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國藥控股股份有限公司

SINOPHARM GROUP CO. LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國控股份有限公司)
(Stock Code: 01099)

ANNOUNCEMENT ON 2024 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 2024 (the “**Reporting Period**”) together with the comparative figures for the corresponding period of last year as follows:

* *The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name “Sinopharm Group Co. Ltd.”.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	294,726,810	300,950,280
Cost of sales	8	(272,783,515)	(277,679,599)
Gross profit		21,943,295	23,270,681
Other income	6	150,603	252,209
Selling and distribution expenses	8	(8,479,217)	(8,433,808)
Administrative expenses	8	(3,915,156)	(3,967,751)
Expected credit losses on financial and contract assets		(1,315,125)	(1,289,559)
Losses on derecognition of financial assets measured at amortised cost		(162,770)	(250,389)
Operating profit		8,221,630	9,581,383
Other (losses)/gains – net	7	(179,074)	129,950
Other expenses	7	3,079	(1,749)
Finance income		389,448	350,304
Finance costs		(1,463,313)	(1,768,134)
Finance costs – net	10	(1,073,865)	(1,417,830)
Share of profits and losses of:			
Associates		623,030	571,300
Joint ventures		1,689	2,977
		624,719	574,277
Profit before tax		7,596,489	8,866,031
Income tax expense	11	(1,697,273)	(1,972,800)
PROFIT FOR THE PERIOD		5,899,216	6,893,231
Attributable to:			
Owners of the parent		3,703,875	4,104,439
Non-controlling interests		2,195,341	2,788,792
		5,899,216	6,893,231
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)			
– Basic and diluted	12	1.19	1.32

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	5,899,216	6,893,231
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurements of post-employment benefit obligations, net of tax	(22,014)	(8,115)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(11,369)	1,013
Income tax effect	2,842	(253)
Fair value (losses)/gains on financial asset, net of tax	(8,527)	760
<i>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods, net of tax</i>	<u>(30,541)</u>	<u>(7,355)</u>
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	3,652	5,460
Share of other comprehensive income/(loss) of associates	686	(2,393)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax	<u>4,338</u>	<u>3,067</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(26,203)</u>	<u>(4,288)</u>
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>5,873,013</u>	<u>6,888,943</u>
Attributable to:		
Owners of the parent	3,679,348	4,098,995
Non-controlling interests	2,193,665	2,789,948
	<u>5,873,013</u>	<u>6,888,943</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Right-of-use assets		7,684,800	7,416,423
Investment properties		484,155	501,466
Property, plant and equipment		12,413,713	12,481,234
Intangible assets		10,124,033	10,196,149
Investments in joint ventures		24,514	22,812
Investments in associates		9,750,305	9,687,954
Equity investments designated at fair value through other comprehensive income		43,895	55,264
Financial assets at fair value through profit or loss		781,173	784,656
Finance lease receivables		9,787	5,854
Deferred tax assets		2,353,711	1,963,679
Other non-current assets		<u>3,550,207</u>	<u>3,444,253</u>
Total non-current assets		<u>47,220,293</u>	<u>46,559,744</u>
CURRENT ASSETS			
Inventories		68,837,707	60,027,648
Trade and notes receivables	14	240,996,065	184,432,543
Contract assets		1,414,339	1,354,519
Prepayments, other receivables and other assets		17,879,205	16,196,932
Financial assets at fair value through profit or loss		553	547
Finance lease receivables		284	3,297
Pledged deposits, restricted cash and bank deposits with an initial term of over three months		9,902,905	11,011,076
Cash and cash equivalents		<u>43,331,766</u>	<u>63,808,538</u>
Total current assets		<u>382,362,824</u>	<u>336,835,100</u>
Total assets		<u><u>429,583,117</u></u>	<u><u>383,394,844</u></u>

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

30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,120,656	3,120,656
Treasury shares		(3,838)	(3,838)
Other reserves		22,026,173	22,055,339
Retained earnings		<u>50,398,964</u>	<u>49,410,060</u>
		75,541,955	74,582,217
Non-controlling interests		<u>46,890,981</u>	<u>45,736,528</u>
Total equity		<u>122,432,936</u>	<u>120,318,745</u>

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

30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		15,925,362	13,834,037
Lease liabilities		3,680,301	3,420,841
Deferred tax liabilities		813,243	788,379
Post-employment benefit obligations		380,806	366,512
Contract liabilities		71,684	80,230
Other non-current liabilities		3,040,901	3,095,463
		<hr/>	<hr/>
Total non-current liabilities		23,912,297	21,585,462
CURRENT LIABILITIES			
Trade and notes payables	<i>15</i>	155,834,845	146,632,453
Contract liabilities		6,934,498	6,398,902
Accruals and other payables		34,806,150	29,901,366
Dividends payable		3,136,041	256,374
Tax payable		1,076,789	1,774,568
Interest-bearing bank and other borrowings		79,688,778	54,730,449
Lease liabilities		1,760,783	1,796,525
		<hr/>	<hr/>
Total current liabilities		283,237,884	241,490,637
		<hr/>	<hr/>
Total liabilities		307,150,181	263,076,099
		<hr/>	<hr/>
Total equity and liabilities		429,583,117	383,394,844
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Notes:

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION

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

On 6 October 2008, the Company was converted into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1: 0.8699 into 1,637,037,451 shares of RMB1 each. In September 2009, the Company issued overseas-listed foreign-invested shares (“**H Shares**”), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**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 and 11th to 15th Floors, 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, 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 statements is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand, unless otherwise stated. This interim condensed consolidated financial statements has not been audited.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standards (“**HKASs**”) 34 Interim Financial Reporting and the Rules Governing the Listing of Securities on the Stock Exchange. 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 audited annual financial statements for the year ended 31 December 2023, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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 2023, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The application of the new amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the Group's business types, overall strategic planning, internal organisational structure and management requirements. The reportable operating segments derive their revenue primarily from the following four business types:

- (i) Pharmaceutical distribution – distribution of medicine and pharmaceutical products to hospitals, other distributors, retail drug stores and clinics;
- (ii) Medical device distribution – distribution of medical devices, and installation and maintenance services;
- (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 considered to be as potential growth segments and are expected to materially contribute to group revenue in the future.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of 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 right-of-use assets, 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 management is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

