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 2022 INTERIM RESULTS

The board of directors (the "**Board**") of Sinopharm Group Co. Ltd. (the "**Company**" or "**Sinopharm Group**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2022 (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 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	**261,471,723**	249,120,231
Cost of sales	8	**(239,814,229)**	(228,533,008)
Gross profit		**21,657,494**	20,587,223
Other income	6	**233,683**	243,294
Selling and distribution expenses	8	**(7,777,626)**	(7,605,499)
Administrative expenses	8	**(3,659,428)**	(3,441,563)
Impairment losses on financial and contract assets		**(987,599)**	(710,546)
Losses on derecognition of financial assets measured at amortised cost		**(409,515)**	(300,878)
Operating profit		**9,057,009**	8,772,031
Other gains, net	7	**28,268**	75,435
Other expenses	7	**9,825**	(176)
Finance income		**319,126**	313,479
Finance costs		**(1,903,436)**	(1,898,727)
Finance costs, net	10	**(1,584,310)**	(1,585,248)
Share of profits and losses of:			
Associates		**490,851**	454,308
Joint ventures		**2,029**	597
		492,880	454,905
Profit before tax		**8,003,672**	7,716,947
Income tax expense	11	**(1,775,054)**	(1,688,416)
PROFIT FOR THE PERIOD		**6,228,618**	6,028,531
Attributable to:			
Owners of the parent		**3,693,744**	3,582,839
Non-controlling interests		**2,534,874**	2,445,692
		6,228,618	6,028,531
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT(expressed in RMB per share)			
– Basic and Diluted	12	**1.18**	1.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousands unless otherwise stated)

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**6,228,618**	6,028,531
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements of post-employment benefit obligations net of tax	**(1,652)**	(6,023)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**3,640**	(4,615)
Income tax effect	**(910)**	1,154
Fair value gains/(losses) on financial asset, net of tax	**2,730**	(3,461)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax	**1,078**	(9,484)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,420**	1,099
Share of other comprehensive income of associates	**3,197**	2,411
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax	**8,617**	3,510
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**9,695**	(5,974)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**6,238,313**	6,022,557
Attributable to:		
Owners of the parent	**3,700,679**	3,580,883
Non-controlling interests	**2,537,634**	2,441,674
	6,238,313	6,022,557

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Right-of-use assets		**7,077,179**	6,983,410
Investment properties		**559,114**	588,366
Property, plant and equipment		**12,303,558**	12,424,342
Intangible assets		**10,291,733**	10,391,727
Investments in joint ventures		**29,097**	27,002
Investments in associates		**8,833,844**	8,387,677
Equity investments designated at fair value through other comprehensive income		**84,685**	81,045
Financial assets at fair value through profit or loss		**696,303**	688,555
Finance lease receivables		**9,887**	11,816
Deferred tax assets		**2,016,675**	1,787,093
Other non-current assets		**3,014,839**	3,119,147
Total non-current assets		**44,916,914**	44,490,180
CURRENT ASSETS			
Inventories		**56,992,053**	51,499,625
Trade and bills receivables	*14*	**210,496,105**	171,389,603
Contract assets		**1,254,771**	1,184,017
Prepayments, other receivables and other assets		**15,532,451**	13,611,275
Financial assets at fair value through profit or loss		**347**	11,749
Finance lease receivables		**2,957**	1,915
Pledged deposits and restricted cash		**8,838,298**	9,694,529
Cash and cash equivalents		**32,146,044**	43,529,428
Total current assets		**325,263,026**	290,922,141
Total assets		**370,179,940**	335,412,321

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *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		**60,124,105**	58,769,197
		63,240,923	61,886,015
Non-controlling interests		**39,507,132**	37,767,920
Total equity		**102,748,055**	99,653,935

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

	Notes	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**10,377,681**	8,418,680
Lease liabilities		**3,364,816**	3,249,870
Deferred tax liabilities		**1,002,655**	1,022,792
Post-employment benefit obligations		**377,718**	387,697
Contract liabilities		**52,285**	56,750
Other non-current liabilities		**3,276,839**	3,316,048
Total non-current liabilities		**18,451,994**	16,451,837
CURRENT LIABILITIES			
Trade and bills payables	*15*	**131,276,526**	128,431,227
Contract liabilities		**6,486,499**	6,085,953
Accruals and other payables		**29,091,894**	26,229,755
Dividends payable	*13*	**2,708,341**	246,214
Tax payable		**1,255,380**	1,613,704
Interest-bearing bank and other borrowings		**76,661,743**	55,151,650
Lease liabilities		**1,499,508**	1,548,046
Total current liabilities		**248,979,891**	219,306,549
Total liabilities		**267,431,885**	235,758,386
Total equity and liabilities		**370,179,940**	335,412,321

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 2022 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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. The amendments did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments did not have any significant impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no significant modification of the Group's financial liabilities during the period, the amendment did not have any significant impact on the financial position or performance of the Group.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4 SEGMENT INFORMATION

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

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

(ii) 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.

4 SEGMENT INFORMATION (CONTINUED)

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:

Segment revenue and results

(i) For the six months ended 30 June 2022 and 2021

	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 2022 (unaudited)						
Segment results						
External segment revenue	189,464,721	53,024,725	15,000,740	3,981,537	–	261,471,723
Inter-segment revenue	7,059,221	659,510	273,356	877,186	(8,869,273)	–
Revenue	196,523,942	53,684,235	15,274,096	4,858,723	(8,869,273)	261,471,723
Operating profit	6,014,958	2,106,505	141,775	761,167	32,604	9,057,009
Other gains/(loss), net	27,287	2,467	(72)	(1,414)	–	28,268
Other expenses	(341)	10,142	–	24	–	9,825
Share of profits and losses of associates and joint ventures	6,982	(1,925)	265	487,558	–	492,880
	6,048,886	2,117,189	141,968	1,247,335	32,604	9,587,982
Finance costs, net						(1,584,310)
Profit before tax						8,003,672
Income tax expense						(1,775,054)
Profit for the period						6,228,618
Other segment items included in the consolidated statement of profit or loss						
Provision for impairment of financial and contract assets	668,150	303,283	9,320	6,846		987,599
Provision for impairment of inventories	14,817	(7,353)	3,922	223		11,609
Depreciation of property, plant and equipment	522,559	209,377	94,190	16,771		842,897
Depreciation of investment properties	5,878	11,016	577	1,329		18,800
Depreciation of right-of-use assets	318,791	127,637	488,543	25,402		960,373
Amortisation of intangible assets	132,582	21,679	23,817	537		178,615
Capital expenditures	547,054	206,012	84,808	26,517		864,391

