended 30 June 2017. Such increase was primarily due to the increase in the expenditure on the purchase of property, plant and equipment.

Net cash generated from financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB6,397.76 million, representing a decrease of RMB437.62 million as compared with RMB6,835.38 million for the six months ended 30 June 2017. Such decrease was primarily due to the repayment of the borrowings and expired bonds by the Group.

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued super short-term commercial papers in an aggregate amount of RMB12 billion in the first half of 2018 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as to replenish working capital.

The Group's borrowings are all denominated in Renminbi.

As of 30 June 2018, the cash and cash equivalents of the Group were mainly denominated in Renminbi, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD ("**USD**") and Euro ("**EUR**") and AUD ("**AUD**").

Indebtedness

As of 30 June 2018, among the Group's total borrowings, RMB46,531.64 million will be due within one year and RMB1,448.43 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 2018, the Group's gearing ratio was 72.14% (31 December 2017: 69.76%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2018.

Foreign Exchange Risks

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

Pledge of Assets

As of 30 June 2018, part of the Group's borrowings and notes payable were secured by bank deposits of RMB5,597.86 million (unaudited), prepaid land lease payments with book value of RMB55.25 million (unaudited), investment properties with book value of RMB5.49 million (unaudited), properties, plant and equipment with book value of RMB251.63 million (unaudited), and trade receivables with book value of RMB1,358.85 million (unaudited).

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improving of the level of informatization. The Group's capital expenditures for the Reporting Period amounted to RMB2,135.88 million, representing an increase of RMB670.38 million as compared with RMB1,465.50 million for the six months ended 30 June 2017, mainly due to the increase in the expenditure on the purchase of property, plant and equipment.

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

Going Concern

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

Contingent Liabilities and Material Litigations

As at 30 June 2018, the Group neither had any material contingent liabilities, nor had any material litigations.

Major Investment

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

Major Acquisitions and Disposals

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

Human Resources

As of 30 June 2018, the Group had a total of 64,413 employees. In order to meet the development needs and to support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialised operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance the efficiency of the employees. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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 2018, the interests and short positions of 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 Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), were as follows:

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

Save as disclosed above, as at 30 June 2018, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code.

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

As at 30 June 2018, so far as was known to 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	2,728,396 *(Note 2)*	0.10	0.17	–
	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 2)*	56.79	99.83	–
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 *(Note 1 and 2)*	56.79	99.83	–
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 3)*	56.79	99.83	–
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 4)*	56.79	99.83	–
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 5)*	56.79	99.83	–
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 6)*	56.79	99.83	–
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 7)*	56.79	99.83	–
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 *(Note 1 and 8)*	56.79	99.83	–
BlackRock, Inc.	H shares	Interest of controlled corporation *(Note 9)*	70,557,170	2.55	5.92	Long position
			2,415,200	0.02	0.20	Short position
JPMorgan Chase & Co.	H shares	Beneficial owner	14,291,445	0.52	1.20	Long position
			2,666,599	0.10	0.22	Short position
		Investment manager	12,050,852	0.44	1.01	Long position
		Approved lending agent *(Note 10)*	248,296,791	8.97	20.82	Long position
Oppenheimer Developing Markets Fund	H shares	Beneficial owner	167,530,000	6.05	14.04	Long position
Matthews International Capital Management, LLC	H shares	Investment manager	71,724,400	2.59	6.01	Long position

Notes:
The information was disclosed based on the data available on the HKExnews website of the 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 2,728,396 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Industrial Investment Co., Ltd. ("**Sinopharm Investment**"). As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.

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

(4) Fosun High Technology (Group) Co., Ltd. ("**Fosun High Technology**") is the beneficial owner of 37.94% equity interest in Fosun Pharma and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

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

(6) Fosun Holdings Ltd. ("**Fosun Holdings**") is the beneficial owner of 71.70% equity interest in Fosun Company and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

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

(8) Mr. Guo Guangchang is the beneficial owner of 65.45% equity interest in Fosun International Holdings and 0.005% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(9) BlackRock, Inc. is interested in long positions of 70,557,170 and short positions of 2,415,200 H shares of the Company indirectly through a series of controlled corporations.

(10) JPMorgan Chase & Co. is interested, as beneficial owner, investment manager, and approved lending agent, in an aggregate of long positions of 274,639,088 H shares (of which 248,296,791 are H shares available for lending) and short positions of 2,666,599 H shares of the Company.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2018, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company
Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018, except that the trustee of the share award scheme effective on 18 October 2016 (the "**Scheme**"), pursuant to the rules of the Scheme, sold on the open market a total of 200,000 shares of the Company at a total consideration of approximately HKD7.2 million.