(1) For the six months ended 30 June 2024 and 2023

	Pharmaceutical distribution RMB'000	Medical device distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
Six months ended 30 June 2024 (unaudited)						
Segment results						
External segment revenue	217,119,317	58,259,633	16,242,915	3,104,945	-	294,726,810
Inter-segment revenue	<u>9,374,697</u>	<u>234,664</u>	<u>314,929</u>	<u>1,000,421</u>	<u>(10,924,711)</u>	<u>-</u>
Revenue	<u>226,494,014</u>	<u>58,494,297</u>	<u>16,557,844</u>	<u>4,105,366</u>	<u>(10,924,711)</u>	<u>294,726,810</u>
Operating profit	6,230,168	1,316,185	256,098	401,454	17,725	8,221,630
Other (losses)/gains, net	(222,881)	4,682	4,739	34,386	-	(179,074)
Other expenses	3,079	-	-	-	-	3,079
Share of profits and losses of associates and joint ventures	<u>2,596</u>	<u>11,831</u>	<u>(458)</u>	<u>610,750</u>	<u>-</u>	<u>624,719</u>
	<u>6,012,962</u>	<u>1,332,698</u>	<u>260,379</u>	<u>1,046,590</u>	<u>17,725</u>	<u>8,670,354</u>
Finance costs, net						<u>(1,073,865)</u>
Profit before tax						7,596,489
Income tax expense						<u>(1,697,273)</u>
Profit for the period						<u>5,899,216</u>
Other segment items included in the consolidated statement of profit or loss						
Expected credit losses on financial and contract assets	840,391	466,706	3,680	4,348	-	1,315,125
Provision for prepayment	3,623	1,087	-	-	-	4,710
Provision for impairment of inventories	11,579	709	3,292	297	-	15,877
Reversal of provision for impairment of other non-current assets	(7,789)	-	-	-	-	(7,789)
Depreciation of property, plant and equipment	526,854	268,048	110,917	18,486	-	924,305
Depreciation of investment properties	6,387	8,907	336	1,176	-	16,806
Depreciation of right-of-use assets	282,162	199,864	611,350	82,297	-	1,175,673
Amortisation of intangible assets	<u>160,478</u>	<u>18,757</u>	<u>25,010</u>	<u>4,168</u>	<u>-</u>	<u>208,413</u>
Capital expenditures	<u>976,042</u>	<u>345,964</u>	<u>863,669</u>	<u>539,820</u>	<u>-</u>	<u>2,725,495</u>

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

(1) For the six months ended 30 June 2024 and 2023 (continued)

	Pharmaceutical distribution RMB'000	Medical device distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
Six months ended 30 June 2023 (unaudited)						
Segment results						
External segment revenue	216,550,253	62,645,844	17,362,117	4,392,066	–	300,950,280
Inter-segment revenue	8,882,694	307,742	334,388	1,017,029	(10,541,853)	–
Revenue	<u>225,432,947</u>	<u>62,953,586</u>	<u>17,696,505</u>	<u>5,409,095</u>	<u>(10,541,853)</u>	<u>300,950,280</u>
Operating profit	6,681,216	1,975,825	323,908	582,919	17,515	9,581,383
Other gains, net	21,320	17,113	1,696	89,821	–	129,950
Other expenses	(343)	(1,406)	–	–	–	(1,749)
Share of profits and losses of associates and joint ventures	10,336	19,532	(601)	545,010	–	574,277
	<u>6,712,529</u>	<u>2,011,064</u>	<u>325,003</u>	<u>1,217,750</u>	<u>17,515</u>	<u>10,283,861</u>
Finance costs, net						(1,417,830)
Profit before tax						8,866,031
Income tax expense						(1,972,800)
Profit for the period						<u>6,893,231</u>
Other segment items included in the consolidated statement of profit or loss						
Expected credit losses on financial and contract assets	842,974	436,325	8,800	1,460	–	1,289,559
Provision for prepayment	48	296	33	–	–	377
Provision/(reversal of provision) for impairment of inventories	19,360	6,331	1,764	(409)	–	27,046
Provision for impairment of other non-current assets	–	1,372	–	–	–	1,372
Depreciation of property, plant and equipment	459,996	229,478	93,382	16,750	–	799,606
Depreciation of investment properties	8,567	11,768	531	1,479	–	22,345
Depreciation of right-of-use assets	243,256	173,944	535,022	73,347	–	1,025,569
Amortisation of intangible assets	<u>194,468</u>	<u>22,404</u>	<u>29,862</u>	<u>5,552</u>	<u>–</u>	<u>252,286</u>
Capital expenditures	<u>920,577</u>	<u>464,036</u>	<u>940,300</u>	<u>101,486</u>	<u>–</u>	<u>2,426,399</u>

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

(2) At 30 June 2024 and 31 December 2023

	Pharmaceutical distribution RMB'000	Medical device distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
As at 30 June 2024 (unaudited)						
Segment assets and liabilities						
Segment assets	306,993,170	98,812,957	17,683,293	24,947,107	(21,207,121)	427,229,406
Segment assets include:						
Investments in associates and joint ventures	203,827	90,098	28,135	9,452,759	-	9,774,819
Unallocated assets – Deferred tax assets						2,353,711
Total assets						429,583,117
Segment liabilities	141,991,029	69,278,027	14,392,068	6,429,485	(21,367,811)	210,722,798
Unallocated liabilities – Deferred tax liabilities and borrowings						96,427,383
Total liabilities						307,150,181
As at 31 December 2023 (audited)						
Segment assets and liabilities						
Segment assets	271,659,810	91,462,286	17,868,344	23,952,788	(23,512,063)	381,431,165
Segment assets include:						
Investments in associates and joint ventures	239,303	75,892	36,286	9,359,285	-	9,710,766
Unallocated assets – Deferred tax assets						1,963,679
Total assets						383,394,844
Segment liabilities	133,888,384	64,269,780	13,514,976	6,054,854	(24,004,760)	193,723,234
Unallocated liabilities – Deferred tax liabilities and borrowings						69,352,865
Total liabilities						263,076,099

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods (at a point in time)	292,737,529	299,020,951
Logistics service income (over time)	634,853	690,888
Marketing and service income (over time)	887,524	779,022
Import agency income (at a point in time)	19,118	29,961
Others (at a point in time)	347,555	330,484
<i>Revenue from other sources</i>		
Operating lease income	100,231	98,974
	<u>294,726,810</u>	<u>300,950,280</u>

5. REVENUE (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2024 (Unaudited)

<u>Segments</u>	Pharmaceutical distribution <i>RMB'000</i>	Medical device distribution <i>RMB'000</i>	Retail pharmacy <i>RMB'000</i>	Other business <i>RMB'000</i>	Total <i>RMB'000</i>
Type of goods or services					
Sale of goods	216,076,909	57,877,310	15,806,610	2,976,700	292,737,529
Others	<u>1,042,408</u>	<u>382,323</u>	<u>436,305</u>	<u>28,014</u>	<u>1,889,050</u>
Total revenue from contracts with customers	<u>217,119,317</u>	<u>58,259,633</u>	<u>16,242,915</u>	<u>3,004,714</u>	<u>294,626,579</u>
Geographical market					
China	<u>217,119,317</u>	<u>58,259,633</u>	<u>16,242,915</u>	<u>3,004,714</u>	<u>294,626,579</u>

For the six months ended 30 June 2023 (Unaudited)