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

(i) For the six months ended 30 June 2022 and 2021 (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 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)

Segment assets and liabilities

(ii) At 30 June 2022 and 31 December 2021

	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 2022 (unaudited)						
Segment assets and liabilities						
Segment assets	**265,151,746**	**82,039,051**	**16,451,748**	**21,723,110**	**(17,202,390)**	**368,163,265**
Segment assets include:						
Investments in associates and joint ventures	**283,513**	**101,448**	**24,200**	**8,453,780**	**–**	**8,862,941**
Unallocated assets – Deferred tax assets						**2,016,675**
Total assets						**370,179,940**
Segment liabilities	**119,378,941**	**58,754,775**	**13,701,118**	**5,780,120**	**(18,225,148)**	**179,389,806**
Unallocated liabilities – Deferred tax liabilities and borrowings						**88,042,079**
Total liabilities						**267,431,885**
As at 31 December 2021 (audited)						
Segment assets and liabilities						
Segment assets	245,710,000	70,506,523	15,728,086	19,806,913	(18,126,294)	333,625,228
Segment assets include:						
Investments in associates and joint ventures	280,446	105,892	25,097	8,003,244	–	8,414,679
Unallocated assets – Deferred tax assets						1,787,093
Total assets						335,412,321
Segment liabilities	120,319,819	50,490,205	13,213,469	5,812,660	(18,670,889)	171,165,264
Unallocated liabilities – Deferred tax liabilities and borrowings						64,593,122
Total liabilities						235,758,386

4 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

(ii) At 30 June 2022 and 31 December 2021 (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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods	**259,954,668**	247,916,036
Revenue from logistics service	**608,825**	311,947
Franchise fees and other service fee from medicine chain stores	**413,579**	352,028
Consulting income	**140,609**	136,743
Import agency income	**24,930**	36,816
Others	**229,616**	271,038
Revenue from other sources		
Operating lease income	**99,496**	95,623
	261,471,723	249,120,231

5 REVENUE (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2022 (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	**188,594,514**	**52,818,683**	**14,572,920**	**3,968,551**	**259,954,668**
Others	**870,207**	**206,042**	**328,324**	**12,986**	**1,417,559**
Total revenue from contracts with customers	**189,464,721**	**53,024,725**	**14,901,244**	**3,981,537**	**261,372,227**
Geographical market					
China	**189,464,721**	**53,024,725**	**14,901,244**	**3,981,537**	**261,372,227**
Timing of revenue recognition					
Recognised at a point in time	**189,464,721**	**53,024,725**	**14,901,244**	**3,981,537**	**261,372,227**

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

6 OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants	**233,683**	243,294

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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other gains, net		
Write-back of certain liabilities	**12,659**	16,010
Gain on disposal of portion of equity investment in an associate	**7,421**	11,472
Gain on disposal of investment properties, property, plant and equipment, intangible assets and right-of-use assets	**12,620**	44,047
Gain on disposal of a subsidiary	**–**	229
Foreign exchange loss, net	**(4,483)**	(5,701)
Donation	**(16,593)**	(7,292)
Dividend from:		
Equity investments at fair value through other comprehensive income	**535**	489
Fair value gains, net:		
Equity investments at fair value through profit or loss	**7,745**	28
Others, net	**8,364**	16,153
	28,268	75,435
Other expenses		
Reversal of provision/(provision) for impairment of prepayment	**9,825**	(176)

8 EXPENSES BY NATURE

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	**238,741,353**	227,901,101
Changes in inventories of finished goods and work in progress	**16,733**	(16,091)
Employee benefit expenses (Note 9)	**6,768,702**	6,128,003
Provision for impairment of inventories	**11,609**	14,017
Lease payments not included in the measurement of lease liabilities	**329,616**	318,166
Depreciation of property, plant and equipment	**842,897**	788,472
Depreciation of investment properties	**18,800**	23,246
Depreciation of right-of-use assets	**960,373**	897,227
Amortisation of intangible assets	**178,615**	172,975
Auditor's remuneration	**25,000**	24,000
Advisory and consulting fees	**126,101**	128,001
Transportation expenses	**1,046,514**	817,381
Travel expenses	**92,493**	148,855
Market development and business promotion expenses	**1,392,984**	1,365,570
Utilities	**109,647**	95,871
Others	**589,846**	773,276
Total cost of sales, selling and distribution expenses and administrative expenses	**251,251,283**	239,580,070

9 EMPLOYEE BENEFIT EXPENSES

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages, allowances and bonuses (i)	**5,287,051**	4,834,655
Contributions to pension plans (ii)	**598,322**	508,926
Post-employment benefits	**1,895**	2,318
Housing benefits (iii)	**251,294**	222,454
Other benefits (iv)	**630,140**	559,650
	6,768,702	6,128,003

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% (2021: 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% (2021: 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. Contributions totalling RMB17,361,000 (31 December 2021: RMB10,127,000) were payable to the fund pension plan of China National Pharmaceutical Group at 30 June 2022.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

(iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% (2021:5% to 12%) of the employees' relevant income.

