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 2019 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 2019 (the "**Reporting Period**") together with the comparative figures for the corresponding period of last year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Renminbi thousands unless otherwise stated)

		For the six months ended 30 June	
	Notes	**2019**	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*5*	**201,665,141**	163,473,695
Cost of sales	*8*	**(184,180,153)**	(149,011,286)
Gross profit		**17,484,988**	14,462,409
Other income	*6*	**175,155**	173,249
Selling and distribution expenses	*8*	**(5,835,889)**	(4,744,546)
Administrative expenses	*8*	**(3,034,306)**	(2,321,931)
Impairment losses on financial and contract assets	*8*	**(488,382)**	(403,319)
Operating profit		**8,301,566**	7,165,862
Other gains – net	*7*	**41,911**	40,220
Other expenses	*7*	**(92,870)**	-
Finance income		**284,137**	157,182
Finance costs		**(2,543,320)**	(2,085,899)
Finance costs – net	*10*	**(2,259,183)**	(1,928,717)
Share of profits and losses of:			
Associates		**387,929**	357,174
Joint ventures		**6,965**	9,212
		394,894	366,386
Profit before tax		**6,386,318**	5,643,751
Income tax expense	*11*	**(1,418,098)**	(1,250,184)
Profit for the period		**4,968,220**	4,393,567
Attributable to:			
Owners of the parent		**2,975,178**	2,798,078
Non-controlling interests		**1,993,042**	1,595,489
		4,968,220	4,393,567

Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic	*12*	**1.00**	0.94
– Diluted	*12*	**1.00**	0.94

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Non-current assets			
Prepaid land lease payments		**-**	1,667,325
Investment properties		**613,296**	583,557
Property, plant and equipment		**11,279,130**	11,025,136
Intangible assets		**8,385,440**	7,476,734
Right-of-use assets	*3*	**6,083,438**	-
Investments in joint ventures		**30,552**	23,571
Investments in associates		**6,623,740**	6,358,496
Equity investments designated at fair value through other comprehensive income		**33,621**	28,375
Financial assets at fair value through profit or loss		**666,924**	654,672
Finance lease receivables		**15,515**	9,665
Deferred tax assets		**1,284,399**	1,072,142
Other non-current assets		**2,160,484**	2,216,831
Total non-current assets		**37,176,539**	31,116,504
Current assets			
Inventories		**40,997,340**	35,388,863
Trade and bills receivables	*14*	**139,044,204**	106,423,594
Contract assets		**219,211**	250,294
Prepayments, other receivables and other assets		**16,768,430**	15,058,178
Financial assets at fair value through profit or loss		**169**	41,199
Finance lease receivables		**3,140**	4,917
Pledged deposits and restricted cash		**6,827,274**	7,188,543
Cash and cash equivalents		**33,448,993**	40,298,985
Total current assets		**237,308,761**	204,654,573
Total assets		**274,485,300**	235,771,077

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	*15*	**95,462,311**	83,682,927
Contract liabilities		**6,480,600**	6,101,607
Accruals and other payables		**21,112,781**	18,790,632
Dividends payable		**2,191,755**	185,662
Tax payable		**976,171**	1,228,335
Interest-bearing bank and other borrowings		**64,276,887**	50,085,218
Lease liabilities	*3*	**1,154,699**	-
Total current liabilities		**191,655,204**	160,074,381
Net current assets		**45,653,557**	44,580,192
Total assets less current liabilities		**82,830,096**	75,696,696
Non-current liabilities			
Interest-bearing bank and other borrowings		**5,413,888**	4,951,167
Lease liabilities	*3*	**2,909,797**	-
Deferred tax liabilities		**915,858**	864,906
Post-employment benefit obligations		**395,073**	415,461
Contract liabilities		**36,232**	39,427
Other non-current liabilities		**1,479,844**	1,149,968
Total non-current liabilities		**11,150,692**	7,420,929
Net assets		**71,679,404**	68,275,767
Equity			
Equity attributable to owners of the parent			
Share capital		**2,971,656**	2,971,656
Treasury shares held for share incentive scheme		**(135,318)**	(135,318)
Reserves		**41,339,414**	39,985,488
		44,175,752	42,821,826
Non-controlling interests		**27,503,652**	25,453,941
Total equity		**71,679,404**	68,275,767

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

1 GENERAL INFORMATION

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 to acquire 60% equity interests in China National Scientific Instruments and Materials Co., Ltd. ("**CSIMC**"). Upon completion of the acquisition, CSIMC became a subsidiary of the Company. The business combination under common control was accounted for in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA.