<u>Segments</u>	Pharmaceutical distribution <i>RMB'000</i>	Medical device distribution <i>RMB'000</i>	Retail pharmacy <i>RMB'000</i>	Other business <i>RMB'000</i>	Total <i>RMB'000</i>
Type of goods or services					
Sale of goods	215,518,418	62,279,906	16,949,190	4,273,437	299,020,951
Others	<u>1,031,835</u>	<u>365,938</u>	<u>412,927</u>	<u>19,655</u>	<u>1,830,355</u>
Total revenue from contracts with customers	<u>216,550,253</u>	<u>62,645,844</u>	<u>17,362,117</u>	<u>4,293,092</u>	<u>300,851,306</u>
Geographical market					
China	<u>216,550,253</u>	<u>62,645,844</u>	<u>17,362,117</u>	<u>4,293,092</u>	<u>300,851,306</u>

6. OTHER INCOME

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants	<u>150,603</u>	<u>252,209</u>

Government grants mainly represent subsidy income received from various government authorities as incentives to certain members of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

7. OTHER (LOSSES)/GAINS, NET/OTHER EXPENSES

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other (losses)/gains, net		
Write-back of certain liabilities	11,126	14,925
Gain on disposal of equity investment in an associate	8,358	4,500
Gain on disposal of investment properties, property, plant and equipment, intangible assets and right-of-use assets	4,898	140,156
Gain on disposal of subsidiaries	1,075	509
Foreign exchange loss, net	(9,019)	(477)
Donation	(15,793)	(1,364)
Dividend from equity investments at fair value through other comprehensive income	563	606
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	3,155	(76)
Others, net	<u>(183,437)</u>	<u>(28,829)</u>
	<u>(179,074)</u>	<u>129,950</u>
Other expenses		
Reversal of provision/(provision) for other non-current assets	7,789	(1,372)
Provision of impairment of prepayment	<u>(4,710)</u>	<u>(377)</u>
	<u>3,079</u>	<u>(1,749)</u>

8. EXPENSES BY NATURE

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Raw materials and trading merchandise consumed	271,922,670	276,640,724
Employee benefit expenses (Note 9)	7,211,294	7,151,387
Provision for impairment of inventories	15,877	27,046
Lease payments not included in the measurement of lease liabilities	260,747	324,175
Depreciation of property, plant and equipment	924,305	799,606
Depreciation of investment properties	16,806	22,345
Depreciation of right-of-use assets	1,175,673	1,025,569
Amortisation of intangible assets	208,413	252,286
Auditor's remuneration	10,000	15,000
Advisory and consulting fees	150,528	164,601
Transportation expenses	1,104,474	1,198,434
Travel expenses	115,282	125,380
Market development and business promotion expenses	1,358,405	1,591,375
Utilities	151,525	125,380
Others	551,889	617,850
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, and administrative expenses	285,177,888	290,081,158

9. EMPLOYEE BENEFIT EXPENSES

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages, allowances and bonus (i)	5,509,214	5,567,290
Contributions to pension plans (ii)	746,422	682,394
Post-employment benefits	1,987	1,871
Housing benefits (iii)	300,465	279,519
Other benefits (iv)	653,206	620,313
	<u>7,211,294</u>	<u>7,151,387</u>

- (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%(2023: 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% (2023: 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 RMB17,381,000(31 December 2023: RMB16,540,000) were payable to the fund pension plan of China National Pharmaceutical Group at 30 June 2024.

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% (2023: 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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense:		
– Interest-bearing bank and other borrowings	1,247,820	1,563,138
– Net interests on net defined benefit liability	4,910	5,575
– Lease liabilities	114,125	99,048
	<u>1,366,855</u>	<u>1,667,761</u>
Gross interest expense	1,366,855	1,667,761
Bank charges	102,890	106,960
Less: capitalised interest expense	<u>(6,432)</u>	<u>(6,587)</u>
	<u>1,463,313</u>	<u>1,768,134</u>
Finance costs		
Finance income:		
– Interest income on deposits in bank or other financial institutions	(349,729)	(311,635)
– Interest income on long-term deposits	<u>(39,719)</u>	<u>(38,669)</u>
	<u>1,073,865</u>	<u>1,417,830</u>
Net finance costs		

11. TAXATION

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	2,064,692	2,159,410
Deferred income tax	<u>(367,419)</u>	<u>(186,610)</u>
	<u>1,697,273</u>	<u>1,972,800</u>

During the six months ended 30 June 2024, 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% (2023: 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 (2023: 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 and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2023: 3,120,656,000) in issue excluding treasury 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 2024 and 30 June 2023.

12. EARNINGS PER SHARE (CONTINUED)

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation ('000)	<u>3,703,875</u>	<u>4,104,439</u>
Shares		
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation ('000)	<u>3,120,532</u>	<u>3,120,532</u>
Basic and diluted earnings per share (RMB per share)	<u>1.19</u>	<u>1.32</u>

13. DIVIDENDS

The final dividend for year 2023 of RMB0.87 per share (tax inclusive), amounting to approximately RMB2,714,971,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 13 June 2024 (“**2023 AGM**”). Pursuant to the relevant resolution passed at 2023 AGM, the final dividend for year 2023 was paid on 13 August 2024 to the shareholders whose names appeared on the register of members of the Company on 24 June 2024.

No interim dividend was proposed for the six-month period ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

14. TRADE AND NOTES RECEIVABLES

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	234,306,583	169,002,890
Notes receivable held both to collect cash flows and to sell	9,020,052	12,442,865
Notes receivable	2,665,096	6,682,962
	245,991,731	188,128,717
Less: Expected credit losses	(4,995,666)	(3,696,174)
	240,996,065	184,432,543

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 business, 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 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	215,075,311	158,669,524
1 to 2 years	12,712,602	5,921,366
Over 2 years	1,565,717	807,374
	229,353,630	165,398,264

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 and notes 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 NOTES PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	122,070,027	108,952,818
Notes payable	33,764,818	37,679,635
	<u>155,834,845</u>	<u>146,632,453</u>

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.

The 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Below 3 months	108,552,248	101,351,442
Between 3 and 6 months	26,713,878	26,186,117
Between 6 months and 1 year	17,409,651	12,368,569
Between 1 and 2 years	1,067,264	4,351,596
Over 2 years	2,091,804	2,374,729
	<u>155,834,845</u>	<u>146,632,453</u>

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 2024, trade payables of RMB979,742,000 (the six months ended 30 June 2023: RMB912,407,000) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2024, the balance of bank borrowings related to this program was RMB1,014,880,000 (31 December 2023: RMB1,525,296,000).

16. MATERIAL SUBSEQUENT EVENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Macro-economy: Domestic economy achieved steady growth and macro-control helped economic development

In the first half of 2024, despite facing multiple challenges such as geopolitical tensions and a slowdown in global economic growth, China's economy, under the overall guidance of the government and the strong promotion by policies, maintained an overall stable and healthy development trend and made new progress in high-quality development.

According to the accounting data released by the National Bureau of Statistics, the GDP in the first half of 2024 was RMB61.68 trillion, representing a year-on-year increase of 5.0% at constant prices. On a quarterly basis, GDP in the first quarter increased by 5.3% year-on-year and GDP in the second quarter increased by 4.7% year-on-year. When compared with the previous quarter, the growth rates of GDP in the first and second quarters were 1.5% and 0.7%, respectively.

