国药集团
SINOPHARM

國藥控股股份有限公司
SINOPHARM GROUP CO. LTD.*

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

(Stock Code: 01099)

ANNOUNCEMENT ON 2021 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 2021 (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 2021 RMB'000 (Unaudited)**	2020 RMB'000 (Unaudited)
Revenue	*5*	**249,120,231**	203,764,712
Cost of sales	*8*	**(228,533,008)**	(186,522,837)
Gross profit		**20,587,223**	17,241,875
Other income	*6*	**243,294**	317,738
Selling and distribution expenses	*8*	**(7,605,499)**	(6,259,802)
Administrative expenses	*8*	**(3,441,563)**	(3,024,566)
Impairment losses on financial and contract assets		**(710,546)**	(697,225)
Losses on derecognition of financial assets measured at amortised cost		**(300,878)**	(388,070)
Operating profit		**8,772,031**	7,189,950
Other gains, net	*7*	**75,435**	85,763
Other expenses	*7*	**(176)**	-
Finance income		**313,479**	350,122
Finance costs		**(1,898,727)**	(1,777,787)
Finance costs, net	*10*	**(1,585,248)**	(1,427,665)
Share of profits and losses of:			
Associates		**454,308**	367,540
Joint ventures		**597**	1,546
		454,905	369,086
Profit before tax		**7,716,947**	6,217,134
Income tax expense	*11*	**(1,688,416)**	(1,413,753)
PROFIT FOR THE PERIOD		**6,028,531**	4,803,381
Attributable to:			
Owners of the parent		**3,582,839**	2,895,682
Non-controlling interests		**2,445,692**	1,907,699
		6,028,531	4,803,381

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 and Diluted	*12*	**1.15**	0.93

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

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

	6,022,557	4,801,102

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousands unless otherwise stated)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

	Note	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,120,656**	3,120,656
Treasury shares held for share incentive scheme		**(3,838)**	(3,838)
Reserves		**54,671,993**	53,242,027
		57,788,811	56,358,845
Non-controlling interests		**35,387,850**	33,588,476
Total equity		**93,176,661**	89,947,321
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**10,320,986**	8,918,726
Lease liabilities		**3,282,602**	3,243,011
Deferred tax liabilities		**1,073,053**	1,111,742
Post-employment benefit obligations		**393,563**	396,417
Contract liabilities		**62,242**	51,459
Other non-current liabilities		**3,705,481**	3,590,931
Total non-current liabilities		**18,837,927**	17,312,286
CURRENT LIABILITIES			
Trade and bills payables	*15*	**121,329,598**	112,632,393
Contract liabilities		**6,542,354**	7,323,794
Accruals and other payables		**27,755,025**	25,969,087
Dividends payable	*13*	**2,337,246**	216,891
Tax payable		**1,168,399**	1,469,841
Interest-bearing bank and other borrowings		**71,827,217**	54,958,954
Lease liabilities		**1,356,469**	1,406,139
Total current liabilities		**232,316,308**	203,977,099
Total liabilities		**251,154,235**	221,289,385
Total equity and liabilities		**344,330,896**	311,236,706

NOTES:

(All amounts in Renminbi thousand unless otherwise stated)

1 GENERAL INFORMATION

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

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

The address of the Company's registered office is 1st Floor, No.385 East Longhua Road, Huangpu District, Shanghai, the PRC.

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

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

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9 HKAS 39 and HKFRS 7 HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the CEO and the executives at the CEO office) that are used to make strategic decisions. The operating committee considers the business from a business type perspective. The reportable operating segments derive their revenue primarily from the following three business types in the PRC:

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

(ii) Medical device – distribution of medical devices;

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

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

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

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 2021 and 2020

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

4 SEGMENT INFORMATION (CONTINUED)

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

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

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2021 and 31 December 2020

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

4 SEGMENT INFORMATION (CONTINUED)

(ii) At 30 June 2021 and 31 December 2020 (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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods	**247,916,036**	202,774,498
Revenue from logistics service	**311,947**	273,372
Franchise fees and other service fee from medicine chain stores	**352,028**	278,961
Consulting income	**136,743**	133,083
Import agency income	**36,816**	41,807
Others	**271,038**	192,246
Revenue from other sources		
Operating lease income	**95,623**	70,745
	249,120,231	203,764,712

Revenue from contracts with customers
Disaggregated revenue information

For the six months ended 30 June 2021 (unaudited)

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

5 REVENUE (CONTINUED)

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

For the six months ended 30 June 2020 (unaudited)