(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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense:		
– Borrowings	**1,427,442**	1,384,675
– Discounting of bills receivable	**287,495**	329,621
– Net interest on net defined benefit liability	**5,665**	6,282
– Lease liabilities	**93,193**	82,672
Gross interest expense	**1,813,795**	1,803,250
Bank charges	**99,489**	101,829
Less: Capitalised interest expense	**(9,848)**	(6,352)
Finance costs	**1,903,436**	1,898,727
Finance income:		
– Interest income on deposits in bank or other financial institutions	**(279,285)**	(268,508)
– Interest income on long-term deposits	**(39,841)**	(44,971)
Net finance costs	**1,584,310**	1,585,248

11 TAXATION

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**2,025,047**	1,843,388
Deferred income tax	**(249,993)**	(154,972)
	1,775,054	1,688,416

During the six months ended 30 June 2022, 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% (2021: 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 2018/2019. The first HKD2,000,000 (2021: 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 2021: 3,120,656,000) in issue excluding restricted shares at the end of the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 30 June 2021.

12 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	**3,693,744**	3,582,839
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**	3,120,656
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation ('000)	**3,120,656**	3,120,656
Basic earnings per share (RMB per share)	**1.18**	1.15
Diluted earnings per share (RMB per share)	**1.18**	1.15

13 DIVIDENDS

The final dividend for year 2021 of RMB0.75 per share (tax inclusive), amounting to RMB2,340,492,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 23 June 2022 ("**2021 AGM**"). Pursuant to the relevant resolution passed at 2021 AGM, the final dividend for year 2021 was paid on 23 August 2022 to the shareholders whose names appeared on the register of members of the Company on 4 July 2022.

No interim dividend was proposed for the six-month period ended 30 June 2022.

14 TRADE AND BILLS RECEIVABLES

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Trade receivables	**203,592,249**	161,397,269
Bills receivable	**10,528,953**	12,688,236
Less: Provision for impairment	**(3,625,097)**	(2,695,902)
	210,496,105	171,389,603

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

The term of bills receivable are less than 12 months mostly. Retail sales at the Group's medicine chain stores are generally made in cash or by debit or credit cards. For medicine and device distribution businesses, sales are made on credit terms ranging from 30 to 210 days mostly. 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 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Within 1 year	**192,412,558**	155,827,980
1 to 2 years	**6,827,238**	2,296,149
Over 2 years	**759,681**	618,576
	199,999,477	158,742,705

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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**100,682,267**	91,836,652
Bills payable	**30,594,259**	36,594,575
	131,276,526	128,431,227

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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**88,678,318**	96,353,160
3 to 6 months	**25,091,978**	20,324,578
6 months to 1 year	**12,674,269**	8,121,952
1 to 2 years	**2,831,117**	2,199,483
Over 2 years	**2,000,844**	1,432,054
	131,276,526	128,431,227

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 2022, trade payables of RMB211,293,000 (the six months ended 30 June 2021: RMB1,519,342,000) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2022, the balance of bank borrowings related to this program was RMB436,019,000 (31 December 2021: RMB513,435,000).

16 EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The economy ran smoothly, policy implementation boosted economic recovery

In the first half of the year, the complicated and severe international situation and the impact of unexpected factors such as a new round of COVID-19 pandemic significantly increased the uncertainty of China's economy. The Chinese government adopted timely regulation and control, set stable growth in a more prominent position, efficiently coordinated the pandemic containment and the economic and social development, and timely introduced and implemented a package of policies to stabilize the economy, so as to ensure the stable running of the macro economy.

According to the preliminary accounting data released by the National Bureau of Statistics of China, the gross domestic product (GDP) in the first half of 2022 was RMB56,264.2 billion, representing a year-on-year increase of 2.5% at constant prices among which the GDP in the second quarter was RMB29,246.4 billion, representing a year-on-year increase of 0.4%. Especially since May, the decline trend of main economic indicators slowed down, and in June, the economy stabilized and rebounded, and the main indicators quickly shifted from negative to positive, thus secured the overall stability of the macroeconomic running, and further evidenced the strong resilience of China's economy.

At the same time, the People's Bank of China actively took measures to protect liquidity, and the monetary market was abundant in funds, and the funding price and the financing interest rates were stable with slight declines. Within the first half of the year, the 1-year LPR and the 5-year LPR (Loan Prime Rate) had dropped by about 10 basis points and 20 basis points, respectively, thus reducing the comprehensive financing costs of enterprises.

Pandemic lowered the industry's growth pace, the further deepened medical reform reshaped the industry structure

The impact of the COVID-19 pandemic outbreak in the first half of this year on the whole industry has weakened compared with that in 2020, but the growth rate of sales in the whole industry was still slowing down. The continuous and deepened implementation of the medical reform policy has reduced the selling prices of pharmaceutical and medical products, and has simultaneously promoted the continuous transformation of the pharmaceutical distribution industry, which has accelerated the trend of fragmented order demand and terminal distribution services. According to the data from the Pharmaceutical Distribution Statistics System of the Ministry of Commerce, in the first quarter of 2022, the total sales of seven categories of pharmaceutical products in China amounted to RMB681.8 billion (including taxes), representing a year-on-year increase of 5.08% excluding incomparable factors. The industry ran smoothly on the whole, and sustained its steady development trend.

In May 2022, the General Office of the State Council issued the Key Tasks for Deepening the Reform of Medical and Health System in 2022, which clearly refined the "road map" for the reform. Through a series of measures, such as expanding the scope of "VBP" of pharmaceuticals and consumables, reforming the prices of medical services, reforming the payment methods of medical insurance and strengthening comprehensive supervision, the government was aiming to deepen the integrated reform of medical care, medical insurance and medicine, so as to continuously promote the prices of pharmaceuticals and consumables to return to a reasonable level, to reform pharmaceutical distribution supply chain, to accelerate the expansion and balanced distribution of high-quality medical resources, and to comprehensively promote the construction of "Healthy China". With the further entry of medical reform into the deep water area, in the past six months, technology-driven cross-border competition has been further intensified with the market structure changed rapidly and the pace of transformation, innovation and service upgrade of drugs and medical devices supply chain have also been accelerated. The distribution business model was further reformed into the direction of intensification, diversification, specialization and digitalization, the business advantages and market leadership of leading enterprises were strengthened and consolidated and the whole industry continued to transform and develop in a high-quality and sustainable growth model.