During the Reporting Period, the China government continued to implement a proactive fiscal policy and a prudent monetary policy, and intensified level of macro-control and countercyclical adjustments. The People's Bank of China further promoted the stable declining of the overall financing cost of the real economy through the adjustment and optimisation of interest rates, thereby consolidating and strengthening the upward trend of economic recovery, and providing strong support for economic stabilisation and recovery.

Industry Development: Deepening of medical reform led the industry transformation and special rectification promoted compliance development

In the first half of 2024, with the increasing impact of uncertainties brought about by international geopolitical, the continuous promotion of special rectification actions in the medical field during the Reporting Period, and the normalisation of industry regulation, the medical and health industry faced new industry challenges and regulatory environments. A series of trends such as ecological purification, concentration enhancement and service transformation under the survival of the fittest have accelerated, and product iteration continued to speed up, opening a new chapter for the high-quality and compliant development of the industry. According to the data released by the National Healthcare Security Administration, from January to June 2024, the total expenditure of the basic medical insurance fund (including maternity insurance) was RMB1,173.575 billion, and the total expenditure of the basic medical insurance fund for employees (including maternity insurance) was RMB636.384 billion, representing an increase as compared with the same period of last year. The overall operation of the medical insurance system was stable, and the operation of funds was safe and sustainable.

In the first half of 2024, the implementation of medical reform policy was deepened, the volume-based procurement of pharmaceutical and medical devices continued to expand, the efficiency of the use of medical insurance funds continued to improve, which promoted the competition pattern of the medical and health industry to be more fair and transparent, and effectively improved the efficiency of industrial chain. The pharmaceutical distribution industry actively focused on and strengthened the construction of governance system, and the service model was further transformed towards specialisation and compliance, promoting the sustainable development of the industry while continuously improving service standards and professional skills. The scale efficiency and governance advantages of leading enterprises were accelerated. Digital technology was increasingly widely used in the field of pharmaceutical distribution, constantly strengthening the refined management capabilities of businesses and becoming a brand-new engine for industry transformation and innovation.

With the in-depth implementation of policies such as outpatient integral coverage and dual-channel medical insurance, the pharmaceutical sales scenarios have gradually shifted from hospitals, outpatient clinics and other medical institutions to retail pharmacies. Medical insurance bureaus in many regions have launched drug price comparison systems for designated retail pharmacies, strengthened the coordination and supervision inside and outside hospitals, and continued to promote the circulation of prescriptions outside hospitals. The professional pharmaceutical service channels have been further diversified and optimised, and the synergistic advantages of wholesale and retail networks have accelerated.

Business Review

During the Reporting Period, under the leadership of the Board and the management, the Group actively adapted to the new development environment of the industry, overcame difficulties, and accelerated the transformation and innovation of businesses. As of the end of June 2024, the Group recorded a revenue of RMB294,726.81 million, representing a year-on-year decrease of 2.07%; a net profit of RMB5,899.22 million, representing a year-on-year decrease of 14.42%; and a net profit attributable to the parent company of RMB3,703.88 million, representing a year-on-year decrease of 9.76%.

The three main business segments showed different development trends. The pharmaceutical distribution business remained relatively stable, with a revenue amounting to RMB226,494.01 million, representing a year-on-year increase of 0.47%, and accounting for 74.10% of the Group's total revenue, representing an increase of 1.73 percentage points compared with the same period of the previous year. The medical device distribution business was affected by the structure change in terminal demand, achieving a revenue of RMB58,494.30 million, representing a year-on-year decrease of 7.08%, and accounting for 19.14% of the Group's total revenue, representing a decrease of 1.07 percentage points compared with the same period of the previous year. The revenue from the retail pharmacy business was RMB16,557.84 million, representing a year-on-year decrease of 6.43%, and accounting for 5.42% of the Group's total revenue, representing a slight decrease of 0.26 percentage point compared with the same period of the previous year.

During the Reporting Period, due to the slowdown in revenue growth, the Group's selling and administrative expenses ratio increased slightly year-on-year, while the financial expenses ratio continued to decrease. As of the end of the Reporting Period, the selling and administrative expenses ratio was 4.21%, among which, the selling expenses ratio was 2.88%, representing a year-on-year increase of 0.08 percentage point, and the administrative expenses ratio was 1.33%, representing a year-on-year increase of 0.01 percentage point; the financial expenses ratio was 0.36%, representing a decrease of 0.11 percentage point compared with the same period of the previous year. The receivables turnover days increased by 7 days year-on-year, and the operating cycle increased by 3 days year-on-year.

Pharmaceutical Distribution: Pharmaceutical distribution developed steadily and marketing services continued to grow

In 2024, the National Healthcare Security Administration continues to vigorously promote the centralised volume-based procurement of drugs, emphasises overall coordination in the selection of varieties of centralised procurement, and focuses on the work at the national and local levels, so that the national centralised procurement and the local centralised procurement can complement each other and the coverage of centralised procurement will continue to expand. According to the statistical data of the National Healthcare Security Administration, at present, nine batches of centralised procurement have included more than 370 major varieties, representing an average decline of more than 50%. It is anticipated that by the end of 2024, the number of drugs that have been included in the national and provincial centralised procurement will reach 500, covering chemical drugs, biological drugs and Chinese patent medicines. After several rounds of optimisation, the centralised procurement rules have become more reasonable and balanced. While the concentration of the industry has been continuously improved, the terminal sales prices and gross profit margin have been continuously and reasonably adjusted.

As of the end of the Reporting Period, the revenue from pharmaceutical distribution was RMB226,494.01 million, representing a year-on-year increase of 0.47%. The operating profit margin of the businesses was 2.75%, representing a slight decrease of 0.21 percentage point compared with the same period of the previous year. During the Reporting Period, the Group focused on core and key areas, and the market share of pharmaceutical distribution business in relevant markets continued to increase, especially in key areas such as Jiangsu, Zhejiang, Shanghai, Central China, North China and Guangdong and Guangxi, the proportion of revenue of which has maintained rapid growth. With the accelerated implementation of policies such as pooling medical insurance connection and prescription outflow, the proportion of direct sales to medical institutions has decreased, but the proportion of retail direct sales business has increased, and the advantages of channel coverage have steadily emerged.

The rapid transformation of the industry structure continued to promote the transformation of the service model of the pharmaceutical supply chain, and the requirements for compliance and professionalism of marketing services were further highlighted. During the Reporting Period, on the basis of conducting the circulation and distribution business, the Group proactively strengthened the business connection with strategic customers, actively adjusted marketing strategies according to industry changes, and continuously promoted marketing transformation and efficiency improvement of third- and fourth-tier companies. The Group actively focused on general distribution, general agent varieties, created the concept of direct terminal-oriented marketing services, improved the sales organisation structure and team building while gradually promoting digital transformation, gave full play to the team's professional competence and comprehensive service capabilities, and provided an end-to-end and nationwide integrated one-stop service solution. As of the end of the Reporting Period, the Group's marketing services had overcome various changes brought about by the transformation of the industry, complied with the new service demand, and maintained a rapid growth of nearly 20% in revenue from service business, further strengthening the terminal customer experience and service stickiness while effectively empowering the conduct of the terminal business, and gradually enhancing the professional capability and systematic advantages of marketing services.