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

6 OTHER INCOME

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

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

7 OTHER GAINS, NET / OTHER EXPENSES

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

8 EXPENSES BY NATURE

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**227,901,101**	186,170,995
Changes in inventories of finished goods and work in progress	**(16,091)**	(132,080)
Employee benefit expenses (Note 9)	**6,128,003**	5,072,724
Provision for impairment of inventories	**14,017**	40,771
Lease payments not included in the measurement of lease liabilities	**318,166**	283,740
Depreciation of property, plant and equipment	**788,472**	619,952
Depreciation of investment properties	**23,246**	24,768
Depreciation of right-of-use assets	**897,227**	775,592
Amortisation of intangible assets	**172,975**	170,948
Auditor's remuneration	**24,000**	21,000
Advisory and consulting fees	**128,001**	145,925
Transportation expenses	**817,381**	733,722
Travel expenses	**148,855**	126,767
Market development and business promotion expenses	**1,365,570**	1,034,753
Utilities	**95,871**	82,088
Others	**773,276**	635,540
Total cost of sales, selling and distribution expenses and administrative expenses	**239,580,070**	195,807,205

9 EMPLOYEE BENEFIT EXPENSES

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

Notes:

(i) Bonus was determined based on the performance of the Group as well as employees’ performance and contribution to the Group.

(ii) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group’s employees make monthly contributions to the schemes at approximately 8% (2020: 8%) of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 12% to 20% (2020: 12% to 20%) of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

(iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% (2020:5% to 12%) of the employees’ basic salary.

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

10 FINANCE INCOME AND COSTS

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

11 TAXATION

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

During the six months ended 30 June 2021, enterprises incorporated in the PRC are normally subject to enterprise income tax ("EIT") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

Two of the Group's subsidiaries were subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2020/2021. The first HKD2,000,000 (2020: HKD2,000,000) of assessable profits of this subsidiary was taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

12 EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent excluding the cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as at the end of the Reporting Period and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2020:3,111,293,000) in issue excluding restricted shares at the end of the Reporting Period.

The calculation of the diluted earnings per share amounts is based on the profit for the 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**3,582,839**	2,895,682
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	**3,120,656**	3,099,900
Effect of dilution – Restricted shares ('000)	**-**	1,926
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	**3,120,656**	3,101,826
Basic earnings per share (RMB per share)	**1.15**	0.93
Diluted earnings per share (RMB per share)	**1.15**	0.93

13 DIVIDENDS

The final dividend for year 2020 of RMB0.69 per share (tax inclusive), amounting to RMB2,153,253,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 10 June 2021 ("**2020 AGM**"). Pursuant to the relevant resolution passed at 2020 AGM, the final dividend for year 2020 paid on 10 August 2021 to the shareholders whose names appeared on the register of members of the Company on 22 June 2021.

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

14 TRADE AND BILLS RECEIVABLES

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

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

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

15 TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	**92,139,181**	78,687,419
Bills payable	**29,190,417**	33,944,974
	121,329,598	112,632,393

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

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

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

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

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

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

The effect of the above acquisitions is summarised as follows:

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

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

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 RMB295,917,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB295,917,000. As at 30 June 2021, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

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

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2021 are summarised as follows:

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

17 EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

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

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

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

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

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

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

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

Business Review

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

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

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

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

Pharmaceutical distribution strength remains stable, and service innovation is accelerating

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Future Plans

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

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

Accelerate the process of digital transformation

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

Strengthen the synergistic advantages of business segments

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

Enhance the synergy capabilities of business resources

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

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

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

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

Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB249,120.23 million, representing an increase of RMB45,355.52 million or 22.26% as compared with the corresponding period of last year.

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

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

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2021	Six months ended 30 June 2020	Change
Operating result			
Revenue	**249,120.23**	203,764.71	45,355.52
Earnings before interest and tax	**9,302.20**	7,644.80	1,657.40
Profit attributable to owners of the parent	**3,582.84**	2,895.68	687.16
Profitability			
Gross margin	**8.26%**	8.46%	decreased by 0.20 percentage point
Operating margin	**3.52%**	3.53%	decreased by 0.01 percentage point
Net profit margin	**2.42%**	2.36%	increased by 0.06 percentage point
Earnings per share – Basic (RMB)	**1.15**	0.93	0.22

	Six months ended 30 June 2021	Six months ended 30 June 2020	Change
Key operational indicators			
Trade receivables turnover ratio (days)	**123**	125	-2
Inventory turnover ratio (days)	**39**	43	-4
Trade payables turnover ratio (days)	**92**	96	-4
Current ratio (times)	**1.29**	1.27	0.02

Unit: in millions of RMB unless otherwise stated

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

Revenue

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

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB190,446.44 million, representing an increase of 20.92% as compared with RMB157,494.67 million for the six months ended 30 June 2020, and accounting for 74.17% of the total revenue of the Group. Such increase was mainly due to the increase in the distribution scale of retail pharmacies and the increase in sales in the e-commerce market.

