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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 2020 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 2020 (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)

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	203,764,712	201,665,141
Cost of sales	8	<u>(186,522,837)</u>	<u>(184,180,153)</u>
Gross profit		17,241,875	17,484,988
Other income	6	317,738	175,155
Selling and distribution expenses	8	(6,259,802)	(5,835,889)
Administrative expenses	8	(3,024,566)	(3,034,306)
Impairment losses on financial and contract assets		(697,225)	(488,382)
Losses on disposal of financial assets measured at amortised cost		<u>(388,070)</u>	<u>(769,974)</u>
Operating profit		7,189,950	7,531,592
Other gains, net	7	85,763	41,911
Other expenses	7	-	(92,870)
Finance income		350,122	284,137
Finance costs		(1,777,787)	(1,773,346)
Finance costs, net	10	(1,427,665)	(1,489,209)
Share of profits and losses of:			
Associates		367,540	387,929
Joint ventures		1,546	6,965
		<u>369,086</u>	<u>394,894</u>
Profit before tax		6,217,134	6,386,318
Income tax expense	11	<u>(1,413,753)</u>	<u>(1,418,098)</u>
PROFIT FOR THE PERIOD		<u>4,803,381</u>	<u>4,968,220</u>
Attributable to:			
Owners of the parent		2,895,682	2,975,178
Non-controlling interests		<u>1,907,699</u>	<u>1,993,042</u>
		<u>4,803,381</u>	<u>4,968,220</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(CONTINUED)**

(All amounts in Renminbi thousands unless otherwise stated)

**EARNINGS PER SHARE ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF
THE PARENT**

(expressed in RMB per share)

– Basic	12	0.93	1.00
– Diluted	12	0.93	1.00

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Right-of-use assets		6,539,820	6,350,157
Investment properties		662,210	699,431
Property, plant and equipment		11,682,493	11,712,879
Intangible assets		9,727,305	8,988,850
Investments in joint ventures		35,821	34,274
Investments in associates		7,220,974	7,018,107
Equity investments designated at fair value through other comprehensive income		69,694	38,284
Financial assets at fair value through profit or loss		682,383	729,892
Finance lease receivables		33,162	18,288
Deferred tax assets		1,481,246	1,448,853
Other non-current assets		3,281,368	2,849,668
Total non-current assets		41,416,476	39,888,683
CURRENT ASSETS			
Inventories		46,688,818	42,594,396
Trade and bills receivables	14	156,106,219	122,266,917
Contract assets		439,894	353,688
Prepayments, other receivables and other assets		14,755,180	14,930,966
Financial assets at fair value through profit or loss		39,135	156
Finance lease receivables		-	7,965
Pledged deposits and restricted cash		7,561,919	10,653,633
Cash and cash equivalents		39,323,366	39,191,967
Total current assets		264,914,531	229,999,688
Total assets		306,331,007	269,888,371

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,120,656	2,971,656
Treasury shares held for share incentive scheme		(58,948)	(60,212)
Reserves		48,907,966	44,510,702
		51,969,674	47,422,146
Non-controlling interests		30,733,602	29,517,221
Total equity		82,703,276	76,939,367
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		8,045,657	8,372,850
Lease liabilities		3,306,753	3,097,485
Deferred tax liabilities		1,074,849	1,099,108
Post-employment benefit obligations		393,887	399,003
Contract liabilities		68,960	59,671
Other non-current liabilities		2,072,320	1,496,253
Total non-current liabilities		14,962,426	14,524,370
CURRENT LIABILITIES			
Trade and bills payables	15	97,784,797	100,333,768
Contract liabilities		7,178,756	5,127,061
Accruals and other payables		23,467,650	27,601,152
Dividends payable	13	2,289,932	368,295
Tax payable		1,065,312	1,325,439
Interest-bearing bank and other borrowings		75,752,061	42,476,715
Lease liabilities		1,126,797	1,192,204
Total current liabilities		208,665,305	178,424,634
Total liabilities		223,627,731	192,949,004
Total equity and liabilities		306,331,007	269,888,371

1 GENERAL INFORMATION

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

On 6 October 2008, the Company was converted into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1: 0.8699 into 1,637,037,451 shares of RMB1 each. In September 2009, the Company issued overseas-listed foreign-invested shares (“**H Shares**”), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) on 23 September 2009. The Company issued 204,561,102 domestic shares to China National Pharmaceutical Group Co., Ltd. under general mandate at the issue price of RMB24.97 per consideration share on 13 December 2018. On 23 January 2020, the Company placed and issued 149,000,000 new H shares at the price of HKD27.30 per H share. The actual net proceeds of the placing were HKD4,026,710,000, equivalent to RMB3,567,383,000.