Medical Device Distribution: Professional service capacities strengthened and intelligent supply chain services expanded

During the Reporting Period, the national regulatory authorities continued to carry out special rectifications and inspections in the field of medical devices, successively promulgated a number of laws and regulations, optimised policies and systems, strengthened regulatory measures, implemented the whole process supervision and management of high-value medical consumables and large-scale medical equipment, purified the industry and market environment and the medical practice environment, and accelerated the construction of a governance structure with reliable quality, fast circulation, reasonable price and standardised use. The traditional distribution model is gradually changing to the comprehensive business model of distribution service, the supply chain structure is further transformed towards flattening and specialisation, and the competition landscape is greatly changed. The strong network coverage scale, efficient terminal distribution service, high-quality compliance management and control system and other characteristics will accelerate to become important differentiated competitive advantages in the field of circulation of medical devices.

The ageing population, the improvement of residents' medical consumption level, the guidance of national policies and the increase in medical expenses continued to support the development and innovation of the medical device distribution industry. The medical device distribution segment has shown great opportunities for transformation and development, the industry concentration has steadily increased, the substitution by domestic products has accelerated, the competitive advantages of medical devices products with innovative genes and intellectual property rights have continuously emerged, and the industry is accelerating into a sustainable and high-quality development track.

As of the end of the Reporting Period, the Group's revenue from the medical device distribution business was RMB58,494.30 million, representing a decrease of 7.08% compared with the same period of the previous year, and the proportion to the Group's total revenue decreased by 1.07 percentage points compared with the same period of the previous year. The operating profit margin of the medical device distribution business was 2.25%, representing a decrease of 0.89 percentage point compared with the same period of the previous year. With respect to the category structure of devices, the revenue of devices with high gross profit margin such as medical devices and IVD test reagents has declined, while the revenue of medical consumables has maintained a relatively stable growth.

At the same time, with the deepening of medical system reform and in line with the new trend of distribution service transformation and hospital intelligence, the Group has comprehensively strengthened the construction of professional service capacities, actively promoted business collaboration and technology empowerment, and expanded intelligent supply chain services. With the leading service mode and extensive industry experience, the Group continued to promote the rapid development of intelligent supply chain projects such as centralised distribution and SPD management of medical consumables. As of the end of June 2024, the centralised distribution and SPD projects provided by the Group had covered 28 provinces. During the Reporting Period, 31 SPD projects were added, 148 single hospital centralised distribution projects were added, and 2 regional medical associations/medical communities centralised distribution projects were added. High-quality medical services still had strong growth momentum.

Retail Pharmacy: Channel construction continued to optimise and model innovation synergised with development

In the first half of 2024, the National Healthcare Security Administration further explored drug price management in designated retail pharmacies, shifting drug price management from in-hospital to out-of-hospital, and implementing one after another regulatory measures such as multi-channel public price comparisons. Many local healthcare security bureaus have successively launched the drug price comparison system of designated retail pharmacies, promoted the price disclosure and monitoring of designated retail pharmacies, further guided and supervised the reasonable pricing and fair competition of retail pharmacies, and solved the disorderly competition in the market and the loss of medical insurance funds caused by information asymmetry. At the same time, policy implementation reasonably considered the impact of various factors such as the business model, network layout and labour cost of retail pharmacies. While standardising the price and market, the price difference of drugs with the same generic name was reduced in an orderly manner, expecting the leading chain enterprises with higher compliance to continue to exert the scale effect and promote the improvement of the industrial concentration. As of the end of the Reporting Period, the Group's revenue from the retail pharmacy business was RMB16,557.84 million, representing a year-on-year decrease of 6.43%, and the operating profit margin of the retail pharmacy business decreased by 0.28 percentage point compared with the same period of the previous year, reaching 1.55%.

With the full implementation of the outpatient retail unification (門診統籌) and the nationwide reform of personal medical insurance accounts, the revenue of personal medical insurance accounts showed negative growth for the first time in 2023. With the change of functions and the significant reduction of scale of personal medical insurance accounts, the original payment mode based on personal medical insurance accounts will also change obviously, leading to different development trends of specialised pharmacies and socialized pharmacies. During the Reporting Period, specialised pharmacies of the Group maintained a high growth rate of more than 20%, but the sales revenue of socialised pharmacies decreased on a year-on-year basis due to the reduction of scale of personal medical insurance accounts. During the Reporting Period, the Group actively analysed the new development trend of the industry, adjusted and optimised the construction of retail channels and network coverage, and made great efforts to improve the pharmaceutical service capability and drug accessibility directly facing C-side customers. As of the end of June 2024, the total number of retail stores was 12,366, representing a net increase of 257 in total compared with the end of 2023, among which there were 10,702 Guoda Drug Stores, representing a net increase of 186 compared with the end of 2023, 1,664 professional pharmacies, representing a net increase of 71 compared with the end of 2023, 1,151 dual-channel pharmacies, representing a net increase of 24 compared with the end of 2023, and 5,764 pooling medical insurance outpatient pharmacies, representing a net increase of 1,655 compared with the end of 2023. According to the “Top 100 Chinese Pharmacies Value List” in 2024, and the “Top 100 List of Comprehensive Competitiveness of Pharmaceutical Retail in 2024”, the revenue of Guoda Drug Stores in the retail pharmacy segment of the Group is still in the forefront of the industry, and the Group still has the advantages of leading professional services and network coverage.

In addition, the Group’s retail pharmacy business actively promoted the application of new technologies, new tools and new models, facilitated the innovative allocation of cross-industry production factors such as medicine, medical care and insurance, and consolidated the advantages of specialised pharmacy and service integration. Relying on hospital prescription flow access, the Group continuously deepened cooperation with third-party platforms, coordinated the construction of information system platform, deepened the synergies among “medical, medicine, patient, insurance” services, built a “patient-centered” one-stop overall service platform, and continuously increased the terminal coverage and model innovation for retail customers. During the Reporting Period, the Group’s “Huimin Insurance” launched 10 new projects, covering a total of 60 cities, and its special disease insurance and innovative payment business continued to lead the industry.