In the first half of the year, retail pharmacies, as an important frontier of pandemic containment, played an irreplaceable role in ensuring drug supply, facilitating selling activities for the people, providing pharmaceutical services and implementing the control measures for the COVID-19 pandemic. As of the end of the first quarter, the sale volume of pharmaceutical retail market was RMB149.1 billion, representing a year-on-year increase of 8.91%, and the growth rate accelerated by 0.04 percentage point on a year-on-year basis. At the same time, the Regulations for the Implementation of the Drug Administration Law (Draft for Comments) and the Measures for the Supervision and Administration of Online Sale of Drugs (Draft for Comments) have been promulgated in succession, which further clarified the industry rules and processes of online sales of prescription drugs. While broadened the drug retail terminals, it also clearly strengthened the practice norms and quality and safety supervision requirements for out-of-hospital sales of prescription drugs.

Business Review

During the Reporting Period, under the leadership of the Board of Directors and the management of the Company, Sinopharm Group calmly responded to the severe challenges brought by the outbreak of COVID-19 pandemic. While fighting against the pandemic and exercising its social responsibility, Sinopharm Group actively responded to market and industry changes, scientifically coordinated and matched resources and efficiently coordinated the upstream and downstream of the supply chain, so as to make solid steps in business transformation and remarkable progress in scientific and technological innovation, and deliver orderly achievements in all work.

During the Reporting Period, the Company realized the revenue of RMB261,471.72 million, representing a year-on-year increase of 4.96%. The Company recorded a net profit of RMB6,228.62 million, representing a year-on-year increase of 3.32%, and the net profit attributable to owners of the parent company reached RMB3,693.74 million, representing a year-on-year increase of 3.10%. The growth rates of various indicators continued to exceed the industry average growth, and the market share increased in an orderly manner.

According to the strategic planning of the Group to realize "high quality and sustainable development", the proportions of revenue from the three main business segments continued to be diversified and optimized during the Reporting Period. As of the end of June 2022, the revenue from the pharmaceutical distribution business accounted for 72.69% of the Group's total revenue, representing a decrease of 1.47 percentage points compared with the same period of 2021, the revenue from the medical device business accounted for 19.86% of the Group's total revenue, representing an increase of 1.25 percentage points compared with the same period of the previous year, and the revenue from the retail pharmacy business accounted for 5.65% the Group's total revenue, representing an increase of 0.31 percentage point compared with the same period of the previous year.

During the Reporting Period, due to the COVID-19 pandemic, the revenue growth rate in the first half of the year slowed down compared with the same period of the previous year, and the proportion of rigid expenditures increased. Thanks to the Group's active strengthening of internal control and management, and the implementation of various cost and credit risk control measures, expense ratio indicators continued to optimize. As of the end of the Reporting Period, the sale and administrative expense ratio of the Group was 4.37%, representing a year-on-year decrease of 0.06 percentage point, among which the sale expense ratio was 2.97%, representing a year-on-year decrease of 0.08 percentage point, the administrative expense ratio was 1.40%, representing a year-on-year increase of 0.02 percentage point, and the financial expense ratio in the first half of the year was 0.61%, representing a decrease of 0.03 percentage point compared with the same period of the previous year.

The Company's outstanding business performance and responsibility bearing have been repeatedly recognized and honored by government authorities and industry regulators, which continuously enhanced the Group's brand image and leading industry position. In the "Fortune China 500 List" released in July this year, the Company ranked 24th in the list, maintaining the first place in the pharmaceutical distribution industry.

Market share steadily increased, service innovation promoted transformation

During the Reporting Period, the medical insurance reform continued to be expanded and implemented, and the regulatory authorities constantly launched a number of measures to promote the high-quality transformation of the pharmaceutical distribution industry. As of the end of June 2022, the National Healthcare Security Administration ("**NHSA**"), together with relevant state departments, had carried out seven batches of drugs "VBP", with a total of 294 categories being included. According to the data from the NHSA, the first seven batches of VBP have accounted for 35% of the annual drug consumption in medical institutions. Centralized procurement has become an important mode of drug procurement in medical institutions. Drug coverage has been further expanded, and the bidding system design was more reasonable and balanced.

The continuous and recurring pandemic put a great hit on the normal diagnosis and treatment services of hospitals and the business operation of upstream enterprises, and the growth rate of pharmaceutical distribution business thus declined in the second quarter. Facing difficult challenges, the Group actively followed the trend of industry transformation, vigorously promoted the operational innovation and technology upgrading of pharmaceutical distribution services, explored the resource synergy and integration transformation and strove to enhance the scalable, professional and tailoring services advantages of pharmaceutical distribution. In the first half of the year, the Group achieved a sale revenue of RMB196,523.94 million, representing a year-on-year increase of 3.19%, which showed that the distribution business successfully resisted the pandemic challenge and still maintained a relatively stable development trend.

Facing the rapid change of industry structure, the Group strove to promote the integration of business transformation and the synergies among supply chain resources, and by leveraging the existing national network advantages, accelerated its integration into "remote diagnosis and treatment service" construction at grassroots medical institutions, matched with the distribution demand of consumables and drugs in county medical communities, explored the construction of an integrated medical service system covering all levels of medical institutions and a brand-new comprehensive supply chain service mode, so as to stimulate further vertical extension of sales channels. During the Reporting Period, the Group's sales to primary medical institutions and to retail pharmacies both recorded a year-on-year increase of approximately 10%. With the strong integrated national service capability, the Group's acquisition of "VBP" varieties constantly stood in the leading position in the industry. According to the results of the seventh batch of national centralized drug procurement published by the Sunshine Medical Procurement All-In-One, the varieties covered by the distribution business of the Group in Shanghai remained ranking first in the industry, and the market share continued to increase with the policy enforcement.