Dividends
Pursuant to the relevant resolution passed at the 2017 annual general meeting of the Company convened on 28 June 2018, the Company will pay the final dividend for the year ended 31 December 2017 to the shareholders of the Company on 28 August 2018, totaling approximately RMB1,577,244,201.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2018.

Amendments to the Articles of Association and Rules of Procedure of the Board of Directors
On 23 March 2018 and 26 April 2018, the Board resolved to propose to make certain amendments to the articles of association and the Rules of Procedure of the Board of Directors of the Company. The proposed amendments were duly approved at the annual general meeting of the Company held on 28 June 2018 as special resolutions. For details, please refer to the announcements of the Company published on the websites of the Company and the Hong Kong Stock Exchange on 23 March 2018, 26 April 2018 and 28 June 2018.

Establishment of Legal and Compliance Committee
On 23 March 2018, the Board resolved to establish a legal and compliance committee under the Board and has elected Mr. Liu Zhengdong, Mr. Li Zhiming and Ms. Rong Yan as the committee members. For details, please refer to the announcement of the Company published on the websites of the Company and the Hong Kong Stock Exchange on 23 March 2018.

Corporate Bonds
To satisfy the operation needs of the Company and lower the financial costs, on 12 January 2018, the Board resolved to propose the issue of the corporate bonds with an issue size of no more than RMB10 billion (inclusive) in the PRC (the "**Proposed Issue of Corporate Bonds**"). The Proposed Issue of Corporate Bonds was duly approved at the extraordinary general meeting of the Company held on 9 March 2018 as a special resolution. For details, please refer to the announcements of the Company published on the websites of the Company and the Hong Kong Stock Exchange on 12 January 2018 and 9 March 2018. As at 30 June 2018, the corporate bonds have not been issued.

Entry into Factoring Services Framework Agreement
On 23 March 2018, the Company entered into the factoring services framework agreement with Sinopharm Puxin Commercial Factoring Company Limited (the "**Factoring Company**"), a subsidiary of the Company's ultimate controlling shareholder, pursuant to which the Factoring Company has agreed to provide commercial factoring services to the Group. The annual caps of the interests/fees paid by the Group for commercial factoring services provided by the Factoring Company for the nine months ending 31 December 2018 and the two years ending 31 December 2020 shall be RMB75 million, RMB100 million and RMB100 million respectively. For details, please refer to the announcement of the Company published on the websites of the Company and the Hong Kong Stock Exchange on 23 March 2018.

Audit Committee

As at the date of this announcement, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Tan Wee Seng (Chairman), Mr. Liu Zhengdong and Mr. Zhuo Fumin, and two non-executive Directors, namely Ms. Rong Yan and Mr. Wu Yijian. The audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

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

Subsequent Events

On 11 July 2018, the Company and CNPGC entered into an agreement on asset purchase by issue of shares (the "**Asset Purchase Agreement**"), pursuant to which the Company agreed to acquire, and CNPGC agreed to sell the 60% equity interest in China National Scientific Instruments and Materials Co. Ltd. (the "**Target Company**") held by CNPGC, at a consideration of RMB5,107,890,720, which will be satisfied by issue of 204,561,102 domestic shares by the Company to CNPGC under general mandate at the issue price of RMB24.97 per consideration share. Upon completion of the acquisition, the Target Company will become a subsidiary of the Company. The Company will convene an extraordinary general meeting on 21 September 2018 for the purpose of, among other things, obtaining the independent shareholders' approval for the Asset Purchase Agreement as well as the transactions contemplated thereunder. For details, please refer to the announcement of the Company published on the websites of the Company and the Hong Kong Stock Exchange on 11 July 2018.

On 24 August 2018, the Board resolved to propose to make certain amendments to the articles of association of the Company. The proposed amendments to the articles of association of the Company are subject to the approval by the shareholders at the general meeting of the Company. For details, please refer to the announcement of the Company published on the websites of the Company and the Hong Kong Stock Exchange on 24 August 2018.

Disclosure of Information

This results announcement will be published on the websites of the Company (http://www.ir.sinopharmgroup.com.cn) and the Stock Exchange (http://www.hkexnews.hk). The Company's interim report for 2018 which contains all the information required under the Listing Rules will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Sinopharm Group Co. Ltd.
Li Zhiming
Chairman

Shanghai, the PRC
24 August 2018

As at the date of this announcement, the executive director of the Company are Mr. Li Zhiming and Mr. Liu Yong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. She Lulin, Mr. Wang Qunbin, Mr. Ma Ping, Mr. Deng Jindong, Mr. Wen Deyong, Ms. Rong Yan and Mr. Wu Yijian; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong and Mr. Zhuo Fumin.