Transformation and Innovation: Integrated operations further promoted and achievement of digital transformation initially emerged

Amidst the complicated and ever-changing market environment, Sinopharm Group further consolidated the governance responsibilities, steadily promoted the centralised management transformation of the headquarters of the Group, promoted the professional operation and integrated operation capabilities of various business formats, strengthened the guidance of budget objectives and the orientation performance appraisal, optimised and improved the risk management and control mechanisms, and kept the bottom line of safe development. The headquarters and subsidiaries of the Company adhered to the project-based and closed-loop management, focused on conducting sustainable “projects that improve operational efficiency”, and actively tapped the potential and space for improving operational quality and efficiency. As of the end of the Reporting Period, the overall expenses ratio of the Group was 4.57%, and the financial expenses ratio was 0.36%. On the basis of maintaining overall stability, the relevant expenses ratio indicators were reasonably optimised, the business management processes were continuously streamlined, and the management efficiency was improved accordingly.

During the Reporting Period, the construction of the Group’s logistics integration was further promoted, and the construction of major projects made phased achievements. The first phase of logistics digitalization construction has been completed, a new architecture for the logistics core system was established, and five major logistics information systems were put into operation in Beijing, Shanghai and Guangzhou. In terms of the logistics integration management, during the Reporting Period, the logistics integration management of Chongqing hub in the Western Triangle has been successfully completed. Through digital capability innovation such as equipment interconnection and system integration, the Group continuously improved the real-time perception and logistics tracking capabilities, optimised matching and synergies of resources, and effectively met the brand-new service model and demand under the trend of national integrated transformation of pharmaceutical and medical advice distribution. As of the end of the Reporting Period, the service revenue from third-party logistics outside the Group continued to grow.

At the same time, the Group also actively accelerated the digital transformation and utilised digital intelligence innovation to facilitate business reform. At present, Sinopharm Group has completed the cleaning and standardisation of master data at the business side, with a total of approximately 50 million master data on drugs, devices, Chinese herbal medicines, customers, and users, achieving global standardised data analysis, and forming a comprehensive data management system from the organisation and standards of data governance to operations and technology. The Group effectively utilised data analysis and decision-making capabilities to assist business development and continuously empowered the development and innovation of pharmaceutical intelligent supply chain services. During the Reporting Period, according to the assessment results of the China Association of Pharmaceutical Commerce, the Group won a total of 36 different awards, such as “Benchmarking Case”, “Outstanding Case”, “Excellent Case” and “Popular Case”, for its positive achievements in digital transformation, such as business process intelligence and resource allocation optimisation, and the transformation achievements were highly recognised by the industry.

Future Plans

Looking forward to the second half of 2024, the pharmaceutical circulation industry will still face new challenges and opportunities brought by transformation and regulation. Sinopharm Group will, in strict accordance with the work requirements and deployment of state-owned enterprise reform, firmly and confidently promote the steady development of main businesses, deeply implement the strategy of service transformation and innovation-driven development, facilitate the process of digital transformation, continuously consolidate the Group's core competitive edges, enhance the inherent attributes of scientific and technological innovation and optimise the quality of business operations.

In terms of the pharmaceutical distribution segment, the Group will further enrich the category structure, actively follow up the expansion and implementation of the volume-based procurement policy, strengthen cooperation and services with upstream suppliers, seize the policy benefits and development opportunities of innovative drugs, improve the service mechanism and capabilities of innovative drugs, and obtain more authorisation and distribution shares of national varieties and innovative drug products. At the same time, in line with the new trend of supply chain structural transformation, the Group will further strengthen the coverage of primary network, build a sound security system, focus on end customers such as hospital consortia and medical communities, strengthen primary medical and health services, and ensure the central drug reserve and the construction of national public health emergency security system.

In terms of the medical device distribution segment, the Group will actively respond to the requirements of new policies such as centralised procurement and expansion and "DRGs/DIP", undertake the volume-based procurement and distribution projects of consumables, improve the service mode and supervision of medical devices, lead the compliance optimisation of the service mode of medical device supply chain, further improve efficiency of the supply chain, standardise business transaction processes, orderly increase services and sales directly facing terminal medical institutions, and comprehensively enhance the competitive edge of compliance services. At the same time, the Group will actively expand the service capabilities, accelerate professional integration, explore innovative intelligent supply chain value-added services, and accelerate the development of SPD services and centralised distribution projects.

In terms of the retail pharmacy segment, the Group will continue to tap the service potential of specialised pharmacies, actively undertake hospital outflow prescriptions, optimise store layout, expand outpatient retail unification (門診統籌) pharmacies, accelerate the construction of emerging business formats such as patient follow-up centers, rare disease centers and chronic disease center pharmacies, and enhance the comprehensive service capabilities such as specialised pharmacy service and health management. At the same time, in the face of the brand-new competition landscape and situation, the Group will regard operational quality and profitability as the primary control indicators of retail formats, continuously optimise the product structure, increase the sales proportion of products with high gross profit, accelerate the construction of online and offline integration capabilities, and continuously improves the overall profitability and operational quality of retail pharmacies.

In terms of the field of business governance, the Group will vigorously promote the transformation and innovation of businesses, accelerate the digital transformation and artificial intelligence application planning of Sinopharm Group, continue to promote the construction of related digital transformation projects from four aspects of business, finance, data and science and technology innovation, accelerate the transformation of digital intelligence achievements and the construction of digital system, explore the empowerment of digital intelligence applications closely around the main business and innovative business scenarios, continuously improve the governance mechanism and science and technology innovation capabilities, and tap new driving forces for improving quality and efficiency.

Looking forward to the future, the Group will further sort out and improve the development strategy on the basis of the steady growth of main businesses. While actively promoting the reform of state-owned enterprises and fully performing the social responsibilities of central enterprises, the Group will explore new momentum for business development, explore new mechanisms in governance, incentives and culture in line with the transformation trend of the industry, enhance business value and cooperation stickiness of upstream and downstream customers through the transformation of supply chain services, continuously consolidate the momentum for sustainable business development, and promote the high-quality business development.

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 HKASs 34 Interim Financial Reporting.

During the Reporting Period, the Group recorded revenue of RMB294,726.81 million, representing a decrease of RMB6,223.47 million or 2.07% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB5,899.22 million, representing a decrease of RMB994.02 million or 14.42% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB3,703.88 million, representing a decrease of RMB400.56 million or 9.76% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.19, representing a decrease of 9.85% as compared with the corresponding period of last year.

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2024	Six months ended 30 June 2023	Change
Operating result			
Revenue	294,726.81	300,950.28	(6,223.47)
Earnings before interest and tax	8,670.35	10,283.86	(1,613.51)
Profit attributable to owners of the parent	3,703.88	4,104.44	(400.56)
Profitability			
Gross margin	7.45%	7.73%	decrease by 0.28 percentage point
Operating margin	2.79%	3.18%	decrease by 0.39 percentage point
Net profit margin	2.00%	2.29%	decrease by 0.29 percentage point
Earnings per share – Basic (RMB)	1.19	1.32	(0.13)

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2024	Six months ended 30 June 2023	Change
Key operational indicators			
Trade receivables turnover ratio (days)	132	125	7
Inventory turnover ratio (days)	43	41	2
Trade payables turnover ratio (days)	101	95	6
Current ratio (times)	1.35	1.32	0.03

Unit: in millions of RMB unless otherwise stated

	30 June 2024	31 December 2023	Change
Asset position			
Total assets	429,583.12	383,394.84	46,188.28
Equity attributable to owners of the parent	75,541.96	74,582.22	959.74
Gearing ratio	71.50%	68.62%	increase by 2.88 percentage points
Cash and cash equivalents	43,331.77	63,808.54	(20,476.77)

Revenue

During the Reporting Period, the Group recorded revenue of RMB294,726.81 million, representing a decrease of 2.07% as compared with RMB300,950.28 million for the six months ended 30 June 2023. This decrease was due to the decrease in revenue from the Group's retail pharmacy business and medical device distribution business.