With the gradual development of the "integrated" transformation of the distribution network, the Group's support capacity and efficiency to its branches and subsidiaries were further improved. Through the active integration of existing networks and resources, we vigorously promoted the national integrated management of marketing teams and relied on the advantages of long-term and in-depth cooperation with upstream suppliers to accelerate the promotion of marketing promotion and value-added services upon distribution services. As of the end of the Reporting Period, the Group has formed partnership with nearly 100 upstream companies to provide marketing promotion services. With the number of projects also significantly increased, the advantages of specialization and nationalization of marketing services have been continuously emerging.

The growth of device distribution beat the trend, R&D and manufacturing continued to make breakthroughs

In the first half of 2022, the proportions of chemical reagents and equipment products in the Group's device distribution business decreased due to the impact of COVID-19 pandemic and the demand changes brought by the prevention and control policies, while the volume of containment supplies increased compared with last year, and emergency-rescuing customers became the new increment in the Reporting Period. Facing the new demand and situation, the Group fully utilized its national leading network service capability and resource allocation advantages of medical device industry to provide all-round distribution services for various governments authorities and corporate customers. In the first half of the year, the revenue was RMB53,684.24 million, representing a year-on-year increase of 12.36%, and the growth rate continuously surpassed the growth of the pharmaceutical distribution business. The operating profit margin realized a year-on-year increase of 0.64 percentage point, laying a solid foundation for the annual steady growth of the device segment.

While pushing the product prices back to a reasonable level, the "VBP" of high-value consumables was constantly leading the medical device industry to form a brand-new development pattern driven by fair competition, quality assurance and innovation. After the successful implementation of "VBP" of the first two phases of high-value consumables, the "VBP" of orthopedic spine consumables has been officially launched. With the further improvement of the upstream concentration, the growing demand for "a nationwide-integrated" services gradually appearing in the device distribution service has undoubtedly set higher standards for the comprehensive advantages such as the distribution efficiency and the service coverage in remote areas. The Group accurately grasped the market updates, complied with the new trend of service transformation, continuously improved the comprehensive service capability of the device segment and promoted business collaboration and technology empowerment, to rapidly develop its intelligent supply chain projects such as centralized distribution and SPD management of medical consumables. As of the end of the Reporting Period, the number of centralized distribution and SPD projects provided by the Group has exceeded 1,500. The number of newly-added SPD projects and centralized distribution projects also exceeded 150 in the first half of the year. These fast-growing regional centralized distribution businesses not only further increased the service stickiness and depth with downstream customers, but also continuously consolidated the competitive advantages and barriers of the Group's device supply chain services, and provided new and sustainable growth momentum for the segment.

In addition, in order to accelerate the upgrading of the device service industry and build a full-cycle device supply chain service capability, the "device manufacturing" business which the Group focuses on cultivating has also continuously made milestone progress. Conforming to the trend of "domestic substitution" among high-end medical devices, China National Medical Device Co., Ltd. ("**CNMDC**") and Qingdao NovelBeam Technology Co., Ltd. ("**NovelBeam**") jointly invested in the establishment of Sinopharm Xinguang Medical Technology Co., Ltd. ("**Sinopharm Xinguang**") in March this year, the registration and the organizational structure construction of which have been completed. In the future, Sinopharm Xinguang will specialize in the research and development, production, sale and post-sale service of medical endoscope systems and related minimal invasive surgical products, aiming at developing into a leading service provider of overall solutions for related medical device manufacturing and minimal invasive surgery through the establishment of an independent and complete medical industrial manufacturing system. In addition, the Group's subsidiary CNMDC actively cooperated with China Anti-Doping Agency, participated in and tackled the R&D and production of blood sample collection set and tamper-proof device for dry blood spot doping test in the Beijing 2022 Winter Olympic Games and provided professional and efficient cooperation in technical formulation, testing requirements, device R&D and innovation, etc., thus successfully ensured the localization of doping test devices of 2022 Winter Olympic Games. The participation and contribution of the Group was highly recognized and thanked by the Organizing Committees of the Winter Olympic Games, which demonstrated the corporate spirit and social responsibility of the Group and contributed strong cooperation and R&D experience for the Group's subsequent development of device manufacturing segment.

Focus on C-end to strengthen services, and consolidate advantages through the wholesale and retail collaboration

In the first half of 2022, the normal diagnosis and treatment services of hospitals were greatly affected by the COVID-19 pandemic, and the retail channel became an important carrier to undertake pharmacy service during the pandemic containment period. Facing the intensification of cross-border competition in pharmaceutical retail, the gradual transformation of supply chain from the medical terminal to the retail terminal and the upgrading of customers' demand for full-cycle health management, the Group further improved the business governance mode, made efforts to speed up the acquisition of qualifications and the introduction of varieties, continuously improved the operation efficiency and strengthened the comprehensive service capability for C-end patients and consumers. As of the end of the Reporting Period, the Group's revenue from the retail pharmacy business was RMB15,274.10 million, representing a year-on-year increase of 11.31%, and the operating profit margin of retail business increased by 0.05 percentage point compared with the same period of the previous year. According to the "2021-2022 Top 100 Chinese Pharmacies Value List", both the total revenue from the retail business and the revenue from Guoda Drug Store of the Group continuously ranked first in the industry respectively.

During the Reporting Period, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China (Draft Revisions for Soliciting Comments) issued by the National Medical Products Administration ("NMPA") completed the commenting process, further clarifying the supervision standard of online drug sales. Facing the growing retail pharmacy business and the demand for out-of-hospital pharmacies caused by the pandemic, the Group continued to strengthen the qualification acquisition of "dual-channel pharmacies" and "designated pharmacies for medical insurance", increased the proportions of businesses with obvious service advantages such as dual-channel, nearby hospital stores and designated pharmacies by Social Security Funds and further enhanced the comprehensive pharmacy service capability to C-end customers under the new environment. As of the end of June 2022, the total number of retail stores of the Group reached 10,569, representing an increase of 310 compared with the end of 2021, among which there were 9,137 Guoda Drug Stores, representing an increase of 339 compared with the end of 2021, and 1,432 professional pharmacies, representing a decrease of 29 compared with the end of 2021; the number of dual-channel stores totaled 676, representing an increase of 273 compared with the end of 2021. The number of stores and same-store sales increased rapidly, which provided a strong guarantee for the Group's retail business to achieve steady growth in the pandemic-affected months during the first half of the year.

As a leading pharmaceutical business enterprise in China, the Group has been constantly improving the synergy advantage of "wholesale-retail integration" through "integrated transformation". During the period of the pandemic, the Group took the lead in building an online and offline distribution network of "Sinopharm Post Station" in Shanghai, which consolidated the services of "Internet hospital consultation + logistics trunk transportation + last mile delivery". It not only successfully solved the problem of drug use guarantee for ordinary people in special period without leaving home, but also strengthened the distribution and service capability of the Group's wholesale-retail network in the radiation area. This project was praised by all sectors of society, reported by various media and recognized and honored by regulatory authorities. Within about 2 months since the launching of the project in Shanghai, the Group has successfully connected the businesses with more than 40 Internet hospitals and 8 administrative districts and the number of orders from Internet hospitals exceeded 300,000 with the online and offline collaboration capability continuously enhanced.

R&D investment continued to increase, and transformation and innovation inspired potential

While maintained a steady growth of traditional businesses, the Group's transformation and innovation pace further accelerated, and the scale of R&D investment also increased accordingly. During the Reporting Period, the Group obtained 17 new patent authorizations, and Beijing Sinopharm Xinchuang Technology Development Co., Ltd., a subsidiary of CNMDC, obtained the accredition of "High-tech Enterprise". At the same time, the Group's class 2.4 improved new drug "absolute ethanol injection" and class 2 psychotropic drug "nabufen hydrochloride injection" were approved for sale in the market. Sinopharm Gene innovatively carried out special gene testing services such as heredity, infection and tumor concomitant diagnosis, with 4 R&D reagents registered and applied for Class III medical devices, and over 20 testing types to be provided. The Group's scientific and technological innovation and R&D strength were further enhanced.

During the Reporting Period, digital transformation entered the stage of comprehensive implementation. According to the strategic blueprint of digital transformation, the Group further sorted out and improved the organizational structure and system construction in related fields. The framework establishment, software development and other work of several projects involving retail, logistics, data management and other business segments have been successively launched. The Group actively promoted the full utilization of business resources, enhanced the efficient collaboration across business segments, strengthened the integrated and digital operation capabilities of businesses and promoted the high-quality business transformation and development.

After the establishment of the Innovation Center of Sinopharm, the Group accelerated to tap the synergy advantages of cross-business segments and made continuous progress and breakthroughs in the field of "Urban Huimin Insurance" and innovative payment of pharmaceutical companies. In the first half of this year, the number of newly-added "Urban Huimin Insurance" projects and the number of innovative payment projects reached 6 and 8 respectively, further expanding the scope of cooperation with engaged businesses partners and enhanced the stickiness. While gradually becoming a leading service provider in this field, the Group has accelerated the construction of a new medical and health digital industry ecosystem.

Fully Participated in pandemic containment, with social responsibility duly exercised

At the beginning of March 2022, the COVID-19 pandemic broke out suddenly in Shanghai. As a central emergency material reserve enterprise, Sinopharm Group efficiently coordinated the nationwide resources of the drug and medical device supplies, and fully carried out the support work in terms of medical institutions' material support, pharmacy supply and patient service in accordance with pandemic prevention and control arrangements of governments at all levels. As a "Shanghai Key Guarantee and Supply Enterprise of Medical Materials for COVID-19 Pandemic Prevention and Control" and a "Shanghai Key Guarantee and Supply Enterprise of Living Materials", the Group's great contribution to the pandemic control has been recognized by the competent government authorities and Shanghai citizens.

In the first half of the year, the enterprises at all levels of the Group made every effort to guarantee more than 1.6 billion pieces of materials for pandemic prevention and control (in terms of logistics), provided more than 350 million pieces of materials in Shanghai alone, and secured all-round materials guarantee for 6 municipal-level shelter hospitals, more than 80 district-level shelter hospitals and other designated medical institutions, central enterprises and municipal state-owned enterprises in 13 key industries in Shanghai. With the constantly upgraded and perfected digital intelligent supply chain system, we provided unified services and convenient channels in the affected areas, greatly improved the logistics efficiency and strictly controlled the quality and safety of purchased materials and supply chain trackability to ensure the timeliness and safety of logistics services.

At the same time, in order to cope with the new pandemic caused by the variants of COVID-19, the Group established a special project team for therapeutic drugs and made a forward-looking layout for the introduction of the therapeutic drugs of COVID-19. For antibody drugs, the Group has signed a strategic framework agreement with TSB Therapeutics (Beijing) Co., Ltd. (騰盛華創醫藥技術（北京）有限公司) to jointly promote the commercialization of the combination therapy of Amubarvimab/Romlusevimab in China. In terms of small molecule drugs, the Group also actively cooperated with upstream pharmaceutical companies to lock in the commercial cooperation with the post-launch products in advance and further improve the coordination and guarantee of COVID-19 containment.