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

The Group is 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, (3) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, and (4) the distribution of scientific instruments and medical equipments.

The ultimate holding company of the Company is CNPGC, which was incorporated in the PRC.

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

HKFRS 16 *Leases*

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

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

<u>New definition of a lease</u>

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

As a lessee – Leases previously classified as operating leases

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

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

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

Summary of new accounting policies

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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:

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

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

(iii) Medical devices – distribution of medical devices;

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

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

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

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

4 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical devices RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited)						
Segment results						
External segment revenue	**161,990,466**	**8,688,744**	**28,820,449**	**2,165,482**	**-**	**201,665,141**
Inter-segment revenue	**2,710,171**	**153,189**	**204,337**	**164,584**	**(3,232,281)**	**-**
Revenue	**164,700,637**	**8,841,933**	**29,024,786**	**2,330,066**	**(3,232,281)**	**201,665,141**
Operating profit	**6,641,724**	**285,212**	**1,322,992**	**159,383**	**(107,745)**	**8,301,566**
Other gains – net	**37,867**	**2,369**	**1,264**	**411**	**-**	**41,911**
Other expenses	**(92,870)**	**-**	**-**	**-**	**-**	**(92,870)**
Share of profits and losses of associates and joint ventures	**7,425**	**945**	**684**	**385,840**	**-**	**394,894**
	6,594,146	**288,526**	**1,324,940**	**545,634**	**(107,745)**	**8,645,501**
Finance costs – net						**(2,259,183)**
Profit before tax						**6,386,318**
Income tax expense						**(1,418,098)**
Profit for the period						**4,968,220**

4 SEGMENT INFORMATION (CONTINUED)

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

Other segment items included in the statement of profit or loss						
Provision for impairment of financial and contract assets	**354,067**	**858**	**128,588**	**4,869**		**488,382**
Provision/(reversal of provision) for impairment of inventories	**(54,750)**	**168**	**6,100**	**(635)**		**(49,117)**
Provision for impairment of intangible assets	**92,870**	**-**	**-**	**-**		**92,870**
Depreciation of property, plant and equipment	**351,748**	**46,293**	**122,015**	**34,583**		**554,639**
Depreciation of investment properties	**10,175**	**2,229**	**7,619**	**736**		**20,759**
Depreciation of right-of-use assets	**212,146**	**289,337**	**101,305**	**2,606**		**605,394**
Amortisation of intangible assets	**129,307**	**15,062**	**6,255**	**704**		**151,328**
Capital expenditures	**1,821,626**	**145,326**	**235,861**	**20,077**		**2,222,890**

4 SEGMENT INFORMATION (CONTINUED)

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

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

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2019 and 31 December 2018

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

5 REVENUE

An analysis of revenue is as follows:

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

<u>Revenue from contracts with customers</u>
Disaggregated revenue information

For the six months ended 30 June 2019 (Unaudited)

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

For the six months ended 30 June 2018 (Unaudited) (Restated)

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

6 OTHER INCOME

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

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

7 OTHER GAINS – NET / OTHER EXPENSES

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

8 EXPENSES BY NATURE

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Raw materials and trading merchandise consumed	**184,009,558**	148,723,099
Changes in inventories of finished goods and work in progress	**(112,469)**	(48,133)
Employee benefit expenses (Note 9)	**4,704,591**	3,593,268
Impairment of financial and contract assets, net:	**488,382**	403,319
—Impairment of trade and bills receivables, net	**467,026**	379,665
—Impairment of contract assets, net	**1,521**	-
—Impairment of other receivables, net	**20,001**	23,654
—Impairment of other non-current assets, net	**(166)**	-
Provision/(reversal of provision) for impairment of inventories	**(49,117)**	35,461
Lease rental in respect of land and buildings	**236,359**	614,882
Depreciation of property, plant and equipment	**554,639**	505,597
Depreciation of investment properties	**20,759**	22,537
Depreciation of right-of-use assets (Note 3)	**605,394**	-
Amortisation of intangible assets	**151,328**	126,616
Amortisation of prepaid land lease payments	**-**	29,020
Auditor's remuneration	**17,500**	12,000
Advisory and consulting fees	**134,799**	103,201
Transportation expenses	**675,679**	602,067
Travel expenses	**183,673**	143,753
Market development and business promotion expenses	**1,093,481**	1,011,814
Utilities	**48,327**	74,223
Others	**775,847**	528,358
Total cost of sales, selling and distribution expenses, administrative expenses and impairment losses on financial and contract assets	**193,538,730**	156,481,082