- **Medical device segment:** During the Reporting Period, the revenue from medical device of the Group was RMB47,780.34 million, which accounted for 18.61% of the total revenue of the Group and represented an increase of 33.19% as compared with RMB35,873.04 million for the six months ended 30 June 2020. The increase was primarily due to the acquisition for expansion and the business growth of the Group's medical device business.

- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB13,722.19 million, representing an increase of 24.57% as compared with RMB11,015.77 million for the six months ended 30 June 2020, and accounting for 5.34% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.

- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB4,835.31 million, representing an increase of 57.05% as compared with RMB3,078.91 million for the six months ended 30 June 2020. The increase was primarily due to the growth from chemical reagent and pharmaceutical manufacturing business.

Cost of Sales
During the Reporting Period, the cost of sales of the Group was RMB228,533.01 million, representing an increase of 22.52% as compared with RMB186,522.84 million for the six months ended 30 June 2020, which was comparable with the growth rate of the revenue.

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

The gross profit margin of the Group for the six months ended 30 June 2021 was 8.26%, whilst the gross profit margin for the same period in 2020 was 8.46%, the slight decrease in the gross profit margin was mainly due to the reduced sales volume of higher-margin products attributable to pharmaceutical distribution and retail business, which were influenced by tighter local policy.

Other Income
During the Reporting Period, other income of the Group was RMB243.29 million, representing an decrease of 23.43% as compared with RMB317.74 million for the six months ended 30 June 2020. The decrease in other income was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses
During the Reporting Period, the selling and distribution expenses of the Group were RMB7,605.50 million, representing an increase of 21.50% as compared with RMB6,259.80 million for the six months ended 30 June 2020. The increase in selling and distribution expenses was primarily attributable to the purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups and acquisitions of companies and business, etc.

Administrative Expenses
During the Reporting Period, the administrative expenses of the Group were RMB3,441.56 million, representing an increase of 13.79% from RMB3,024.57 million for the same period in 2020.

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

Operating Profit

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

Other Gains, Net

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

Other expenses

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

Finance Costs, Net

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

Share of Profits and Losses of Associates

During the Reporting Period, the Group's share of profits and losses of associates was RMB454.31 million, representing an increase of 23.61% as compared with RMB367.54 million for the six months ended 30 June 2020.

Share of Profits and Losses of Joint Ventures

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

Income Tax Expense

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

Profit for the Reporting Period

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

Profit Attributable to Owners of the Parent

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

Profit Attributable to Non-controlling Interests

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

2020.

Liquidity and Capital Sources

Working capital
During the Reporting Period, the Group had commercial banking facilities of RMB255,241.21 million, of which approximately RMB145,435.64 million were not yet utilized. At the end of the Reporting Period, the Group's cash and cash equivalents of RMB34,359.74 million primarily comprise cash, bank deposits and income from current operating activities.

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

Net cash used in operating activities
The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, medical device, retail pharmacy and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB27,768.36 million. The net cash used in operating activities of the Group was RMB27,596.61 million for the six months ended 30 June 2020. The increase was primarily attributed to the delayed collection of trade receivables and payment in trade payables during the Reporting Period.

Net cash generated from investment activities
During the Reporting Period, the net cash generated from investment activities of the Group was RMB88.30 million as compared with the net cash from investment activities of RMB1,990.63 million for the six months ended 30 June 2020. Such decrease was primarily due to the changes of the restricted cash during the Reporting Period.

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

Capital Expenditure
The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems, new store decoration and equipment purchase. The Group's capital expenditures for the Reporting Period amounted to RMB1,325.81 million, representing a decrease of RMB292.31 million as compared with RMB1,618.11 million for the six months ended 30 June 2020, mainly due to the decrease in the expenditure on the purchase of property, plant and equipment.

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

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued super short-term commercial papers in an aggregate amount of RMB14.495 billion in the first half of 2021 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as to replenish working capital.

The Group's borrowings are mainly denominated in RMB.

As of 30 June 2021, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD ("**USD**"), Euro ("**EUR**"), GBP, CHF and JPY.

Indebtedness

As of 30 June 2021, the Group had aggregated banking facilities of RMB255,241.21 million, of which RMB145,435.64 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. As of 30 June 2021, among the Group's total borrowings, RMB71,827.22 million will be due within one year and RMB10,320.99 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

Gearing ratio

As of 30 June 2021, the Group's gearing ratio was 72.94% (31 December 2020: 71.10%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2021.

Foreign Exchange Risks

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

Pledge of Assets

As of 30 June 2021, part of the Group's borrowings and notes payable were secured by trade and bills receivables with book value of RMB1,255.00 million (unaudited), bank deposits of RMB8,172.28 million (unaudited), investment real estate with book value of RMB4.71 million (unaudited), properties, plant and equipment with book value of RMB61.63 million (unaudited) and intangible assets with book value of RMB6.12 million (unaudited).

Going Concern

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

CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

As at 30 June 2021, the Group neither had any material contingent liabilities, nor had any material litigations.

MAJOR INVESTMENT

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

MAJOR ACQUISITIONS AND DISPOSALS

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

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 108,370 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducts periodic performance reviews on its employees and adjusts their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to determine Directors' remuneration incentive policies, and designed a compensation structure comprising "basic remuneration, performance-based remuneration, and medium- and long-term incentives". The basic annual salary is the basic fixed income; the performance-based annual salary is the immediate floating income based on the completion of the annual performance goals, which is paid after evaluation; the "medium-and long-term incentive" is the share incentive scheme, which is contingent on the excellent performance in the medium and long term, designed to bind interests and share risks with shareholders. The Restricted Share Incentive Scheme of the Company took effect on 18 October 2016 with an effective period of ten years from the date of adoption. As at 31 December 2020, all the Initial Grant has been completed.

OTHER INFORMATION

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2021, the interests and short positions held by the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Name	Class of shares	Nature of interest and the capacity	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the total number of H shares in issue of the Company (%)	Long position/ short position
Mr. Yu Qingming	H shares	Beneficial owner	100,000	0.00	0.01	Long position
Mr. Liu Yong	H shares	Beneficial owner	59,009	0.00	0.00	Long position

Note: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The above mentioned "approximate percentage to the total number of shares of the Company" is calculated based on the total issued shares of the Company of 3,120,656,191 shares as at 30 June 2021, and the 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 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors or the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

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

As at 30 June 2021, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNPGC	Domestic shares	Beneficial owner	207,289,498	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun International	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	Long position
Citigroup Inc.	H shares	Interest of controlled corporation	8,328,769	0.27	0.62	Long position
			3,801,965	0.12	0.28	Short position
		Approved lending Agent (Note 9)	73,477,667	2.35	5.48	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation (Note 10)	93,076,725	2.98	6.94	Long position
			209,200	0.01	0.02	Short position
FMR LLC	H shares	Interest of controlled corporation (Note 11)	67,645,114	2.17	5.04	Long position

Notes:

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

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

(2) CNPGC is interested in 1,571,555,953 domestic shares indirectly through Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司) ("**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. (上海復星醫藥（集團）股份有限公司) ("**Fosun Pharma**") is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(4) Shanghai Fosun High Technology (Group) Company Limited ("**Fosun High Technology**") is the beneficial owner of 39.39% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

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

(6) Fosun Holdings Limited ("**Fosun Holdings**") is the beneficial owner of 72.14% equity interest in Fosun International and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(7) Fosun International Holdings Ltd. ("**Fosun International Holdings**") is the beneficial owner of 100% equity interest in Fosun Holdings and 0.23% equity interest in Fosun Pharma and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

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

(9) Citigroup Inc. is interested in 81,806,436 H Shares of the Company in an aggregate in long position (including 73,477,667 H Shares available for lending) and 3,801,965 H Shares in short position.

(10) BlackRock, Inc. is interested in long positions of 93,076,725 H shares of the Company and

short positions of 209,200 H shares of the Company.

(11) FMR LLC is interested in an aggregate of long positions of 67,645,114 H shares of the Company.

(12) The above mentioned "approximate percentage to the total number of shares of the Company" was calculated based on the total issued shares of the Company of 3,120,656,191 shares as at 30 June 2021. In respect of H shares, the 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 2021. 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 2021.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2021, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Dividends

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

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

Audit Committee

As at the date of this announcement, the Audit Committee of the Company consists of three Independent Non-executive Directors, namely Mr. Wu Tak Lung (Chairman), Mr. Zhuo Fumin and Mr. Li Peiyu, and two Non-executive Directors, namely Mr. Deng Jindong and Mr. Li Dongjiu. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and agreed on the accounting treatment adopted by the Company.

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

The Company has adopted all the code provisions contained in the Corporate Governance Code (the "**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.sinopharmgroup.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The Company's interim report for 2021 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.
Yu Qingming
Chairman

Shanghai, the PRC
20 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Yu Qingming and Mr. Liu Yong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Ma Ping, Mr. Deng Jindong, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and the independent non-executive directors of the Company are Mr. Zhuo Fumin, Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung and Mr. Yu Weifeng.