Future Plans

Looking forward to the second half of 2022, with the gradual weakening of the pandemic influence, maintaining economic growth will become the key tone of macroeconomic policies. Sinopharm Group will scientifically analyze policies, proactively adapt to changes, consolidate and enhance the competitive advantages of core businesses and continuously expand new business models. At the same time, we will still focus on improving the operational quality of businesses. While strictly observing the risk bottom line and coordinating the business development and operation safety, we will flexibly and efficiently use various subsidy policies and financing instruments to continuously promote the high-quality business transformation, take best efforts to make up for the pandemic losses and ensure the full achievement of pre-established development goals throughout the year.

Consolidate advantages, and promote transformation

In terms of the drug distribution segment, the Group will strengthen the category research based on the changes in the national policies and mark environment and actively expand the introduction of foreign innovative drugs to enrich the product portfolio. The Group will rapidly increase the proportion of direct sale to medical institutions and retail pharmacies, focus on core and key areas and further increase the market share. The Group will constantly consolidate the dominant position of the core terminal, improve the national integration of supply chain service capacity and level, actively expand the primary medical care, out-of-hospital market and non-medical insurance payment market with the leading supply chain network and develop appropriate marketing solutions and channel coverage programmes for various categories and regions.

In terms of the medical device segment, in line with the trend of national integration driven by the "VBP" of consumables, the Group will seize the opportunity of increasing market concentration and actively undertake the "VBP" related distribution projects and primary medical service projects. The Group will accelerate to promote and replicate the successful experience of SPD, "FLI+" and other service models, promote business layout by utilizing the policies of regional hospital consortia and medical communities, vigorously enhance the professional service capability through integrated management and explore innovative and value-added business models. At the same time, the Group will actively and steadily carry out the product R&D and manufacturing tasks of Sinopharm Xinguang and other device industrial entities, accelerate the construction of independent innovation capability in the medical device field, leverage our brand awareness and industry leading advantages and promote the high-quality transformation and development of medical device segment.

In terms of the retail pharmacy segment, the Group will seize the change of drug purchasing habits of patients caused by the COVID-19 pandemic, further strengthen the pharmacy service advantages of stores, optimize the service system throughout the course of disease and continuously improve the diversion and drainage capacities of offline stores. The Group will gradually improve the network layout of stores, coordinate various services and channel resources, focus on building a professional pharmaceutical service system and undertake the service demand for C-end patients brought by hospitals, medical insurance, pharmaceutical companies and distribution segments. According to the "integrated" transformation strategy, the Group will also accelerate the promotion and implementation of integrated projects such as "wholesale-retail integration" and "retail-device synergic development", strengthen the synergy and complementarity of cross-segment resources and provide multi-scenario supply chain services for upstream and downstream customers.

Improve quality and efficiency, secure steady development

Focusing on business integration, empowerment and innovative transformation, the Group will deepen organizational structure reformation, continuously improve resource utilization efficiency and increase resource allocation in scientific and technological innovation in accordance with the established strategy of the Board of Directors, so as to ensure the orderly implementation of industrial R&D and manufacturing activities.

Meanwhile, in the second half of the year, the Group will comprehensively strengthen the supervision of the two core indicators of accounts receivable and cash flow, focus on optimizing capital level and turnover efficiency and continuously execute asset structure optimization and credit risk management and control.

Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB261,471.72 million, representing an increase of RMB12,351.49 million or 4.96% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB6,228.62 million, representing an increase of RMB200.09 million or 3.32% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB3,693.74 million, representing an increase of RMB110.90 million or 3.10% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.18, representing an increase of 2.61% as compared with the corresponding period of last year.

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2022	Six months ended 30 June 2021	Change
Operating result			
Revenue	**261,471.72**	249,120.23	12,351.49
Earnings before interest and tax	**9,587.98**	9,302.20	285.78
Profit attributable to owners of the parent	**3,693.74**	3,582.84	110.90
Profitability			
Gross margin	**8.28%**	8.26%	increased by 0.02 percentage point
Operating margin	**3.46%**	3.52%	decreased by 0.06 percentage point
Net profit margin	**2.38%**	2.42%	decreased by 0.04 percentage point
Earnings per share – Basic (RMB)	**1.18**	1.15	0.03

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2022	Six months ended 30 June 2021	Change
Key operational indicators			
Trade receivables turnover ratio (days)	**134**	123	11
Inventory turnover ratio (days)	**41**	39	2
Trade payables turnover ratio (days)	**97**	92	5
Current ratio (times)	**1.31**	1.29	0.02

Unit: in millions of RMB unless otherwise stated

	30 June 2022	31 December 2021	Change
Asset position			
Total assets	**370,179.94**	335,412.32	34,767.62
Equity attributable to owners of the parent	**63,240.92**	61,886.02	1,354.90
Gearing ratio	**72.24%**	70.29%	increased by 1.95 percentage points
Cash and cash equivalents	**32,146.04**	43,529.43	(11,383.39)

Revenue

During the Reporting Period, the Group recorded revenue of RMB261,471.72 million, representing an increase of 4.96% as compared with RMB249,120.23 million for the six months ended 30 June 2021. This increase was due to the increase in revenue from the Group's pharmaceutical distribution business, retail pharmacy business and medical device business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB196,523.94 million, representing an increase of 3.19% as compared with RMB190,446.44 million for the six months ended 30 June 2021, and accounting for 72.69% of the total revenue of the Group. Such increase was mainly due to the increase in the distribution scale of retail pharmacies and the growth of the acquisition rate of the varieties involved in VBP.

- **Medical device segment:** During the Reporting Period, the revenue from medical device of the Group was RMB53,684.24 million, which accounted for 19.86% of the total revenue of the Group and represented an increase of 12.36% as compared with RMB47,780.34 million for the six months ended 30 June 2021. The increase was primarily due to 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 RMB15,274.10 million, representing an increase of 11.31% as compared with RMB13,722.19 million for the six months ended 30 June 2021, and accounting for 5.65% 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 RMB4,858.72 million, representing an increase of 0.48% as compared with RMB4,835.31 million for the six months ended 30 June 2021, 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 RMB239,814.23 million, representing an increase of 4.94% as compared with RMB228,533.01 million for the six months ended 30 June 2021, which was comparable with the growth rate of the sales revenue.

Gross Profit

The gross profit of the Group for the Reporting Period increased by 5.20% from RMB20,587.22 million for the six months ended 30 June 2021 to RMB21,657.49 million.

The gross profit margin of the Group for the six months ended 30 June 2022 was 8.28%, whilst the gross profit margin for the same period in 2021 was 8.26%.

Other Income

During the Reporting Period, other income of the Group was RMB233.68 million, representing a decrease of 3.95% as compared with RMB243.29 million for the six months ended 30 June 2021. 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 RMB7,777.63 million, representing an increase of 2.26% as compared with RMB7,605.50 million for the six months ended 30 June 2021. 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 of companies.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB3,659.43 million, representing an increase of 6.33% from RMB3,441.56 million for the same period in 2021.

During the Reporting Period, the proportion of the Group's administrative expenses to the total revenue of the Group increased to 1.40% from 1.38% for the six months ended 30 June 2021, which was due to the new set-ups of subsidiaries.

Operating Profit

The operating profit of the Group for the Reporting Period was RMB9,057.01 million, representing an increase of 3.25% from RMB8,772.03 million for the six months ended 30 June 2021.

Other Gains, Net

The other gains, net of the Group decreased by RMB47.17 million from RMB75.44 million for the six months ended 30 June 2021 to RMB28.27 million for the Reporting Period.

Other expenses

The reversal of other expenses of the Group were RMB9.83 million for the Reporting Period, the provision of other expenses of the Group were RMB0.18 million for the six months ended 30 June 2021.

Finance Costs, Net

During the Reporting Period, the finance costs of the Group were RMB1,584.31 million, representing a decrease of RMB0.94 million as compared with RMB1,585.25 million for the six months ended 30 June 2021.

Share of Profits and Losses of Associates

During the Reporting Period, the Group's share of profits and losses of associates was RMB490.85 million, representing an increase of 8.04% as compared with RMB454.31 million for the six months ended 30 June 2021.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of profits and losses of joint ventures was RMB2.03 million, representing an increase of 239.87% as compared with RMB0.60 million for the six months ended 30 June 2021.

Income Tax Expense

The Group's income tax expense increased by 5.13% from RMB1,688.42 million for the six months ended 30 June 2021 to RMB1,775.05 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 increased from 21.88% for the six months ended 30 June 2021 to 22.18% for the six months ended 30 June 2022.

Profit for the Reporting Period

As a result of the above-mentioned factors, the profit of the Group for the Reporting Period was RMB6,228.62 million, representing an increase of 3.32% from RMB6,028.53 million for the six months ended 30 June 2021. The Group's net profit margin for the Reporting Period and for the corresponding period of 2021 was 2.38% and 2.42%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB3,693.74 million, representing an increase of 3.10% or RMB110.90 million from RMB3,582.84 million for the six months ended 30 June 2021.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests for the Reporting Period was RMB2,534.87 million, representing an increase of 3.65% from RMB2,445.69 million for the six months ended 30 June 2021.

Liquidity and Capital Sources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB277,204.68 million, of which approximately RMB120,777.25 million were not yet utilized. At the end of the Reporting Period, the Group's cash and cash equivalents of RMB32,146.04 million primarily comprise cash, bank savings and income from current operating activities.

Cash Flow

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

Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy, medical device and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB34,293.39 million. The net cash used in operating activities of the Group was RMB27,768.36 million for the six months ended 30 June 2021. The increase was primarily attributed to the delayed collection of trade receivables and positive payment in trade payables during the Reporting Period.

Net cash generated from investment activities

During the Reporting Period, the net cash generated from investment activities of the Group was RMB391.03 million as compared with RMB88.30 million net cash from investment activities for the six months ended 30 June 2021. Such increase 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 RMB22,513.56 million, representing an increase of RMB10,653.12 million as compared with RMB11,860.44 million for the six months ended 30 June 2021. Such increase was primarily due to the Proceeds from borrowings from banks during the Reporting Period.

Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems and new store decoration and equipment purchase. The Group's capital expenditures for the Reporting Period amounted to RMB864.39 million, representing a decrease of RMB461.41 million as compared with RMB1,325.81 million for the six months ended 30 June 2021, mainly due to the decrease in the expenditure on the purchase of property, plant and equipment.

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

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued super short-term financing bonds in an aggregate amount of RMB6.30 billion in the first half of 2022 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 2022, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD ("**USD**"), Euro ("**EUR**"), GBP ("**GBP**"), CHF ("**CHF**") and JPY ("**JPY**").

Indebtedness

As of 30 June 2022, the Group had aggregated banking facilities of RMB277,204.68 million, of which RMB120,777.25 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 2022, among the Group's total borrowings, RMB76,661.74 million will be due within one year and RMB10,377.68 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 2022, the Group's gearing ratio was 72.24% (31 December 2021: 70.29%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2022.

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 2022, part of the Group's borrowings and notes payable were secured by trade and bills receivables with book value of RMB3,852.31 million, bank deposits of RMB8,838.30 million, properties, plant and equipment with book value of RMB8.46 million.

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 2022, 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 2022, the Group had a total of 112,859 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 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. Details of the employee benefit expenses of the Group during the Reporting Period are set out in Note 9 to the Consolidated Financial Statements.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

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

Dividends

Pursuant to the relevant resolution passed at the 2021 annual general meeting of the Company convened on 23 June 2022, the Company paid the final dividend for the year ended 31 December 2021 to the shareholders of the Company on 23 August 2022, totaling approximately RMB2,340,492,000.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2022.

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 one Non-executive Director, namely 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 2022 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 2022 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
26 August 2022

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.