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

The Company and its subsidiaries (together, the “**Group**”) are mainly engaged in: (1) the distribution of pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics, (2) the operation of chain pharmacy stores, (3) the distribution of medical devices, and (4) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand, unless otherwise stated. This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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 four business types in the PRC:

- (i) Pharmaceutical distribution – distribution of medicine and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;
- (ii) Retail pharmacy – operation of medicine chain stores;
- (iii) Medical device – distribution of medical devices;
- (iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

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

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

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

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

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

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

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

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

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

4 SEGMENT INFORMATION (CONTINUED)

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

	Pharmaceutical distribution RMB'000	Retail pharmacy RMB'000	Medical device RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2019						
(unaudited)						
Segment results						
External segment revenue	161,990,466	8,688,744	28,820,449	2,165,482	-	201,665,141
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	6,536,244	282,790	1,318,001	(497,698)	(107,745)	7,531,592
Other gains, net	37,867	2,369	1,264	411	-	41,911
Other expenses	(92,870)	-	-	-	-	(92,870)
Share of profits and losses of associates and joint ventures	7,425	945	684	385,840	-	394,894
	6,488,666	286,104	1,319,949	(111,447)	(107,745)	7,875,527
Finance costs, net						(1,489,209)
Profit before tax						6,386,318
Income tax expense						(1,418,098)
Profit for the period						4,968,220
Other segment items included in the consolidated statement of profit or loss						
Provision for impairment of financial and contract assets	354,067	858	128,588	4,869		488,382
(Reversal of provision)/ provision for impairment of inventories	(54,750)	168	6,100	(635)		(49,117)
Provision for impairment of intangible assets	92,870	-	-	-		92,870
Depreciation of property, plant and equipment	351,748	46,293	122,015	34,583		554,639
Depreciation of investment properties	10,175	2,229	7,619	736		20,759
Depreciation of right-of-use assets	212,146	289,337	101,305	2,606		605,394
Amortisation of intangible assets	129,307	15,062	6,255	704		151,328
Capital expenditures	1,821,626	145,326	235,861	20,077		2,222,890

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2020 and 31 December 2019

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

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2020 and 31 December 2019 (continued)

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

Information about major customers

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

5 REVENUE

An analysis of revenue is as follows:

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

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2020 (unaudited)

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

5 REVENUE (CONTINUED)

Revenue from contracts with customers (continued)
Disaggregated revenue information (continued)

For the six months ended 30 June 2019 (unaudited)

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

6 OTHER INCOME

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

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

7 OTHER GAINS, NET / OTHER EXPENSES

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

8 EXPENSES BY NATURE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	186,170,995	184,009,558
Changes in inventories of finished goods and work in progress	(132,080)	(112,469)
Employee benefit expenses (Note 9)	5,072,724	4,704,591
Provision/(reversal of provision) for impairment of inventories	40,771	(49,117)
Lease payments not included in the measurement of lease liabilities	283,740	236,359
Depreciation of property, plant and equipment	619,952	554,639
Depreciation of investment properties	24,768	20,759
Depreciation of right-of-use assets	775,592	605,394
Amortisation of intangible assets	170,948	151,328
Auditor's remuneration	21,000	17,500
Advisory and consulting fees	145,925	134,799
Transportation expenses	733,722	675,679
Travel expenses	126,767	183,673
Market development and business promotion expenses	1,034,753	1,093,481
Utilities	82,088	48,327
Others	635,540	775,847
Total cost of sales, selling and distribution expenses and administrative expenses	195,807,205	193,050,348

9 EMPLOYEE BENEFIT EXPENSES

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

Notes:

- (i) Bouns was determined based on the performance of the Group as well as employees' performance and contribution to the Group.
- (ii) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at 8% (2019: 8%) of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 12% to 20% (2019: 12% to 20%) of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees. During the reporting period, the Chinese government has introduced a series of relief policies on social welfare contribution.
- (iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% (2019: 5% to 12%) of the employees' basic salary.
- (iv) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

10 FINANCE INCOME AND COSTS

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

11 TAXATION

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

During the six months ended 30 June 2020, enterprises incorporated in the PRC are normally subject to enterprise income tax (“EIT”) at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

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

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 3,101,826,000 (31 December 2019: 2,971,656,000) in issue excluding restricted shares at the end of the Reporting Period.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	2,895,682	2,975,178
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	-	(2,376)
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	2,895,682	2,972,802
<u>Shares</u>		
	Number of shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	3,099,900	2,967,629
Effect of dilution – Restricted shares ('000)	1,926	4,027
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	3,101,826	2,971,656
Basic earnings per share (RMB per share)	0.93	1.00
Diluted earnings per share (RMB per share)	0.93	1.00

13 DIVIDENDS

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

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

14 TRADE AND BILLS RECEIVABLES

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

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

The term of bills receivable are all less than 12 months. Retail sales at the Group's medicine chain stores are generally made in cash or by debit or credit cards. For medicine distribution and medicine manufacturing businesses, sales are made on credit terms ranging from 30 to 210 days. The ageing analysis of trade receivables, based on the invoice date and net of provisions, as at the end of the Reporting Period, is as follows:

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

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

15 TRADE AND BILLS PAYABLES

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

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

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

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

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

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

Acquisitions during the period are as follows:

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

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

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

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

The effect of the above acquisitions is summarised as follows:

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

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

16 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (CONTINUED)

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

Notes:

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB34,590,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB34,590,000. As at 30 June 2020, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

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

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2020 are summarised as follows:

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

17 EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

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

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

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

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

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

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

Business Review

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

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

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

Advantages of a leading distributor consolidated amidst deepening policy impacts

Affected by a series of prevention and control measures to prevent crowd gathering during the pandemic, although medical services gradually recovered after the pandemic was under control, the number and frequency of visits to medical institutions were still reduced, and it will take time for the business volume in certain areas to fully return to normal. During the Reporting Period, the Group endeavored to overcome the impact of the pandemic and continuously explored the competitive advantages of its pharmaceutical distribution network. Relying on its integrated pharmaceutical supply chain and leading management and control capabilities, the Group promoted

the continuous recovery of pharmaceutical distribution business while successfully cooperating with local governments to complete anti-pandemic related tasks. During the Reporting Period, revenue from the pharmaceutical distribution business amounted to RMB157,494.67 million, representing a year-on-year decrease of 4.38%, and accounted for 75.91% of the Group's revenue, representing a decrease of 4.47 percentage points as compared to the same period last year.

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

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

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

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

pharmacies in which the Group has unique advantages. The number of professional pharmacies of the Group increased from 1,183 as at the end of 2019 to 1,209 as at the end of the Reporting Period. The number of pharmacies of Guoda Drugstore increased from 5,021 as at the end of 2019 to 5,838 as at the end of the Reporting Period.

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

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

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

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

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

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

of the Group's business.

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

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

Fulfilling our missions beyond the pandemic

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

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

Future Plans

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

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

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

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

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

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

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

Exploring innovative technology applications and continuing to promote digital transformation

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

In the first half of 2020, there has been an incessant influx of tests and challenges loomed. With the Group’s dominant position in the medical industry in China, and under the leadership of the Board, each of the Group’s business segments recovered and successfully returned to the development track, and sustained a steady and healthy growth. In the future, according to relevant guidelines under the latest “Notice on the Main Tasks of Strengthening the Reform of Healthcare System in second half of 2020” issued by the General Office of the State Council, the entire medical and health industry

will still be subject to tremendous structural changes caused by a series of policies such as “deepening reform of the medical security system”, “Pilot Program of Diagnosis-Related Groups (DRGs) Payment”, and “Expansion of the Scope of National VBP of Drugs”. At the same time, the continuous advancement of a series of reform measures such as “Strengthening the Construction of the Public Health System”, “Improving the Drug Supply Support System”, “Promoting Hierarchical Diagnosis and Treatment, and Deepening County Medical Reform” will bring new development opportunities to the industry. The Group will actively improve the “Five-Year Plan” for the next development cycle, make full use of the experience and advantages accumulated in the pharmaceutical distribution industry, focus on value-added services in the pharmaceutical distribution supply chain, and promote win-win development with upstream manufacturing industry and downstream end customers. At the same time, the Group will further promote the development strategy of “wholesale-retail integration” and “drug-device synergic development”, enhance the profitability and market competitiveness of core businesses, and, empowered by technology and driven by innovation, pursue the synergetic development of innovative businesses, sparing no efforts to build a “global distinguished medical and healthcare service provider”.

Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB203,764.71 million, representing an increase of RMB2,099.57 million or 1.04% as compared with the corresponding period of last year.

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

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

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Operating result			
Revenue	203,764.71	201,665.14	2,099.57
Earnings before interest and tax	7,644.80	7,875.53	(230.73)
Profit attributable to owners of the parent	2,895.68	2,975.18	(79.50)
Profitability			
Gross margin	8.46%	8.67%	decreased by 0.21 percentage point
Operating margin	3.53%	3.73%	decreased by 0.20 percentage point
Net profit margin	2.36%	2.46%	decreased by 0.10 percentage point
Earnings per share – Basic (RMB)	0.93	1.00	(0.07)

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2020	Six months ended 30 June 2019	Change
Key operational indicators			
Trade receivables turnover ratio (days)	125	111	14
Inventory turnover ratio (days)	43	38	5
Trade payables turnover ratio (days)	96	88	8
Current ratio (times)	1.27	1.24	0.03

Unit: in millions of RMB unless otherwise stated

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

Revenue

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

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

Cost of Sales

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

Gross Profit

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

The gross profit margin of the Group for the six months ended 30 June 2020 was 8.46%, whilst the gross profit margin for the same period in 2019 was 8.67%, the slight decrease in the gross profit margin was mainly due to the reduced sales volume of higher margin products attributable to pharmaceutical distribution and retail business, which were influenced by tighter local policy.

Other Income

During the Reporting Period, other income of the Group was RMB317.74 million, representing an increase of 81.40% as compared with RMB175.16 million for the six months ended 30 June 2019. The increase in other income was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB6,259.80 million, representing an increase of 7.26% as compared with RMB5,835.89 million for the six months ended 30 June 2019. The increase in selling and distribution expenses was primarily attributable to the purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB3,024.57 million, representing a decrease of 0.32% from RMB3,034.31 million for the same period in 2019.

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

Operating Profit

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

Other Gains, Net

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

Other expenses

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

Finance Costs, Net

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

Share of Profits and Losses of Associates

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

Share of Profits and Losses of Joint Ventures

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

Income Tax Expense

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

Profit for the Reporting Period

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

Profit Attributable to Owners of the Parent

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

Profit Attributable to Non-controlling Interests

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

Liquidity and Capital Sources

Working capital

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

Cash Flow

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

Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy, medical services and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB27,596.61 million. The net cash used in operating activities of the Group was RMB13,342.01 million for the six months ended 30 June 2019. The increase was primarily attributed to the delayed collection of trade receivables and positive payment in trade payables during the

Reporting Period.

Net cash generated from/used in investment activities

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

Net cash generated from financing activities

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

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improving of the level of informatization. The Group's capital expenditures for the Reporting Period amounted to RMB1,618.11 million, representing a decrease of RMB604.78 million as compared with RMB2,222.89 million for the six months ended 30 June 2019, mainly due to the decrease in the expenditure on the purchase of property, plant and equipment.

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

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued super short-term commercial papers in an aggregate amount of RMB15.52 billion in the first half of 2020 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as to replenish working capital.

The Group's borrowings are mainly denominated in RMB.

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

Indebtedness

As of 30 June 2020, the Group had aggregated banking facilities of RMB245,857.56 million, of which RMB154,215.24 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. As of 30 June 2020, among the Group's total borrowings, RMB75,752.06 million will be due within one year and RMB8,045.66 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

Gearing ratio

As of 30 June 2020, the Group's gearing ratio was 73.00% (31 December 2019: 71.49%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2020.

Foreign Exchange Risks

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

Pledge of Assets

As of 30 June 2020, part of the Group's borrowings and notes payable were secured by bank deposits of RMB7,570.69 million (unaudited), properties, plant and equipment with book value of RMB37.63 million (unaudited), intangible assets with book value of RMB29.79 million (unaudited) and trade and bills receivables with book value of RMB1,051.78 million (unaudited).

Going Concern

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

CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

As at 30 June 2020, the Group neither had any material contingent liabilities, nor had any material litigations.

MAJOR INVESTMENT

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

MAJOR ACQUISITIONS AND DISPOSALS

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

HUMAN RESOURCES

As of 30 June 2020, the Group had a total of 98,234 employees. In order to meet the development needs and to support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialised operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance the efficiency of the employees. The Group conducted periodic performance reviews on its employees, and adjusted their salaries and bonuses accordingly. In addition, the Group has also provided training programs to employees with different functions.

For remuneration and performance, the Group has established a normalised salary management system based on the principle of "performance-oriented compensation, prioritizing efficiency and considering fairness". The Group implements top-down performance assessment to establish a

compensation system with position and ability as basis and performance as the cornerstone. The employee remunerations include basic salary, performance remuneration, bonus and piece rate wage. Remuneration is adjusted based on factors such as the results of the corporation, work performance and capability as well as job responsibilities of employees.

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

SUBSEQUENT EVENTS

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

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

On 28 July 2020, the Company entered into the Procurement Framework Agreement with Beijing Natong Technology Group Co., Ltd. (北京納通科技集團有限公司, "**Natong Group Company**"), together with its subsidiaries and 30%-controlled companies, the "**Natong Group**", pursuant to

which the Group has agreed to procure medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products from the Natong Group. The Board resolved that the annual caps for the continuing connected transactions contemplated under the Procurement Framework Agreement for the three years from 2020 to 2022 are RMB1,500 million, RMB1,800 million and RMB2,000 million respectively. For details, please refer to the announcement of the Company dated 28 July 2020.

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

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

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

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 2020, the interests and short positions held by the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the total number of H shares in issue of the Company (%)	Long position/ short position
Mr. Li Zhiming	H shares	Beneficial owner	174,200	0.01	0.01	Long position
Mr. Yu Qingming	H shares	Beneficial owner	100,000	0.00	0.01	Long position
Mr. Liu Yong	H shares	Beneficial owner	140,700	0.00	0.01	Long position
Ms. Jin Yi	H shares	Beneficial owner	1,200	0.00	0.00	Long position

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

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

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

As at 30 June 2020, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNPGC	Domestic shares	Beneficial owner	207,289,498 (Note 2)	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun Company	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position

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
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	Long position
Citigroup Inc.	H shares	Interest of controlled corporation	10,893,866	0.35	0.81	Long position
		Approved lending agent	7,685,608	0.25	0.57	Short position
		(Note 9)	95,535,079	3.06	7.12	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation	94,040,723	3.01	7.01	Long position
		(Note 10)	114,400	0.00	0.01	Short position
JPMorgan Chase & Co.	H shares	Interest of controlled corporation	32,806,887	1.05	2.44	Long position
			23,781,669	0.76	1.77	Short position
		Investment manager	3,417,252	0.11	0.25	Long position
		Person having security interest in shares	1,399,179	0.04	0.10	Long position
		Trustee	19,295	0.00	0.00	Long position
		Approved lending agent				
		(Note 11)	54,121,499	1.73	4.03	Long position
State Street Bank & Trust Company	H shares	Approved lending agent	61,340,902	1.97	4.57	Long position

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

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is interested in 1,571,555,953 domestic shares indirectly through Sinopharm Investment 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 38.51% equity interest in Fosun Pharma and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun International Ltd. (“**Fosun Company**”) is the beneficial owner of 100% equity interest in Fosun High Technology and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (6) Fosun Holdings Ltd. (“**Fosun Holdings**”) is the beneficial owner of 71.09% equity interest in Fosun Company and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings Ltd. (“**Fosun International Holdings**”) is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore it is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Mr. Guo Guangchang is the beneficial owner of 85.29% equity interest in Fosun International Holdings and 0.004%

equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

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

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2020, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

On 23 January 2020, the Company completed the placing of 149,000,000 new H shares (“**Placing shares**”) to not less than six placees, who are professional, institutional or other investors (the “**H Share Placing**”) with the aggregate nominal value of Placing shares of RMB149,000,000. The placing price of HK\$27.30 per H share represented a discount of approximately 7.3% over the closing price of HK\$29.45 per H share as quoted on the Hong Kong Stock Exchange on 16 January 2020 (namely last trading date before entering into the placing agreement). The actual net proceeds from H Share Placing were HK\$4,027 million, equivalent to RMB3,567 million.

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

Dividends

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

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

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

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

Audit Committee

As at the date of this 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 2020 and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as the Standards for governing the transactions of the Company's listed securities by the Directors and Supervisors. Having made specific enquiry of all the Directors and Supervisors, all of them confirmed that they had complied with the required 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 2020 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 Hong Kong Stock Exchange in due course.

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

Shanghai, the PRC
21 August 2020

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. Feng Rongli; 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.