- **Pharmaceutical distribution segment:** During the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB226,494.01 million, representing an increase of 0.47% as compared with RMB225,432.95 million for the six months ended 30 June 2023 and accounting for 74.10% of the total revenue of the Group. The growth slowed down mainly because the implementation of policies such as volume based procurement and price reduction of national negotiated varieties has led to a slowly growth in the pharmaceutical distribution business volume.
- **Medical device distribution segment:** During the Reporting Period, the revenue from medical device distribution of the Group was RMB58,494.30 million, representing a decrease of 7.08% as compared with RMB62,953.59 million for the six months ended 30 June 2023 and accounting for 19.14% of the total revenue of the Group. Such decrease was primarily due to a significant decrease in anti-pandemic sales of the Group's medical device distribution business this year compared to the same period last year, as well as a decrease in the volume of centralised procurement and equipment business sales as compared to the same period last year.
- **Retail pharmacy segment:** During the Reporting Period, the revenue from retail pharmacy of the Group was RMB16,557.84 million, representing a decrease of 6.43% as compared with RMB17,696.51 million for the six months ended 30 June 2023 and accounting for 5.42% of the total revenue of the Group. Such decrease was primarily due to the contraction in retail pharmacy market and the sales volume of the Group's retail pharmacies has declined.
- **Other business segment:** During the Reporting Period, the revenue from other business of the Group was RMB4,105.37 million, representing a decrease of 24.10% as compared with RMB5,409.10 million for the six months ended 30 June 2023, primarily due to the decrease in revenue from industrial products.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB272,783.52 million, representing a decrease of 1.76% as compared with RMB277,679.60 million for the six months ended 30 June 2023, which was comparable to the decline in the sales revenue.

Gross Profit

During the Reporting Period, the gross profit of the Group was RMB21,943.30 million, representing a decrease of 5.70% as compared with RMB23,270.68 million for the six months ended 30 June 2023, which was mainly due to the decline in the revenue scale of the Group.

The gross profit margin of the Group for the six months ended 30 June 2024 was 7.45%, and the gross profit margin for the corresponding period in 2023 was 7.73%.

Other Income

During the Reporting Period, the other income of the Group was RMB150.60 million, representing a decrease of 40.29% as compared with RMB252.21 million for the six months ended 30 June 2023, 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 RMB8,479.22 million, representing an increase of 0.54% as compared with RMB8,433.81 million for the six months ended 30 June 2023.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB3,915.16 million, representing an decrease of 1.33% from RMB3,967.75 million for the six months ended 30 June 2023.

The proportion of the administrative expenses of the Group to the total revenue of the Group increased from 1.32% for the six months ended 30 June 2023 to 1.33% for the Reporting Period.

Operating Profit

As a result of the above-mentioned factors, during the Reporting Period, the operating profit of the Group was RMB8,221.63 million, representing a decrease of 14.19% from RMB9,581.38 million for the six months ended 30 June 2023.

Other (Losses)/Gains – Net

During the Reporting Period, the other net losses of the Group was RMB179.07 million, representing a decrease of RMB309.02 million as compared with other net gains of RMB129.95 million for the six months ended 30 June 2023. Such decrease was mainly due to the subsidiary receiving a large amount of demolition compensation in the corresponding period of last year.

Other Expenses

During the Reporting Period, the reversal of other expenses of the Group were RMB3.08 million, representing a decrease of RMB4.83 million as compared with the provision of other expenses of the Group for the six months ended 30 June 2023 of RMB1.75 million, mainly due to the provision of prepaid accounts and the reversal of impairment losses on other non-current assets for the current year.

Finance Costs – Net

During the Reporting Period, the finance costs – net of the Group were RMB1,073.87 million, representing a decrease of RMB343.96 million as compared with RMB1,417.83 million for the six months ended 30 June 2023, mainly due to a decrease in weighted loan principal, resulting in a reduction in financial costs.

Share of Profits and Losses of Associates

During the Reporting Period, the Group's share of profits and losses of associates was RMB623.03 million, representing an increase of 9.05% as compared with RMB571.30 million for the six months ended 30 June 2023.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of profits and losses of joint ventures was RMB1.69 million, representing a decrease of 43.29% as compared with RMB2.98 million for the six months ended 30 June 2023, mainly due to the decline in business results of joint ventures.

Income Tax Expense

During the Reporting Period, the income tax expense of the Group was RMB1,697.27 million, representing a decrease of 13.97% as compared with RMB1,972.80 million for the six months ended 30 June 2023, primarily because the decrease in the profit before tax of the Group led to the corresponding decrease in income tax expense. The Group's effective income tax rate increased from 22.25% for the six months ended 30 June 2023 to 22.34% for the six months ended 30 June 2024.

Profit for the Period

As a result of the above-mentioned factors, the profit for the Reporting Period of the Group was RMB5,899.22 million, representing a decrease of 14.42% from RMB6,893.23 million for the six months ended 30 June 2023. The Group's net profit margin for the Reporting Period and for the corresponding period of 2023 was 2.00% and 2.29%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB3,703.88 million, representing a decrease of 9.76% or RMB400.56 million from RMB4,104.44 million for the six months ended 30 June 2023.

Profit Attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests was RMB2,195.34 million, representing a decrease of 21.28% from RMB2,788.79 million for the six months ended 30 June 2023.

Liquidity and Capital Sources

Working capital

As at the end of the Reporting Period, the Group's cash and cash equivalents amounted to RMB43,331.77 million (31 December 2023: RMB63,808.54 million), primarily comprising cash, bank savings and cash generated from operating activities during the current period.

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, growth and expansion of the Group's facilities and operations.

Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of raw material and provision of services in its pharmaceutical distribution, retail pharmacy, medical device distribution and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB40,993.67 million. The net cash used in operating activities of the Group was RMB43,326.42 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the collection of trade receivables and the delayed payment in trade payables during the Reporting Period.

Net cash (used in)/generated from investment activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB1,038.51 million. The net cash generated from investment activities for the six months ended 30 June 2023 was RMB1,180.48 million. Such decrease was primarily due to increase in prepayment of prices for land use rights.

Net cash generated from financing activities

During the Reporting Period, the net cash generated from financing activities of the Group was RMB21,551.76 million, representing an increase of RMB255.77 million as compared with RMB21,295.99 million for the six months ended 30 June 2023. Such increase was primarily due to the decrease in bond repayments 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 decoration of new stores and equipment purchase. The Group's capital expenditures for the Reporting Period amounted to RMB2,725.50 million, representing an increase of RMB1,737.35 million as compared with RMB988.15 million for the six months ended 30 June 2023, mainly due to the increase in the expenditure on the purchase of property, plant and equipment.