9 EMPLOYEE BENEFIT EXPENSES

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

Notes:

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

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

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

10 FINANCE INCOME AND COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest expense:		
– Borrowings	**1,300,163**	1,139,593
– Discounting of bills receivables	**288,618**	261,488
– Factoring of trade receivables	**634,311**	472,094
– Net interest on net defined benefit liability	**7,003**	6,898
– Lease liabilities (Note 3)	**88,619**	-
Gross interest expense	**2,318,714**	1,880,073
Bank charges	**225,935**	211,164
Less: Capitalised interest expense	**(1,329)**	(5,338)
Finance costs	**2,543,320**	2,085,899
Finance income:		
– Interest income on deposits in bank or other financial institutions	**(257,756)**	(125,134)
– Interest income on long-term deposits	**(26,381)**	(32,048)
Net finance costs	**2,259,183**	1,928,717

11 TAXATION

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

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

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

12 EARNINGS PER SHARE

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

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

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

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

13 DIVIDENDS

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

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

14 TRADE AND BILLS RECEIVABLES

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

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 and bill receivables, based on the invoice date and net of provisions, as at the end of the Reporting Period, is as follows:

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

15 TRADE AND BILLS PAYABLES

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

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

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

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

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

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

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

Acquisitions during the period are as follows:

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

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

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (CONTINUED)

The effect of the above acquisitions is summarised as follows:

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

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

	Fair values at acquisition date RMB'000
Cash and cash equivalents	543,703
Financial assets at fair value through profit or loss	293
Investment properties	47,729
Property, plant and equipment	351,872
Intangible assets	
－Sales network	414,441
－Software	399
Right-of-use assets	27,642
Deferred tax assets	10,189
Inventories	548,034
Other non-current assets	21,275
Trade and other receivables	2,848,855
Trade and other payables	(2,175,010)
Lease liabilities	(12,327)
Deferred tax liabilities	(102,552)
Interest-bearing bank and other borrowings	(1,075,310)
Other non-current liabilities	(9,557)
Total identifiable net assets at fair value	1,439,676

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 (continued):

	RMB'000
Non-controlling interests	(360,782)
Provisional goodwill	656,797
Total purchase consideration	1,735,691
Less: Contingent consideration (i)	(576,295)
	1,159,396
Less: Payables of cash consideration during the period	(199,670)
Cash consideration paid during the period	959,726
Cash and cash equivalents in subsidiaries acquired	(543,703)
Cash outflow on acquisition	416,023

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

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

Notes:

(i) Contingent consideration

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

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

(ii) Non-controlling interests

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

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (CONTINUED)

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

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

17 EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events after the end of Reporting Period.

Management Discussion and Analysis

Industry Overview

Stable economy performance while securing progress

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

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

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

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

Business Review

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

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

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

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

Business structure of distribution companies	Proportion of total revenue of pharmaceutical distribution business in the first half of 2019	Proportion of total revenue of pharmaceutical distribution business in the first half of 2018	Change
Direct sales to hospitals and medical institutions	77.44%	75.72%	increased by1.72 percentage points
Direct sales to retail pharmacies	13.80%	11.88%	increased by 1.92 percentage points
Provincial and national distribution	8.76%	12.40%	decreased by 3.64 percentage points

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

The recent GPO policy in the "4+7" pilot cities was launched in December 2018, and successively implemented in March 2019. Due to limited product category and regional scope in the pilot stage, the policy's influence on the Group is still not significant at the moment. However, the policy would incur profound impact on the pharmaceutical industry and distribution industry, particularly speeding up integration and standardized operation of the pharmaceutical distribution enterprises. Leading enterprises similar to the Group would easily receive recognition from upstream suppliers and downstream customers during the process of competitions, and obtained enormous opportunities and room for development in terms of centralized delivery and integrated services.

As such, the Group set up specialized working groups to visit all the pilot cities and negotiate with the key suppliers in order to materialize various business opportunities from the perspective of overall business layout. As at the end of the Reporting Period, the Group has delivery services in all pilot cities, with continuous increase in its market share.

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

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

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

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

During the Reporting Period, the Group's retail business continued to achieve relatively rapid growth. Sales revenue reached RMB 8,841.93 million, representing an increase of 24.51% over the corresponding period of last year. As at the end of the Reporting Period, Sinopharm Holding Guoda Drugstore Co., Ltd. ("**Guoda Drugstore**"), a subsidiary of the Company, has set up pharmacies covering 19 provinces, municipalities and autonomous regions across the country. The number of retail pharmacies was 4,593. The scale continued to lead the industry. The Group has 1,009 professional pharmacies as at 30 June 2019 with network covering 30 provinces, municipalities and autonomous regions across the country.

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

Rapid growth of medical device business

The Group proactively seized golden opportunities arising in rapid development of the medical device industry, and vigorously developed the medical device distribution business. In the first half of 2019, the medical device business of the Group achieved rapid growth, with sales revenue reaching RMB 29,024.79 million, representing an increase of 35.96% over the corresponding period of last year, hence bringing significant contribution to both revenue and profit of the Group.

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

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

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

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

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

Future Plan

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

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

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

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

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

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

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

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

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

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

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

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 RMB 201,665.14 million, representing an increase of RMB 38,191.44 million or 23.36% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB 4,968.22 million, representing an increase of RMB574.65 million or 13.08% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB 2,975.18 million, representing an increase of RMB177.10 million or 6.33% as compared with the corresponding period of last year.

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

Unit: in millions of RMB unless otherwise stated

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

Unit: in millions of RMB unless otherwise stated

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

Revenue
During the Reporting Period, the Group recorded revenue of RMB 201,665.14 million, representing an increase of 23.36% as compared with RMB 163,473.70 million for the six months ended 30 June 2018. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business, retail pharmacy business as well as medical device business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB 164,700.64 million, representing an increase of 22.22% as compared with RMB 134,761.85 million for the six months ended 30 June 2018, and accounting for 80.38% of the total revenue of the Group. Such increase was primarily due to the good development trend of the pharmaceutical distribution business and further expansion of the distribution network of the Group.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB 8,841.93 million, representing an increase of 24.51% as compared with RMB 7,101.57 million for the six months ended 30 June 2018, and accounting for 4.32% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.

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

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB 2,330.07 million, representing an increase of 11.65% as compared with RMB 2,086.91 million for the six months ended 30 June 2018, 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 RMB 184,180.15 million, representing an increase of 23.60% as compared with RMB 149,011.29 million for the six months ended 30 June 2018, which was comparable with the growth rate of the sales revenue.

Gross Profit
The gross profit of the Group for the Reporting Period increased by 20.90% from RMB 14,462.41 million for the six months ended 30 June 2018 to RMB 17,484.99 million.

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

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

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB 5,835.89 million, representing an increase of 23.00% as compared with RMB 4,744.55 million for the six months ended 30 June 2018. The increase in selling and distribution expenses was primarily attributable to purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB 3,034.31 million, representing an increase of 30.68% from RMB 2,321.93 million for the same period in 2018.

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

Operating Profit

The operating profit of the Group for the Reporting Period was RMB 8,301.57 million, representing an increase of 15.85% from RMB 7,165.86 million for the six months ended 30 June 2018.

Other Gains – Net

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

Other expenses

The other expenses of the Group newly increased by RMB 92.87 million for the six months ended 30 June 2019 as compared with the corresponding period of last year, which was due to the provision for impairment of intangible assets during the Reporting Period.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group were RMB 2,259.18 million, representing an increase of RMB330.47 million as compared with RMB 1,928.72 million for the six months ended 30 June 2018. The increase was primarily due to the increase in interest expenses of the Group.

Share of Profits and Losses of Associates and Joint Ventures

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

Income Tax Expense

The Group's income tax expense increased by 13.43% from RMB 1,250.18 million for the six months ended 30 June 2018 to RMB 1,418.10 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profit of the Group. The Group's effective income tax rate increased from 22.15% for the six months ended 30 June 2018 to 22.21% for the six months ended 30 June 2019.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB 4,968.22 million, representing an increase of 13.08% from RMB 4,393.57 million for the six months ended 30 June 2018. The Group's net profit margin for the Reporting Period and for the corresponding period of 2018 was 2.46% and 2.69%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB 2,975.18 million, representing an increase of 6.33%, or RMB177.10 million, from RMB 2,798.08 million for the six months ended 30 June 2018.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB 1,993.04 million, representing an increase of 24.92% from RMB 1,595.49 million for the six months ended 30 June 2018.

Cash Flow

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

Net cash used in operating activities

The Group’s cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy, medical services and other business segments. During the Reporting Period, the Group’s net cash used in operating activities amounted to RMB 13,342.01 million. The net cash used in operating activities of the Group was RMB 11,431.82 million for the six months ended 30 June 2018. The increase was primarily attributed to the delayed collection of trade receivables and positive payment in trade payables during the Reporting Period.

Net cash used in investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB437.61 million, representing a decrease of RMB 2,674.08 million as compared with RMB 3,111.69 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in the expenditure on the purchase of property, plant and equipment.

Net cash generated from financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB 6,933.34 million, representing a decrease of RMB745.27 million as compared with RMB 7,678.61 million for the six months ended 30 June 2018. Such decrease was primarily due to the repayment of the borrowings and expired bonds by the Group.

Capital Structure

Fiscal resources

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

The Group’s borrowings are all denominated in Renminbi.

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

Indebtedness
As of 30 June 2019, among the Group's total borrowings, RMB 64,276.89 million will be due within one year and RMB 5,413.89 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

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

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

Pledge of Assets
As of 30 June 2019, part of the Group's borrowings and notes payable were secured by bank deposits of RMB 6,647.22 million (unaudited), prepaid land lease payments with book value of RMB61.51 million (unaudited), investment properties with book value of RMB0.03 million (unaudited), properties, plant and equipment with book value of RMB99.01 million (unaudited), and trade and bills receivables with book value of RMB 2,990.34 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 RMB 2,222.89 million, representing a decrease of RMB107.83 million as compared with RMB 2,330.72 million for the six months ended 30 June 2018, mainly due to the decrease in the expenditure on the purchase of property, plant and equipment.

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

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

Contingent Liabilities and Material Litigations
As at 30 June 2019, the Group neither had any material contingent liabilities, nor had any material litigations.

Major Investment
During the Reporting Period, the Group did not make any major investment or have any plan for

major investment or purchase of capital asset.

Major Acquisitions and Disposals

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

Human Resources

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

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

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

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

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

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

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

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
		Approved lending agent (Note 10)	54,857,753	1.85	4.59	Long position
Invesco Advisor Inc	H shares	Investment manager	95,368,150	3.21	7.99	Long position
Citigroup Inc.	H shares	Interest of controlled corporation	5,329,469	0.18	0.45	Long position
			1,756,688	0.06	0.15	Short position
		Person having se curity interest in shares	7,200	0.00	0.00	Long position
		Approved lending agent	57,384,391	1.93	4.81	Long position

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Restricted Share Incentive Scheme

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

Dividends

Pursuant to the relevant resolution passed at the 2019 annual general meeting of the Company convened on 27 June 2019, the Company will pay the final dividend for the year ended 31 December 2018 to the shareholders of the Company on 27 August 2019, totaling approximately RMB 1,753,277,152.69.

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

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

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

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 Mr. Deng Jindong and Ms. Guan Xiaohui. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

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

Disclosure of Information

This results announcement will be published on the websites of the Company (http://www.ir.sinopharmgroup.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The Company's interim report for 2019 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
23 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Li Zhiming, Mr. Yu Qingming and Mr. Liu Yong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. Ma Ping, Mr. Hu Jianwei, Mr. Deng Jindong, Mr. Wen Deyong, Ms. Guan Xiaohui and Ms. Dai Kun; and the independent non-executive directors of the Company are Mr. Yu Tze Shan Hailson, Mr. Tan Wee Seng, Mr. Liu Zhengdong, Mr. Zhuo Fumin and Mr. Chen Fangruo.