The Group's current plans with respect to its capital expenditures may be modified according to the progress of its operation plans (including changes in market conditions, competition and other factors). As the Group continues to expand, it may incur additional capital expenditures. The Group's ability to obtain additional funding in the future 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 and fiscal policies

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 businesses of the Group faced a variety of fiscal risks: market risk (including foreign exchange risks, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instrument to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

The Group had successfully issued super short-term financing bonds in an aggregate amount of RMB6.0 billion during the Reporting Period for the purposes of broadening financing channels and reducing financing costs, so as to repay bank loans as well as to replenish working capital.

The Group's borrowings are mainly denominated in RMB.

As at 30 June 2024, 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 United States Dollars (“**USD**”), Euro (“**EUR**”), Swiss Franc, Great Britain Pound and Japanese Yen.

Indebtedness

As at 30 June 2024, the Group had aggregated banking facilities of RMB335,345.97 million (31 December 2023: RMB294,573.27 million), of which RMB218,234.44 million (31 December 2023: RMB148,120.82 million) were not yet utilised and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 30 June 2024, RMB79,688.78 million (31 December 2023: RMB54,730.45 million) will be due within one year and RMB15,925.36 million (31 December 2023: RMB13,834.04 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. As at 30 June 2024, all of the Group's borrowings from banks and other financial institutions were carried at floating interest rates and the weighted average effective annual interest rate for the six months ended 30 June 2024 was 2.85% (for the year ended 31 December 2023: 2.82%).

Gearing ratio

As at 30 June 2024, the Group's gearing ratio was 71.50% (31 December 2023: 68.62%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2024.

Credit Risk

The Group will focus on the recovery of account receivables with a maturity of more than one year, inventory risk and liquidity control, credit exposure and other potential risks, coordinate development and safety, continuously improve the level of compliance supervision, and prevent and control business operation risks. Meanwhile, the Group will continue to review the credit risk of trade receivables and fully consider changes in business structure and customer structure, changes in the macroeconomic environment and specific industry factors. At the same time, the Group will also continue to review the Group's customer credit risk characteristic portfolios to ensure that the division of credit risk characteristic portfolios can fully reflect the risk characteristics of different types of customers, and the Group will assess the accounting estimates such as historical observed default rates and forward-looking adjustments in a more prudent manner to ensure that the provision matrix of the Group's expected credit loss can fully reflect the impairment provisions for trade receivables. As at 30 June 2024, the trade and notes receivables of the Group in aggregate amounted to RMB240,996.07 million (31 December 2023: RMB184,432.54 million) and its ageing analysis is set out in note 14 to the consolidated financial statements.

The Group has established a sound customer credit management system and trade receivables management measures to prevent credit risks and improve the turnover efficiency of trade receivables, and major measures included but not limited to: (i) establishing a scientific and rational credit evaluation model to strictly review and approve customers' credit limits; (ii) reviewing the actual sales, collection of trade receivables and financial information of customers on a regular basis, and implementing a dynamic management on customers' credit limits and terms; (iii) strengthening the regular monitoring and analysis of several indicators such as the balance of trade receivables with a maturity of more than one year, balance of trade receivables overdue and turnover days of trade receivables based on different customer bases; and (iv) strengthening the reconciliation and collection of trade receivables, especially receivables with a maturity of more than one year and overdue receivables, developing practical collection measures and repayment terms, and other necessary measures.

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 to a certain extent as certain cash and cash equivalents, borrowings from banks and other financial institutions and trade payables are 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 at 30 June 2024, part of the Group's borrowings and notes payable were secured by trade and notes receivables with book value of RMB3,690.42 million (31 December 2023: RMB1,826.62 million), bank deposits of RMB9,902.91 million (31 December 2023: RMB11,011.08 million), properties, plant and equipment with book value of RMB5.95 million (31 December 2023: RMB8.30 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 2024, the Group neither had any material contingent liabilities, nor had any material litigations.

SIGNIFICANT INVESTMENT

During the Reporting Period, the Group had no significant investments. As at the date of this announcement, the Board has not approved any plans for material investments or purchase of capital assets.

MAJOR ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no material acquisitions and disposals with respect to subsidiaries, associates and joint ventures.

HUMAN RESOURCES

As at 30 June 2024, the Group had a total of 113,635 (as at 30 June 2023: 113,362) employees. In order to meet the development needs and support and promote the realisation of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimised management mechanism in accordance with the requirements of specialised operation and integrated management, so as to actively advance the organisational reform and accelerate the cultivation and recruitment of the talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency, conducted periodic performance reviews on its employees and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

For remuneration and performance, the Group has established a normative salary management system based on the principle of “performance-oriented compensation, prioritising efficiency and considering fairness”. The Group has implemented 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-based remuneration, bonus and piece rate wage. Remuneration is adjusted based on factors such as the results of the corporation, work performance and capabilities as well as job responsibilities of employees.

The Group has followed the performance-oriented principle while giving consideration to balance. The Group has adopted a diversified structure and makes dynamic adjustments. For the value created, the Group has distributed the incremental value. The Group has shared 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 remuneration is the basic fixed annual income. The performance-based remuneration 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 benefits and 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 statement.

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, (including sales of treasury shares (the “**Treasury Shares**”) within the meaning under the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (the “**Listing Rules**”). As at 30 June 2024, the Company did not hold any Treasury Shares.

DIVIDENDS

Pursuant to the relevant resolution passed at the 2023 annual general meeting of the Company convened on 13 June 2024, the Company paid the final dividend for the year ended 31 December 2023 to the shareholders of the Company on 13 August 2024, totaling approximately RMB2,714,971,000.

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company comprises four directors, including three independent non-executive directors, namely Mr. Wu Tak Lung, Mr. Li Peiyu and Mr. Shi Shenghao, and one non-executive director, namely Mr. Li Dongjiu. Mr. Wu Tak Lung currently serves as the chairman. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and agreed on the accounting treatment adopted by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CORPORATE GOVERNANCE CODE”) SET OUT IN APPENDIX C1 TO THE LISTING RULES

The Company has adopted all the code provisions contained in the Corporate Governance Code as the code of corporate governance of the Company. During the Reporting Period, the Company had complied with the code provisions as set out in the Corporate Governance Code.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of practice for directors and supervisors in respect of their trading in the listed securities of the Company. Having made specific enquiries with all the directors and supervisors, all of them confirmed that they had complied with the requirements for securities transactions of 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 2024 which contains all the information required under the Listing Rules will be despatched to the shareholders according to the manner in which the shareholders of the Company have elected to receive corporate communications 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
23 August 2024

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. Deng Jindong, Mr. Wang Kan, Mr. Wang Peng, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and the independent non-executive directors of the Company are Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao.