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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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board of directors (the “**Board**”) of Sinopharm Group Co. Ltd. (the “**Company**” or “**Sinopharm**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) prepared under the Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the year ended 31 December 2024 (the “**Reporting Period**”).

### CHAIRMAN’S STATEMENT

**Dear shareholders, business partners and colleagues,**

In 2024, despite the continuous volatility in the global economic growth, China’s economy has shown positive signs of steady recovery, benefiting from a series of economic support policies. According to the data released by the National Bureau of Statistics, China’s GDP recorded a year-on-year increase of 5%, demonstrated robust economic resilience. However, insufficient domestic demand remains one of the prominent issues in the macro-economic operation. China’s pharmaceutical industry is still facing a series of challenges and changes such as industry regulation, industry policies and business transformation.

In 2024, amid the severe and complicated internal and external environment and industry changes, Sinopharm bravely moved forward in the face of difficulties, with overall stable production and operation and orderly progress in reform and transformation. Sinopharm has always focused on the main task of high-quality transformation and forged its core competitiveness in the industry changes. On behalf of the Board of Directors, I would like to extend my sincerest gratitude to all the management and employees for their hard work and to shareholders and business partners for their trust and support!

\* *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.”.*

**Transforming services, and bravely breaking new ground amidst changing circumstances.** Looking back to 2024, the regulatory institutions including the National Healthcare Security Administration continued to enforce compliance supervision on the medical insurance funds and medical services. The expansion of centralized procurement has been advanced. The pharmaceutical industry in China faced numerous challenges such as the transformation of service models, adjustments of demand structure and pressure on profit margins. Industry competition has rapidly shifted from the original rough “scale expansion” driven by resources to the service competition that prioritizes “quality and efficiency”. Business transformation and innovation under the premise of compliance will be the necessary way for the development of the pharmaceutical distribution industry. The trend of specialization and division of labor in the pharmaceutical and healthcare field is bringing about new competition barriers for enterprises in the supply chain and bringing more development opportunities to the industry. While achieving the steady development of the overall business, the Group remained committed to driving innovation at the core of its endeavors, accelerated the pace of service transformation, deeply tapped potential profits and was committed to recreating and improving value. During the Reporting Period, the Group continuously strengthened its service business layout and service model innovation, enhanced the professional service capabilities directly facing B-side and C-side, comprehensively promoted the development of service business including marketing service, third-party logistics service, SPD service and OEM, created the “new growth momentum” of Sinopharm and promoted the overall efficient transformation of the business, laying a solid foundation for promoting the sustainable and high-quality development of the Group.

**Empowering business with science and technology, and recreating value in the transformation.** In the face of increasingly fierce market competition and constantly improving industry regulation, as a leading enterprise in the pharmaceutical distribution industry and a leading supply chain service provider, the Group actively leveraged the scientific and technological innovation to drive business transformation and upgrading and was dedicated to building a high-quality and sustainable business growth model, aiming to become a key force to lead the transformation of the industry. The Group adhered to scientific and technological innovation as the engine, deeply promoted the digital transformation strategy and accelerated the construction of digital management and control capabilities for its business. The Group comprehensively promoted digital transformation through the construction of a large- and middle-scale platform to achieve full-process visualization of logistics, full-lifecycle traceability of orders, efficient optimization of business resource allocation and continuous improvement in innovative service quality, accelerating the infusion of new momentum into business innovation and transformation. Meanwhile, the Group will actively explore the application and practice of AI technology in business scenarios such as supply chain management, intelligent logistics and terminal services, empowering the business decision-making and quality control processes.

**Improving vertical management and control, and driving management improvement by integrated operation.** In 2024, the Group proactively adapted to the industry transformation trend, comprehensively strengthened the assessment of business operation quality and profitability, enhanced risk prevention and compliance supervision and fully leveraged the integrated and synergistic advantages of whole industrial chain layout. During the Reporting Period, the Group focused on strengthening the integrated operation of procurement, logistics, finance and other areas, accelerated to promote the construction of digital platforms and the collaboration of cross-line business through optimization of organizational structures and governance models, broke down regional barriers, enhanced the precision and penetration of business governance and continuously improved the business management and control capabilities of headquarters and provincial platforms, ensuring the accuracy and scientificity of strategic and business decisions. With the deep integration of compliance operation and integrated management and control, the Group will continue to tap the potential of improving operational efficiency and release new vitality for high-quality development.

**Adhering to green development, and “dual carbon” targets leading to intelligent future.** During the Reporting Period, the Group has always adhered to the corporate mission of “All for Health, Health for All”. As a leader and a national main force in the pharmaceutical distribution industry, the Group actively responded to the national goal of “dual carbon”, continuously improved the energy conservation and environmental protection management system, intensified efforts on technological improvement and innovation and advanced green transformation in an orderly manner, demonstrating the responsibility of a central enterprise. In 2024, the Group has completed the construction of the first carbon neutrality logistic demonstration park and obtained the carbon neutrality certification. The Group accelerated the planning and construction of the national logistics infrastructure network and gave full play to the leading and demonstration role of the industry. Meanwhile, the Group will always adhere to the fundamental direction of the health needs of the people and continue to undertake the task of central medicine reserve and the responsibility of emergency supply guarantee, ensuring that the Group can swiftly and effectively complete emergency supply guarantee tasks in response to public emergencies and major events. The Group will promote the effective integration of digital technology and safety management, ensure production safety and realize the promotion of its own value while serving the national strategy.

The year 2025 marks not only the conclusion of the “14th Five-Year” Plan but also a pivotal year for laying the groundwork for the “15th Five-Year” Plan. At present, the pharmaceutical distribution industry is in an important opportunity period of transformation and reform, and the trend of long-term improvement and steady development remains unchanged. The Group will actively carry out strategic discussions on the “15th Five-Year” Plan, focus on its main responsibilities and business, further clarify the overall positioning of its future development, effectively implement national policies related to medical reform and accelerate its own transformation and reform. The Group will continue to steadfastly focus on the core business objective of “high-quality development and transformation”, further strengthen the strategic guidance and enhance the business management and control capabilities of the enterprise. At the same time, the Group will reinforce corporate governance, research and explore innovative capital operation methods and tools and promote the orderly implementation of various work on market value management, consistently leading the development and transformation of the pharmaceutical distribution industry.

The high-quality development trends of China’s macro-economy and the pharmaceutical and healthcare industry remain unchanged, and the development determination and strategic focus on transformation and innovation of Sinopharm will not change. Together with all sectors of society, we unite with steadfast commitment to forge a win-win future and collectively share in the growth and achievements of Sinopharm!

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*(All amounts in Renminbi thousand unless otherwise stated)*  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	<i>Notes</i>	<b>2024</b>	2023
Revenue	4	<b>584,507,930</b>	596,569,565
Cost of sales	8	<u><b>(540,252,540)</b></u>	<u>(548,057,887)</u>
<b>Gross profit</b>		<b>44,255,390</b>	48,511,678
Other income	5	<b>468,622</b>	582,010
Selling and distribution expenses	8	<b>(17,158,639)</b>	(17,471,692)
Administrative expenses	8	<b>(8,413,544)</b>	(8,678,071)
Expected credit losses on financial and contract assets	6	<b>(1,381,347)</b>	(666,966)
Losses on derecognition of financial assets measured at amortised cost and fair value through other comprehensive income		<u><b>(1,582,079)</b></u>	<u>(2,067,764)</u>
<b>Operating profit</b>		<b>16,188,403</b>	20,209,195
Other gains – net	7	<b>46,923</b>	661,284
Other expenses	7	<u><b>(1,105,581)</b></u>	<u>(35,317)</u>
Finance income		<b>616,970</b>	743,366
Finance costs		<u><b>(2,945,212)</b></u>	<u>(3,173,740)</u>
Finance costs – net	10	<b>(2,328,242)</b>	(2,430,374)
Share of profits and losses of:			
Associates		<b>1,196,478</b>	1,111,568
Joint ventures		<u><b>2,918</b></u>	<u>(4,219)</u>
		<b>1,199,396</b>	1,107,349
<b>Profit before tax</b>		<b>14,000,899</b>	19,512,137
Income tax expense	11	<u><b>(3,577,305)</b></u>	<u>(4,502,309)</u>
<b>Profit for the year</b>		<u><b>10,423,594</b></u>	<u>15,009,828</u>

	<i>Note</i>	<b>2024</b>	2023
<b>Attributable to:</b>			
Owners of the parent		<b>7,049,683</b>	9,053,760
Non-controlling interests		<u><b>3,373,911</b></u>	<u>5,956,068</u>
		<u><b>10,423,594</b></u>	<u>15,009,828</u>
<b>Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)</b>			
– Basic and diluted	<i>12</i>	<u><b>2.26</b></u>	<u>2.90</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousand unless otherwise stated)

### FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>Notes</i>	<b>2024</b>	2023
<b>Profit for the year</b>		<b>10,423,594</b>	15,009,828
<b>Other comprehensive loss:</b>			
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurements of post-employment benefit obligations	<i>11</i>	<b>(44,257)</b>	(8,996)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	<i>11</i>	<b>(4,615)</b>	6,864
Income tax effect	<i>11</i>	<b>1,154</b>	(1,716)
Fair value changes on financial asset, net of tax		<b>(3,461)</b>	5,148
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>		<b><u>(47,718)</u></b>	<u>(3,848)</u>
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>6,648</b>	2,388
Share of other comprehensive income of associates		<b>(1,938)</b>	607
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		<b><u>4,710</u></b>	<u>2,995</u>
<b>Other comprehensive loss for the year, net of tax</b>		<b><u>(43,008)</u></b>	<u>(853)</u>
<b>Total comprehensive income for the year</b>		<b><u><u>10,380,586</u></u></b>	<u><u>15,008,975</u></u>
<b>Attributable to:</b>			
– Owners of the parent		<b>7,019,431</b>	9,053,491
– Non-controlling interests		<b><u>3,361,155</u></b>	<u>5,955,484</u>
		<b><u><u>10,380,586</u></u></b>	<u><u>15,008,975</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousand unless otherwise stated)

AS AT 31 DECEMBER 2024

	<i>Note</i>	2024	2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		7,246,238	7,416,423
Investment properties		393,033	501,466
Property, plant and equipment		12,386,202	12,481,234
Intangible assets		8,948,873	10,196,149
Investments in joint ventures		22,530	22,812
Investments in associates		10,145,325	9,687,954
Equity investments designated at fair value through other comprehensive income		50,638	55,264
Financial assets at fair value through profit or loss		675,648	784,656
Finance lease receivables		111,701	5,854
Deferred tax assets		2,408,387	1,963,679
Other non-current assets		2,995,098	3,444,253
Total non-current assets		<u>45,383,673</u>	<u>46,559,744</u>
<b>Current assets</b>			
Inventories		62,352,812	60,027,648
Trade and notes receivable	<i>13</i>	200,254,553	184,432,543
Contract assets		1,218,317	1,354,519
Prepayments, other receivables and other assets		16,549,885	16,196,932
Financial assets at fair value through profit or loss		158	547
Finance lease receivables		5,751	3,297
Pledged deposits, restricted cash and bank deposits with an initial term of over three months		12,752,736	11,011,076
Cash and cash equivalents		54,313,359	63,808,538
Total current assets		<u>347,447,571</u>	<u>336,835,100</u>
<b>Total assets</b>		<u><u>392,831,244</u></u>	<u><u>383,394,844</u></u>



	<i>Note</i>	2024	2023
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		3,120,656	3,120,656
Treasury shares		(3,838)	(3,838)
Other reserves		22,022,096	22,055,339
Retained earnings		<u>53,744,881</u>	<u>49,410,060</u>
		<b>78,883,795</b>	<b>74,582,217</b>
<b>Non-controlling interests</b>		<u><b>47,803,507</b></u>	<u>45,736,528</u>
<b>Total equity</b>		<u><b>126,687,302</b></u>	<u>120,318,745</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings		8,637,231	13,834,037
Lease liabilities		3,259,280	3,420,841
Deferred tax liabilities		638,754	788,379
Post-employment benefit obligations		412,884	366,512
Contract liabilities		54,776	80,230
Other non-current liabilities		<u>2,765,429</u>	<u>3,095,463</u>
Total non-current liabilities		<u><b>15,768,354</b></u>	<u>21,585,462</u>
<b>Current liabilities</b>			
Interest-bearing bank and other borrowings		62,729,048	54,730,449
Lease liabilities		1,760,575	1,796,525
Trade and notes payable	<i>14</i>	151,109,247	146,632,453
Contract liabilities		6,828,857	6,398,902
Accruals and other payables		26,262,003	29,901,366
Dividends payable		238,557	256,374
Tax payable		<u>1,447,301</u>	<u>1,774,568</u>
Total current liabilities		<u><b>250,375,588</b></u>	<u>241,490,637</u>
<b>Total liabilities</b>		<u><b>266,143,942</b></u>	<u>263,076,099</u>
<b>Total equity and liabilities</b>		<u><b>392,831,244</b></u>	<u>383,394,844</u>

## NOTES:

*(All amounts in Renminbi thousand unless otherwise stated)*

### 1 GENERAL INFORMATION

Sinopharm Group Co. Ltd. (the “**Company**”) was established 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 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.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand, unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 21 March 2025.

### 2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

#### (a) Basis of preparation and statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which the collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations developed by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance (“**CO**”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which have been measured at fair value.

**(b) New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As a result of the implementation of the amendments, the Group has provided additional disclosures regarding its supplier finance arrangements in the notes to the consolidated financial statements in the annual report to be released.

Except for the amendments to HKAS 7 and HKFRS 7 mentioned above, the application of the other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**(c) New and amendments to HKFRSs in issue but not yet effective**

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the respective dates they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>4</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS Accounting Standards <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

*Notes:*

- 1 Effective for annual periods beginning on or after a date to be determined.
- 2 Effective for annual periods beginning on or after 1 January 2025.
- 3 Effective for annual periods beginning on or after 1 January 2026.
- 4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRSs mentioned below, the Group anticipates that the application of all these other new and amendments to HKFRSs will have no material impact on classification and measurement in the Group's consolidated financial statements in the foreseeable future.

## **HKFRS 18 “Presentation and Disclosure in Financial Statements”**

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 “Presentation of Financial Statements”. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and HKFRS 7 “Financial Instruments Disclosures”. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group’s consolidated financial statements.

### **3 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 pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics;
- (ii) Medical device distribution – distribution of medical devices, and installation and maintenance services;
- (iii) Retail pharmacy – operation of chain pharmacy stores;
- (iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy segment does not meet the quantitative thresholds required by HKFRS 8 Operating Segments, management has concluded that this segment should be reported, as it is considered to be as a potential growth segment and is expected to continuously 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 right-of-use assets, investment properties, property, plant and equipment, intangible 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 purposes.

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 on terms mutually agreed upon amongst those business segments. The revenue from external parties is measured in a manner consistent with that in the consolidated statement of profit or loss.

**(i) For the year ended 31 December 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
<b>Year ended 31 December 2024</b>						
<b>Segment results</b>						
External segment revenue	424,563,607	117,511,994	35,383,741	7,048,588	-	584,507,930
Inter-segment revenue	19,801,005	403,143	597,522	2,057,899	(22,859,569)	-
Revenue	<u>444,364,612</u>	<u>117,915,137</u>	<u>35,981,263</u>	<u>9,106,487</u>	<u>(22,859,569)</u>	<u>584,507,930</u>
Operating profit	12,171,662	2,651,632	323,266	908,665	133,178	16,188,403
Other gains, net	(40,683)	26,829	(3,217)	63,994	-	46,923
Other expenses	(397,087)	(43,522)	(664,972)	-	-	(1,105,581)
Share of profits and losses of associates and joint ventures	21,057	31,190	(802)	1,147,951	-	1,199,396
	<u>11,754,949</u>	<u>2,666,129</u>	<u>(345,725)</u>	<u>2,120,610</u>	<u>133,178</u>	<u>16,329,141</u>
Finance costs, net						(2,328,242)
Profit before tax						14,000,899
Income tax expense						(3,577,305)
Profit for the year						<u>10,423,594</u>
<b>Other segment items included in the statement of profit or loss</b>						
Expected credit losses of financial and contract assets	617,385	622,362	130,317	11,283	-	1,381,347
(Reversal of provision)/provision for impairment of prepayment	1,491	(4,009)	-	-	-	(2,518)
Write-down of inventories, net	33,797	20,084	15,541	8,349	-	77,771
Provision for impairment of intangible assets	395,596	47,531	662,837	-	-	1,105,964
Provision for impairment of investments in associates	-	-	2,135	-	-	2,135
Depreciation of property, plant and equipment	1,166,861	388,420	282,033	38,686	-	1,876,000
Depreciation of investment properties	24,027	12,501	439	1,098	-	38,065
Depreciation of right-of-use assets	937,574	309,167	1,073,884	57,189	-	2,377,814
Amortisation of intangible assets	392,765	-	48,859	189	-	441,813
Capital expenditures	<u>1,409,017</u>	<u>685,006</u>	<u>249,006</u>	<u>117,661</u>	<u>-</u>	<u>2,460,690</u>

	Pharmaceutical distribution RMB'000	Medical device distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
<b>Year ended 31 December 2023</b>						
<b>Segment results</b>						
External segment revenue	423,756,702	129,583,830	34,986,357	8,242,676	-	596,569,565
Inter-segment revenue	17,294,000	629,108	703,026	2,142,954	(20,769,088)	-
Revenue	<u>441,050,702</u>	<u>130,212,938</u>	<u>35,689,383</u>	<u>10,385,630</u>	<u>(20,769,088)</u>	<u>596,569,565</u>
Operating profit	13,216,236	4,524,988	1,144,637	1,189,999	133,335	20,209,195
Other gains, net	365,098	(77,898)	(23,351)	397,435	-	661,284
Other expenses	(10,158)	(25,159)	-	-	-	(35,317)
Share of profits and losses of associates and joint ventures	10,730	36,409	1,822	1,058,388	-	1,107,349
	<u>13,581,906</u>	<u>4,458,340</u>	<u>1,123,108</u>	<u>2,645,822</u>	<u>133,335</u>	<u>21,942,511</u>
Finance costs, net						(2,430,374)
Profit before tax						19,512,137
Income tax expense						(4,502,309)
Profit for the year						<u>15,009,828</u>
<b>Other segment items included in the statement of profit or loss</b>						
Expected credit losses of financial and contract assets	297,272	326,990	43,257	(553)	-	666,966
(Reversal of provision)/provision for impairment of prepayment	(14,714)	(4,863)	28	(33)	-	(19,582)
Write-down of inventories, net	52,688	8,428	8,090	1,061	-	70,267
Provision for impairment of property, plant and equipment	217	3,584	-	-	-	3,801
Provision for impairment of intangible assets	40,989	77	10,032	-	-	51,098
Depreciation of property, plant and equipment	1,093,550	364,017	264,314	36,255	-	1,758,136
Depreciation of investment properties	61,425	31,957	1,121	2,807	-	97,310
Depreciation of right-of-use assets	851,245	280,700	975,004	51,923	-	2,158,872
Amortisation of intangible assets	369,755	-	45,997	178	-	415,930
Capital expenditures	<u>1,424,902</u>	<u>692,728</u>	<u>251,813</u>	<u>118,987</u>	<u>-</u>	<u>2,488,430</u>

**(ii) As at 31 December 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
<b>As at 31 December 2024</b>						
Segment assets and liabilities						
Segment assets	282,050,861	96,579,756	16,806,935	23,962,825	(28,977,520)	390,422,857
Segment assets include:						
Investments in associates and joint ventures	240,369	120,147	40,773	9,766,566	-	10,167,855
Unallocated assets – Deferred tax assets						2,408,387
Total assets						392,831,244
Segment liabilities	138,766,503	67,408,956	10,565,011	5,128,433	(27,729,994)	194,138,909
Unallocated liabilities – Deferred tax liabilities and borrowings						72,005,033
Total liabilities						266,143,942
<b>As at 31 December 2023</b>						
<b>Segment assets and liabilities</b>						
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

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.

#### 4 REVENUE

	2024	2023
<i>Revenue from contracts with customers</i>		
Sales of goods (at a point in time)	580,150,510	592,469,026
Logistics service income (over time)	1,296,784	1,518,134
Marketing and service income (over time)	2,126,971	2,004,939
Import agency income (at a point in time)	48,632	61,339
Others (at a point in time)	647,394	317,152
<i>Revenue from other sources</i>		
Operating lease income	237,639	198,975
	<u>584,507,930</u>	<u>596,569,565</u>

Revenue of RMB6,398,902,000 (2023: RMB10,396,326,000) relating to carried-forward contract liabilities at the beginning of the year was recognised in the current year.

#### 5 OTHER INCOME

	2024	2023
Government grants	<u>468,622</u>	<u>582,010</u>

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

#### 6 EXPECTED CREDIT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2024	2023
Expected credit losses of financial and contract assets, net:		
Trade and notes receivable	1,312,770	628,615
Contract assets	10,322	(14,075)
Other receivables	62,437	27,074
Other non-current assets	(4,182)	25,463
Finance lease receivables	—	(111)
	<u>1,381,347</u>	<u>666,966</u>



## 7 OTHER GAINS, NET/OTHER EXPENSES

	2024	2023
<b>Other gains, net</b>		
Write-back of certain liabilities	108,082	98,923
Gain on disposal of subsidiaries	5,509	27,736
Gain on disposal of investment in associates and a joint venture	9,400	20,517
(Loss)/gain on disposal of investment properties, property, plant and equipment and intangible assets	(187)	235,925
Gain on disposal of right-of-use assets	74,591	228,648
Foreign exchange loss, net	(15,615)	(9,975)
Donation	(63,462)	(42,410)
Dividend income from:		
Equity investments at fair value through other comprehensive income	563	3,017
Equity investments at fair value through profit or loss	3,843	37,028
Fair value (losses)/gains on financial assets at fair value through profit or loss	(78,326)	62,933
Disposal of financial assets at fair value through profit or loss	3,591	(1,665)
Others, net	(1,066)	607
	<u>46,923</u>	<u>661,284</u>
<b>Other Expenses</b>		
Provision for impairment of property, plant and equipment	-	(3,801)
Provision for impairment of intangible assets ( <i>Note</i> )	(1,105,964)	(51,098)
Reversal for impairment of prepayment	2,518	19,582
Provision for impairment of investments in associates	(2,135)	-
	<u>(1,105,581)</u>	<u>(35,317)</u>

### *Note:*

The provision for impairment of goodwill amounted to RMB931,200,000 (2023: RMB27,018,000) was included in “provision for impairment of intangible assets” under “other expenses” in the consolidated statement of profit or loss.

## 8 EXPENSES BY NATURE

	2024	2023
Raw materials and trading merchandise consumed	<b>538,925,247</b>	546,728,833
Employee benefit expenses ( <i>Note 9</i> )	<b>14,811,874</b>	15,186,630
Write-down of inventories, net	<b>77,771</b>	70,267
Lease payments not included in the measurement of lease liabilities	<b>497,233</b>	541,823
Depreciation of property, plant and equipment	<b>1,876,000</b>	1,758,136
Depreciation of investment properties	<b>38,065</b>	97,310
Depreciation of right-of-use assets	<b>2,377,814</b>	2,158,872
Amortisation of intangible assets	<b>441,813</b>	415,930
Auditor's remuneration		
– audit services	<b>22,063</b>	30,287
– non-audit services	–	403
Advisory and consulting fees	<b>379,313</b>	382,836
Transportation expenses	<b>2,050,748</b>	2,062,574
Travel expenses	<b>234,964</b>	260,613
Market development and business promotion expenses	<b>2,911,165</b>	3,523,739
Utilities	<b>332,255</b>	313,906
Others	<b>848,398</b>	675,491
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, and administrative expenses	<b><u>565,824,723</u></b>	<b><u>574,207,650</u></b>

## 9 EMPLOYEE BENEFIT EXPENSES

	2024	2023
Salaries, wages, allowances and bonuses (i)	11,278,428	11,980,393
Contributions to pension plans (ii)	1,495,458	1,364,455
Post-employment benefits	7,238	(6,724)
Housing benefits (iii)	618,954	565,015
Other benefits (iv)	<u>1,411,796</u>	<u>1,283,491</u>
	<u><u>14,811,874</u></u>	<u><u>15,186,630</u></u>

### 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% (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 of total RMB15,021,000 (31 December 2023: RMB16,540,000) were payable to the fund pension plan of China National Pharmaceutical Group at the year ended 31 December 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

	2024	2023
Interest expense:		
– Interest-bearing bank and other borrowings	2,507,663	2,759,537
– Net interest on net defined benefit liability	9,674	10,898
– Lease liabilities	<u>224,065</u>	<u>206,203</u>
Gross interest expense	2,741,402	2,976,638
Bank charges	211,174	217,153
Less: Capitalised interest expense	<u>(7,364)</u>	<u>(20,051)</u>
Finance costs	<u>2,945,212</u>	<u>3,173,740</u>
Finance income:		
– Interest income on deposits in banks and other financial institutions	(542,273)	(560,471)
– Interest income on long-term deposits	<u>(74,697)</u>	<u>(182,895)</u>
	<u>(616,970)</u>	<u>(743,366)</u>
Net finance costs	<u><u>2,328,242</u></u>	<u><u>2,430,374</u></u>

## 11 TAXATION

	2024	2023
Current income tax	4,156,171	4,650,544
Deferred income tax	(578,498)	(144,477)
Adjustments in respect of current tax of previous periods	<u>(368)</u>	<u>(3,758)</u>
	<u><u>3,577,305</u></u>	<u><u>4,502,309</u></u>

A reconciliation of the tax charge applicable to profit before tax using the applicable rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2024	2023
Profit before tax	<u>14,000,899</u>	<u>19,512,137</u>
Tax calculated at the applicable tax rate	3,500,225	4,878,034
Impact of lower tax rates enacted by local authorities	(192,761)	(346,985)
Expenses not deductible for tax purposes	472,943	137,415
Income not subject to tax	(330,265)	(245,892)
Tax losses not recognised	145,194	111,918
Tax losses utilised from previous periods	(15,278)	(22,213)
Impact of change in the applicable income tax rate on deferred tax	(2,385)	(6,210)
Adjustments in respect of current tax of previous periods	<u>(368)</u>	<u>(3,758)</u>
Income tax expense	<u><u>3,577,305</u></u>	<u><u>4,502,309</u></u>

*Notes:*

- (i) During 2024, enterprises established 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.
- (ii) Two of the Group’s subsidiaries are 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 is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The tax credit/(charge) relating to components of other comprehensive loss is as follows:

	2024			2023		
	Before tax	Tax credit	After tax	Before tax	Tax (charge)/ credit	After tax
Equity investments designated at fair value through other comprehensive income	(4,615)	1,154	(3,461)	6,864	(1,716)	5,148
Remeasurements of post-employment benefit obligations	<u>(58,966)</u>	<u>14,709</u>	<u>(44,257)</u>	<u>(15,255)</u>	<u>6,259</u>	<u>(8,996)</u>
Total	<u><u>(63,581)</u></u>	<u><u>15,863</u></u>	<u><u>(47,718)</u></u>	<u><u>(8,391)</u></u>	<u><u>4,543</u></u>	<u><u>(3,848)</u></u>

## 12 EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year 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 Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

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

	2024	2023
<b>Earnings</b>		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation ('000)	<u>7,049,683</u>	<u>9,053,760</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation ('000)	3,120,656	3,120,656
Treasury Shares ('000)	(3,838)	(3,838)
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation ('000)	<u>3,116,818</u>	<u>3,116,818</u>
Basic and diluted earnings per share (RMB per share)	<u>2.26</u>	<u>2.90</u>

## 13 TRADE AND NOTES RECEIVABLE

	2024	2023
Trade receivables	187,635,430	169,002,890
Notes receivable held both to collect cash flows and to sell	12,781,306	12,442,865
Notes receivable	<u>4,830,839</u>	<u>6,682,962</u>
	205,247,575	188,128,717
Less: Expected credit losses	<u>(4,993,022)</u>	<u>(3,696,174)</u>
	<u>200,254,553</u>	<u>184,432,543</u>

The fair value of trade and notes receivable approximates to their carrying amount.

Retail sales of pharmacy stores are generally made in cash or by debit or credit cards. For all other businesses, like pharmaceutical distribution, medical device distribution and production and sales of pharmaceutical manufacturing businesses etc., sales are made on credit terms generally ranging from 30 to 210 days. The aging analysis of trade receivables, based on the invoice date and net of expected credit losses, as at the end of the reporting period, is as follows:

	2024	2023
Within 1 year	<b>169,957,622</b>	158,669,524
1 to 2 years	<b>10,185,212</b>	5,921,366
Over 2 years	<b><u>2,616,934</u></b>	<u>807,374</u>
	<b><u><u>182,759,768</u></u></b>	<u><u>165,398,264</u></u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses for trade and notes receivable. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing except for individually provided, where applicable.

The movements in the expected credit losses of trade and notes receivable are as follows:

	2024	2023
At beginning of year	<b>3,696,174</b>	3,074,000
Expected credit losses, net	<b>1,312,770</b>	628,615
Disposal of subsidiaries	<b>(2,986)</b>	(46)
Other decrease for the year	<b>(165)</b>	–
Amount written off as uncollectible	<b><u>(12,771)</u></b>	<u>(6,395)</u>
At end of year	<b><u><u>4,993,022</u></u></b>	<u><u>3,696,174</u></u>

As at 31 December 2024, notes receivable of RMB316,771,000 (2023: RMB310,572,000) and trade receivables of RMB1,555,384,000 (2023: RMB928,314,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2024, notes receivable of RMB139,405,000 (2023: RMB230,655,000) and trade receivables of RMB202,760,000 (2023: RMB357,077,000) were pledged as collateral for the Group's notes payable.

As at 31 December 2024, outstanding trade receivables of RMB41,232,891,000 (2023: RMB58,159,689,000) were derecognised under the trade receivables factoring programs without recourse. The aging of these derecognised trade receivables was basically within one year. As at 31 December 2024, the collection of such trade receivables on behalf of banks amounting to RMB4,494,390,000 (2023: RMB6,424,793,000) and the collection of such trade receivables on behalf of related parties amounting to RMB1,266,078,000 (2023: RMB1,690,185,000) was recorded in other payables. During the year of 2024, the losses on derecognition of trade and notes receivable was RMB1,582,079,000 (2023: RMB2,067,764,000).

## 14 TRADE AND NOTES PAYABLE

	2024	2023
Trade payables	<b>112,450,243</b>	108,952,818
Notes payable	<b><u>38,659,004</u></b>	<u>37,679,635</u>
	<b><u><u>151,109,247</u></u></b>	<u><u>146,632,453</u></u>

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

An aging analysis of the trade and notes payable as at the end of the reporting period, based on the invoice date, is as follows:

	2024	2023
Within 3 months	<b>103,692,249</b>	101,351,442
Between 3 to 6 months	<b>26,334,770</b>	26,186,117
Between 6 months to 1 year	<b>12,135,380</b>	12,368,569
Between 1 to 2 years	<b>6,060,875</b>	4,351,596
Over 2 years	<b><u>2,885,973</u></b>	<u>2,374,729</u>
	<b><u><u>151,109,247</u></u></b>	<u><u>146,632,453</u></u>

The Group's trade and notes payable are denominated in the following currencies:

	2024	2023
RMB	<b>150,965,249</b>	146,536,449
USD	<b>136,248</b>	87,263
EUR	<b>1,169</b>	1,235
NZD	<b>4,497</b>	7,506
JPY	<b><u>2,084</u></b>	<u>—</u>
	<b><u><u>151,109,247</u></u></b>	<u><u>146,632,453</u></u>



## 15 DIVIDENDS

A final dividend for the year ended 31 December 2023 of RMB0.87 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, amounting to RMB2,714,971,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 13 June 2024.

A final dividend for the year ended 31 December 2024 of RMB0.68 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, totalling approximately RMB2,122,046,000 is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 21 March 2025. These financial statements have not reflected this proposed dividend.

	<b>2024</b>	2023
Proposed final dividend – RMB0.68 (2023: RMB0.87) per ordinary share	<u><b>2,122,046</b></u>	<u>2,714,971</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review on Industrial Environment

#### *Macro-economy recovered steadily with sector revealed the growth potential*

In 2024, under the background of complicated international environment, weak momentum of world economic growth and intensified geopolitical conflicts, China's macro-economy overcame various difficulties and challenges under the dual pressure of structural adjustment and complicated external environment, and China's economic operation showed a generally steady trend and made progress while ensuring stability. According to the data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) in 2024 increased by 5% as compared with the corresponding period of last year, at constant prices, and the economic growth rate ranked among the top in the world's major economies. In the long run, the trend of steady improvement of China's economy remains unchanged.

Facing the problems of domestic market segmentation, insufficient competition and inefficient market operation, China further clearly put forward the requirement of "accelerating the construction of a unified national market", and the National Development and Reform Commission issued the "Guidelines for the Construction of a Unified National Market (for Trial Implementation)". The Guidelines is designed to establish a unified national market with smooth flow of production factors, efficient allocation of various resources and fully revealed market potential, so as to bring support and impetus to China's high-quality development, effectively stimulate innovation and industrial upgrading in all sectors, and promote the industry concentration towards high-quality leading enterprises.

#### *Policy deepening drove transformation and compliance reshaped the industry ecology*

According to the data of the Express released by the National Healthcare Security Administration, in 2024, the total income of the National Basic Medical Insurance Fund was RMB3.48 trillion, representing a year-on-year increase of 4.4%, and the total expenditure of the National Basic Medical Insurance Fund was RMB2.97 trillion, representing a year-on-year increase of 5.5%. In 2024, the income and expenditure of China's medical insurance funds were balanced, with a slight surplus, the medical insurance funds were safe and sustainable, the expenditure growth rate was greater than the income growth rate, and the trend of tightening medical insurance fee control remained unchanged. Driven by the aging population and people's pursuit of high-quality life, the social demand for medical services continues to grow, and the growth trend and potential of China's pharmaceutical and healthcare industry will continue to be released.

In 2024, the compliance supervision of the pharmaceutical industry was comprehensively deepened. The National Healthcare Security Administration, in collaboration with multiple departments, jointly carried out multiple rounds of “Medical Insurance Unannounced Inspections”, focusing on cracking down on behaviors such as issuing false invoices and embezzling medical insurance funds during the process of distribution, effectively accelerating the standardization of medical institutions’ diagnosis and treatment behaviors, and strengthening the compliant sales of medical insurance drugs in retail pharmacies, promoting the standardized use of medical insurance funds, and further purifying the ecological environment of the pharmaceutical and healthcare industry. The development of the industry has undergone a structural adjustment, the growth rates of various business segments in the field of pharmaceutical distribution have diverged, and the business model of the industry has shifted towards services, while compliance requirements have become increasingly prominent.

The Medical Insurance Personal Account Reform has increased the reimbursement proportion of medical insurance funds in the primary medical service institutions, effectively improving service capacities of primary medical service institutions, and increasing the number of outpatients in primary medical service institutions. The management of chronic diseases such as hypertension and diabetes relies more on primary medical clinics, promoting the transfer of drug procurement demand to the primary medical service institutions. With accelerated implementation of the Medical Insurance Personal Account Reform and the policy for Prescription Outflow, and the comprehensive implementation of the Outpatient Mutual-Aid Mechanism and the Dual-Channel Mechanism, the advantages of specialty pharmacies in undertaking businesses are further manifested because they can meet the needs of undertaking prescription circulation, distributing special drugs and providing chronic disease management. Due to the reduction of the scale of the funds in personal medical insurance accounts, the consumption demand of customers has slowed down, and the sales of medical insurance products in traditional pharmacies have been affected. It is particularly urgent to promote the adjustments of the product category structure and improvement of operational efficiency of traditional pharmacies.

During the Reporting Period, the National Healthcare Security Administration issued the Notice on Strengthening Regional Cooperation and Improving the Quality and Expansion of Centralized Pharmaceutical Procurement in 2024, proposing to expand the scope of the alliance, form a national alliance for centralized procurement, focus on key areas, and continuously expand the coverage of centralized procurement of drugs and medical devices. With the announcement of the results of the tenth batch of the centralized procurement of drugs organized by the State at the end of 2024, the concentration of high-quality leading enterprises in the pharmaceutical distribution industry has been further improved while the business standardization and efficiency have been improved. In 2024, the normalized volume-based procurement of coronary stents, spinal devices, orthopedic trauma devices and other categories of devices organized by the national level and inter-provincial alliances were promoted, accelerating the industry’s compliance and efficient operation, and further delayering the supply chain structure.

Under the combined impact of multiple policies, the pharmaceutical distribution industry is in a transition period of structural adjustment and transformation and upgrading. It is imperative for the pharmaceutical distribution industry to actively focus on the construction of a compliance system and realize the transformation and upgrading through digital empowerment and lean management. The digital innovation and the application of artificial intelligence technology provided effective support for the successful transformation of the pharmaceutical distribution industry, significantly improved the efficiency of intelligent supply chain management, logistics warehousing automation, compliance and quality control, intelligent customer service and prescription circulation management, and enhanced the accessibility of medical services and medical products. In the future, the capabilities of compliance, specialization, scalability and digitalization will become the core competitiveness of enterprises, and the advantages of the leading enterprises in the industry in the process of industry integration and upgrading will be increasingly prominent with their advanced strategies, internal driving force of innovation and reform, professional service capabilities and the position in the upstream and downstream industrial chain.

## **Business Review**

The year 2024 was a crucial year to realize the “14th Five-Year” Plan. Under the background of guidance by national policy of high-quality development and the transformation and upgrading of the pharmaceutical and healthcare industry, the Board of Directors and the management of the Group further clarified the development strategy and promoted the rapid transformation and upgrading of the business model on the basis of maintaining overall business stability. As of the end of the Reporting Period, the Group recorded the operating income of RMB584,507.93 million, representing a year-on-year decrease of 2.02%, and recorded a net profit attributable to the parent company of RMB7,049.68 million, representing a year-on-year decrease of 22.14%. During the Reporting Period, the scale of operating income and the profit decreased on a year-on-year basis. The Group focused on optimizing the business model, enhancing the efficiency of resource allocation, improving operational compliance control, and promoting the effective improvement of operating quality. Meanwhile, the Group made efforts on improving its business governance capability and tapping its business development potential, laying a solid foundation for its medium- and long-term compliance and steady development.

Faced with the enormous challenges brought by policy supervision and accelerated industrial transformation, the Group focused on transformation, innovation and compliance empowerment, paid more attention to the performance indicators such as operating profits, receivable turnover and operating cash flow of various businesses, and continuously optimized the service capabilities and value creation ability for upstream suppliers and downstream end customers. During the Reporting Period, the three main business segments showed a differentiated development trend. As of the end of 2024, the proportion of the revenue of the pharmaceutical distribution segment of the Group increased by 1.72 percentage points on a year-on-year basis to 73.16%; the proportion of the revenue of the medical device distribution segment decreased by 1.68 percentage points on a year-on-year basis to 19.41%; the proportion of the revenue of the retail pharmacy segment increased by 0.14 percentage point on a year-on-year basis to 5.92%.

***Pharmaceutical Distribution: Steady growth demonstrated resilience, and marketing services were quickly promoted***

In 2024, the tenth batch of the centralized procurement of drugs organized by the State was carried out, covering 263 drug specifications, involving 62 varieties and 10 treatment categories, and the number of drug specifications reached a new high in the previous centralized procurement of drugs organized by the State. During the Reporting Period, the centralized procurement of Chinese patent medicines and Chinese herbal medicines carried out by the national procurement alliance and relevant provinces was implemented in an orderly manner, and the coverage of the centralized procurement of drugs gradually expanded, and the terminal prices of drugs continued to decline, prompting pharmaceutical distribution enterprises to further focus on product quality, service efficiency and compliance operation and continuously expand their market shares. In addition, China's support policies for the development of innovative drugs have been gradually issued, accelerating the launch and iteration of innovative drugs, further releasing the demand for customized and large-scale innovative drug market education and marketing services, and the service transformation of the pharmaceutical distribution industry has ushered in incremental opportunities.

In 2024, the pharmaceutical distribution segment of the Group showed the resilience of steady development, and its revenue recorded RMB444,364.61 million, representing a year-on-year increase of 0.75%, and its operating profit was 2.74%, representing a slight decrease of 0.26 percentage point as compared with the corresponding period of last year. During the Reporting Period, the Group enhanced the optimization and layout of the pharmaceutical distribution network, and continued to lay a solid foundation for the development of the pharmaceutical distribution segment with high-quality terminal structure. In view of the situation that regional market differentiation drives the performance differentiation of provincial companies, the Group actively adjusted its strategy and formulated differentiated development strategies according to different regions, development stages and customer structures to enhance its market share. As of the end of the Reporting Period, the Group had continuously increased investments in resources in Jiangsu, Zhejiang, Shanghai, Beijing and other key regions, improved the efficiency of resource allocation and promoted the rapid growth of its market share. During the Reporting Period, the business growths in the above regions performed well, and the Group continued to maintain its business scale and industry leading edge in Northwestern, Northeastern and Central China. In addition, the Group continued to optimize the channel structure of pharmaceutical distribution business and promoted direct sales business to high-grade hospitals and retail terminals. As of the end of the Reporting Period, the proportion of the direct sales business of the Group increased steadily.

During the Reporting Period, the Group actively explored the growth potential of the segment. On the one hand, the variety structure was adjusted and optimized towards the direction of high demand and high-value, and the clinical high-value varieties achieved rapid growth. On the other hand, the Group comprehensively promoted the development of innovative services and cooperated with Pfizer, Novartis and other manufacturers to carry out 12 self-operated marketing projects. Through the business model of unified procurement based on unified discussion and separate procurement based on unified discussion, the Group has built a professional marketing system in the fields of tumor, infection, respiratory diseases, generic drugs and other diseases to promote the development of the national integrated professional marketing platform, and effectively improve the accessibility and affordability of drugs. During the Reporting Period, with its nationwide distribution network and high-quality marketing platform, the Group strengthened its deepening cooperation with brands such as Boehringer and Novartis, added marketing promotion of related categories, and constantly explored the launch of innovative drugs in China market, which helped to consolidate the Group's leading position in the pharmaceutical distribution segment.

***Medical Device Distribution: Compliance drove channel optimization, and value-added services released new increments***

With the normalization of compliance regulation in the pharmaceutical industry, non-compliant sales behaviors have been effectively contained, the efficiency of use of medical insurance funds has been improved, and the compliance review of medical device products entering hospitals has become stricter, resulting in a slowdown in the speed of medical devices entering hospitals and a decrease in the growth rate of the industry. In 2024, the National Healthcare Security Administration continued to promote the quality improvement and coverage expansion in the centralized procurement of consumables. Cochlear implants and peripheral vascular stents were included in the fifth batch of the centralized procurement of high-value consumables organized by the State, and the prices of the winning products dropped significantly. The fourth batch of centralized procurement of intraocular lenses and sports medical consumables organized by the State was implemented in June 2024, with an average price reduction of 70%. The centralized procurement of orthopedic consumables was normalized, and the profit margin in distribution continued to be under pressure. During the Reporting Period, the Group's revenue scale in the medical device distribution segment decreased on a year-on-year basis due to the impact of comparison base arising from a reduction in device procurement projects under fiscal subsidy policies and a sharp decrease in the epidemic prevention materials with high gross profits under industry regulation. As of the end of the Reporting Period, the revenue of the medical device distribution segment of the Group recorded RMB117,915.14 million, a year-on-year decrease of 9.44%. The operating profit ratio of the medical device distribution segment was 2.25%, representing a decrease of 1.23 percentage points as compared with the corresponding period of last year.

In terms of category structure, according to the data released by the National Health Commission, from January to August 2024, the number of people discharged from medical and health institutions nationwide increased by 6.5% on a year-on-year basis, and the demand for clinical surgery remained active, driving the growth of the Group's consumables business. With the in-depth compliance supervision of the pharmaceutical industry and the full implementation of "Medical Insurance Unannounced Inspections", the hospitals have further strengthened the compliance supervision of the procurement of medical devices and in vitro diagnostic reagents (IVD), the speed of medical devices and IVD products entering hospitals has slowed down significantly, and the revenue of related categories has dropped significantly.

During the Reporting Period, the Group met the compliance supervision requirements of the industry, adhered to compliance operation, focused on enhancing the business undertaking capabilities of upstream manufacturers and the service capabilities of downstream terminals, continuously increased the proportion of the direct sales business, gradually lowered the proportion of the transfer business, concentrated on the direct sales business of medical institutions, continuously optimized the terminal structure, strengthened the upstream and downstream penetration and service stickiness of the industrial chain, and strove to forge its core competitiveness in the critical period of transformation and transition.

While continuously improving the terminal service capacity and the coverage scale, the Group actively promoted the transformation of innovative services and strengthened the expansion of the SPD business of devices. As of the end of 2024, the Group had actively expanded device intelligent supply chain projects covering various types of medical institutions in 30 provinces. The total number of projects has increased by 337 compared to the end of 2023, including 110 new SPD projects, 217 new single hospital centralised distribution projects, and 10 new medical consortium and medical communities centralised distribution projects. In 2024, the revenue of intelligent supply chain projects continued to maintain rapid growth, and their contributions to the performance of the segment was gradually released, laying a solid foundation for the transformation and development of the medical device distribution business. In addition, relying on the continuously enhanced terminal service capabilities and innovative overall supply chain solutions, the Group empowered the conduct of the medical terminal business and led the development of the industry with innovation of high-quality service model. During the Reporting Period, the Group added 15 service patents and continued to strengthen the matrix of innovative service brands including FLI+, Medical Device Management Cloud (醫工雲) and Medical Consumption Cloud (醫耗雲). 74 service software copyrights were added, focusing on medical device management services, supply chain management services and precise management of high-value consumables.

***Retail Pharmacy: Policy implementation facilitated professional transformation, branding positioning and business layouts continuously improved***

The continuous implementation of the policy for the Medical Insurance Personal Account Reform has led to the differentiated development trend of specialty pharmacies and traditional pharmacies. In 2024, the National Healthcare Security Administration issued the “Notice on Regulating the Management of External Prescriptions of Medical Insurance Drugs”, requiring that dual-channel drugs must be circulated through the electronic prescription center, and the comprehensive implementation of electronic prescriptions further accelerated the outflow of prescriptions. The deepening implementation of the Outpatient Pooled Fund Reimbursement (門診統籌) policy promoted the diversion of chronic patients to specialty pharmacies, and specialty pharmacies with strong prescription undertaking capabilities and high-quality service abilities further ushered in development opportunities. Driven dually by industry policy and market competition environment, the pharmaceutical retail industry is in the overall transformation stage of differentiated development. Leading pharmaceutical retail enterprises with professional service capacity, scientific and technological innovation, refined management and control ability and resource coordination ability will seize the opportunity in the industry reshuffle.

In line with industry policy changes and regulatory requirements, the Group focused on retail strategic goals, promoted the integrated development of wholesale and retail, and built a unified retail platform to resist industry fluctuations with a “dual brand” strategy, achieving results. As of the end of 2024, the revenue of the retail pharmacy segment of the Group recorded RMB35,981.26 million, representing a year-on-year increase of 0.82%. The operating profit ratio of the retail pharmacy segment was 0.90%, representing a decrease of 2.31 percentage points as compared with the corresponding period of last year. Among them, specialty pharmacies actively undertook prescription flow by grasping the opportunity of prescription outflow policy, accelerated the improvement of network layout, expanded the number of “dual-channel” pharmacies and DTP pharmacies, strengthened the professional service level, and steadily improved the operational efficiency. As of the end of the Reporting Period, the revenue of the specialty pharmacy system maintained a year-on-year growth of more than 20%. Due to the influence of the Outpatient Pooled Fund Reimbursement (門診統籌), the Medical Insurance Personal Account Reform and downturn in the overall market consumption, as well as the decline in sales of high-margin epidemic prevention commodities during the Reporting Period, the revenue of Guoda Drugstore decreased by about 8% this year. In context of the above policy impact and intensified industry competition in the retail pharmacy industry and based on the principle of prudence, Sinopharm Accord has made impairment provisions of RMB969.93 million for goodwill and intangible assets of the related asset groups of Guoda Drugstore, which has a corresponding impact on the Group’s net profit attributable to the parent company in 2024. For the basis, method and related details of Sinopharm Accord’s provision for asset impairment, please refer to the announcement of the Company dated 17 March 2025.



By virtue of the advantages of wholesale and retail integration and the efficient and collaborative retail business model, the Group has created the clearer differentiated core competitiveness. The specialty pharmacy system continued to strengthen the coverage of network layout, consolidated the leading position in the industry, further enhanced the high value-added pharmaceutical service ability facing C-side, increase the number of specialty pharmacies based on special services such as rare disease care, medical insurance service and patient follow-up, accelerated the construction of a patient-centered health service platform, strengthened the medical insurance compliance management system, and continued to build the core competitiveness of SPS + specialty pharmacies. The Guoda Drugstore system has gradually transformed from scale-driven growth to structural optimization-driven growth, strove to improve the profitability of a single store, focused on the operating quality and indicator assessment, reduced the number of stores with poor profitability, optimized and adjusted the regional layout and steadily improved the operating quality and the business management ability. As of the end of 2024, the total number of retail pharmacies of the Group was 11,213, representing a net decrease of 896 in total compared with the end of 2023, among which there were 9,569 Guoda Drug Stores, representing a net decrease of 947 compared with the end of 2023, and 1,644 specialty pharmacies, representing an increase of 51 compared with the end of 2023, covering 297 cities in 30 provinces, municipalities and autonomous regions.

During the Reporting Period, the Group continued to improved its service professionalism for C-side customers, strengthened its terminal medication guidance ability, and undertook the outflow of hospital prescriptions and the demand for medical insurance reimbursement. As of the end of 2024, the number of dual-channel pharmacies had reached 1,211, representing an increase of 84 as compared with the corresponding period of last year, further consolidating the Group's leading edge in the retail pharmacy business and professional service capabilities.

***Transformation and Upgrading: Integrated management and control laid a solid foundation, and business transformation progressed steadily***

In the face of the transformation and transition period of the pharmaceutical distribution industry, the Group steadily promoted the transformation and upgrading, focused on the “integration of management and control” and the “digitalization of businesses”, optimized the allocation and efficient use of resources, and promoted the overall improvement of the operational efficiency. During the Reporting Period, relying on strong supply chain service resources, the Group comprehensively accelerated the integration of procurement and sales and further increased its market share on the basis of building centralized procurement templates for provincial platforms and establishing national benchmarking projects. The Group continued to build a side-to-side nationwide integrated logistics operation system covering all business and promoted the implementation of the logistics integration strategy. In terms of financial integration, the Group accelerated the construction of a financial sharing center, optimized financial management processes, and improved efficiency. Through the construction of an integrated management and control system and the digital empowerment of business, the Group strengthened its vertical penetration management capability and risk management and control capability, continuously improved its scale advantage and governance efficiency, complied with the trend of industry transformation and upgrading in the new era, and enhanced its core competitiveness.

In terms of operational control, the Group continued to implement the profit-oriented budget assessment mechanism during the Reporting Period, and the cost control work was effectively implemented. As of the end of 2024, the major expense ratio indicators of the Group continued to optimize, among which, the selling and administration expense ratio was 4.37%, which was basically the same as compared with the corresponding period of last year. Affected by the decline in interest rates and the adjustment of financing structure, the finance expense ratio (excluding factoring) was 0.40%, representing a year-on-year decrease of 0.01 percentage point, and the overall financial expense has been declining for three consecutive years, playing a positive role in narrowing the profit decline. As of the end of the Reporting Period, the Group's gearing ratio had dropped to 67.75%, effectively controlling its operational risks and further enhancing its financial stability. In addition, the Group effectively consolidated the security measures for funds by taking in-depth special actions on accounts receivable management.

Faced with the challenge that the gross profit margin of the pharmaceutical and medical device distribution business continued to decline, the Group deeply forged its integrated management and control capabilities, actively promoted sustainable development, and completed the construction of the first zero-carbon park during the Reporting Period, effectively contributing to the Group's green logistics development and logistics integrated construction. Meanwhile, the Group continued to tap new growth potential and comprehensively promoted the development of service business. In 2024, the proportion of the total revenue and profit of the Group's marketing services, medical device SPD and comprehensive supply chain service projects, third-party logistics services to the Group's total revenue and total profit recorded a year-on-year increase respectively, and the performance contribution continued to grow. In addition, during the Reporting Period, the Group aimed at improving the development quality and profitability in all directions, and made overall efforts to promote compliance and lean management, effectively improving the operational efficiency and the sustainable development capability.

## **Future Prospects**

The pharmaceutical distribution industry will still be in the transition period of transformation and upgrading under the catalysis of various industry policies and competitive landscape. The Group will give full play to the leading advantages of strategic layout, the advantages of resource allocation in the integration of wholesale and retail and the coordination of drugs and medical devices, continuously promote the construction of integration and specialized operation, vigorously promote service transformation, and comprehensively enhance the comprehensive competitiveness, so as to continue to lead the development of the industry.

***Pharmaceutical and Medical Device Distribution: Regional penetration and grass-roots market expansion equally weighed, marketing share growth secured sector leadership***

In terms of the pharmaceutical and medical device distribution segment, the Group will adjust and optimize its operation development strategy, and formulate differentiated development strategies based on the regions and different development stages of subsidiaries, so as to effectively improve the overall business quality and market share. The Group will further optimize the customer structure, maintain the coverage rate and scale advantages of regional public hospital terminals, and consolidate the leading position in the pharmaceutical and medical device distribution market. The Group will pay attention to the reform trend of graded diagnosis and treatment system and expand the market of primary medical services institutions.

Based on the current changes in the policy market, the Group will accelerate the adjustment of the category structure of drugs and medical devices, focus on the high-demand terminal drugs and medical device varieties such as national negotiated varieties and centralized procurement varieties, and strengthen the ability to acquire varieties. Meanwhile, the Group will further increase the terminal market shares of special drugs for narcotic drugs and psychotropic substances and innovative drugs and continue to build a leading position in the industry.

***Retail Pharmacy: Continue to deepen the dual-brand strategy, strengthen and improve the operation quality***

In terms of the retail pharmacy segment, the Group will deepen the “dual-brand” strategy of building two systems, namely, specialty pharmacy system and Guoda Drugstore system, provide professional and diversified health services to C-side customers through the integration of wholesale and retail and mutual empowerment, focus on the development of advantageous regions, enhance the profitability of single stores, strengthen compliance management, and build a patient-centered health service platform.

The specialty pharmacy system will strengthen the integrated management of provincial retail platforms, improve the compliance control of headquarters, strengthen the service and standardization construction, and build differentiated and specialized core competitiveness and service models around various professional service capabilities. Meanwhile, the Group will continue to expand categories, increase pharmaceutical service capacity, and increase the gross profit. Guoda Drugstore system will deeply implement vertical line and integrated management, establish an online and offline collaborative development mechanism, and consolidate the basic management of stores. In addition, the Group will make every effort to improve the operation quality of single stores, increase the gross profit margin and continuously enhance the brand competitiveness by optimizing product categories and increasing the sales proportion of centralized procurement products.

***Compliance Transformation: Deepen the integration construction, penetrate the management, and rapidly push the new growth momentum of service business***

Looking forward to the future, the Group will further strengthen technological empowerment and deepen integrated operation. On the one hand, the Group will further promote the integration construction, improve vertical operation management of business lines, and improve the collaborative efficiency of various business segments, including promoting the integration of procurement, increasing the ratio of centralized procurement, and strengthening the advantages of overall business conduct and variety undertaking; strengthening the ability of integrated logistics management and tapping the advantages of systematization; gradually realizing the integrated management and control of financial funds, optimizing the efficiency of use of funds and enhancing vertical supervision ability. On the other hand, the Group will deepen the digital transformation, empower the conduct of businesses and integrated operation by digital means, and improve the overall organizational control capability and the operational efficiency.

Relying on the opportunity of compliance transformation of the pharmaceutical distribution industry, the Group will continue to improve the compliance and lean management of the overall business, take service as the foundation of the Group's business growth, strengthen the service stickiness to the upstream and downstream of the industrial chain, and accelerate the creation of the "new growth momentum". Focusing on customer needs and based on the advantages of distribution logistics network, the Group will extend to upstream and downstream supply chains to provide various specialized services, and strengthen terminal control capabilities to provide effective support for the transformation of traditional businesses.

In terms of operational management, the Group will continue to strengthen the governance of accounts receivable system, strengthen customer credit standing management, effectively control cash flow risks, reasonably control costs, continuously strengthen the efficiency of fund utilization and asset turnover and improve the quality of operations.

In addition, the Group will continue to promote sustainable development, further integrate the concept of sustainable development into its corporate strategy, corporate management and production operations and actively fulfill various economic, environmental and social responsibilities. Through green logistics and integrated operation, the Group will improve the construction of industrial and scientific research systems, focus on scientific and technological innovation and "industry-academia-research" cooperation, and continue to explore the endogenous driving force for high-quality development of enterprises and green transformation and development.

We believe that driven by policy orientation and market demand, Sinopharm will drive growth with innovation, create value with service, and continue to consolidate the Group's leading position in the field of pharmaceutical distribution.

## Financial Summary

The financial summary set out below is extracted from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the HKFRSs:

During the Reporting Period, the Group recorded a revenue of RMB584,507.93 million, representing a decrease of RMB12,061.64 million or 2.02% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a profit of RMB10,423.59 million, representing a decrease of RMB4,586.24 million or 30.55% as compared with the corresponding period of last year. Profit attributable to owners of the parent amounted to RMB7,049.68 million, representing a decrease of RMB2,004.08 million or 22.14% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB2.26, representing a decrease of 22.07% as compared with the corresponding period of last year.

### *Revenue*

During the Reporting Period, the Group recorded a revenue of RMB584,507.93 million, representing a decrease of 2.02% as compared with RMB596,569.57 million for the twelve months ended 31 December 2023, which was primarily due to the decrease in revenue from the Group's medical device distribution business and other business segments.

- **Pharmaceutical distribution segment:** during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB444,364.61 million, which accounted for 73.16% of the total revenue of the Group and represented an increase of 0.75% as compared with RMB441,050.70 million for the twelve months ended 31 December 2023. Such increase was mainly due to the increase in the distribution scale and the growth of the acquisition rate of the varieties involved in volume-based procurement.
- **Medical device distribution segment:** during the Reporting Period, the revenue from medical device distribution of the Group was RMB117,915.14 million, which accounted for 19.41% of the total revenue of the Group and represented a decrease of 9.44% as compared with RMB130,212.94 million for the twelve months ended 31 December 2023. The decrease was mainly due to the decline of sales revenue of medical devices categories with higher gross profit and the stable growth of revenue of medical consumables affected by changes in the structure of terminal demand.
- **Retail pharmacy segment:** during the Reporting Period, the revenue from retail pharmacy of the Group was RMB35,981.26 million, which accounted for 5.92% of the total revenue of the Group and represented an increase of 0.82% as compared with RMB35,689.38 million for the twelve months ended 31 December 2023. The increase was primarily due to the increase in prescription drug sales and the expansion of the specialty pharmacy system of the Group.

- Other business segments: during the Reporting Period, the revenue from other business of the Group was RMB9,106.49 million, representing a decrease of 12.32% as compared with RMB10,385.63 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in industrial product revenue.

### ***Cost of Sales***

During the Reporting Period, the cost of sales of the Group was RMB540,252.54 million, representing a decrease of 1.42% as compared with RMB548,057.89 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in the revenue of the Group.

### ***Gross Profit***

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB44,255.39 million, representing a decrease of 8.77% as compared with RMB48,511.68 million for the twelve months ended 31 December 2023. The gross profit margin of the Group for the twelve months ended 31 December 2024 and 2023 were 7.57% and 8.13%, respectively.

### ***Other Income***

During the Reporting Period, other income of the Group was RMB468.62 million, representing a decrease of 19.48% as compared with RMB582.01 million for the twelve months ended 31 December 2023. The decrease 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 RMB17,158.64 million, representing a decrease of 1.79% as compared with RMB17,471.69 million for the twelve months ended 31 December 2023. The decrease in selling and distribution expenses was primarily attributable to the reduction in market expenses and compensation of the Group.

### ***Administrative Expenses***

During the Reporting Period, the administrative expenses of the Group were RMB8,413.54 million, representing a decrease of 3.05% as compared with RMB8,678.07 million for the twelve months ended 31 December 2023. The decrease in administrative expenses was primarily attributable to the decrease in employee compensation of the Group.

### ***Operating Profit***

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB16,188.40 million, representing a decrease of 19.90% from RMB20,209.20 million for the twelve months ended 31 December 2023.

### ***Other Gains – Net***

During the Reporting Period, the other gains – net of the Group decreased to RMB46.92 million from RMB661.28 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in the gain on disposal of property, plant and equipment and right-of-use assets.

### ***Other Expenses***

During the Reporting Period, the other expenses of the Group amounted to RMB1,105.58 million, representing an increase of RMB1,070.26 million as compared with RMB35.32 million for the twelve months ended 31 December 2023, which was due to the provision for the impairment loss of intangible assets during the year.

### ***Finance Costs – Net***

During the Reporting Period, the finance costs – net of the Group was RMB2,328.24 million, representing a decrease of 4.20% as compared with RMB2,430.37 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease of the borrowing interest rates and adjustments to the financing structure during the year.

### ***Share of Profits of Associates***

During the Reporting Period, the Group's share of profits of associates was RMB1,196.48 million, representing an increase of 7.64% as compared with RMB1,111.57 million for the twelve months ended 31 December 2023.

### ***Share of Profits and Losses of Joint Ventures***

During the Reporting Period, the Group's share of profits of joint ventures was RMB2.92 million, representing an increase of 169.16% as compared with the share of losses of joint ventures which was RMB4.22 million for the twelve months ended 31 December 2023.

### ***Income Tax Expenses***

During the Reporting Period, the Group's income tax expenses were RMB3,577.31 million, representing a decrease of RMB925.00 million as compared with RMB4,502.31 million for the twelve months ended 31 December 2023. The decrease was primarily due to the decrease in profit before tax of the Group, which led to a corresponding decrease in income tax expenses. The Group's actual income tax rate increased to 25.55% during the Reporting Period from 23.07% for the twelve months ended 31 December 2023.

### ***Profit for the Year***

As a result of the above-mentioned factors, the profit of the Group for the year of 2024 was RMB10,423.59 million, representing a decrease of 30.55% as compared with RMB15,009.83 million for the twelve months ended 31 December 2023. The annual profit margin of the Group for the twelve months ended 31 December 2024 and 2023 were 1.78% and 2.52%, respectively.

### ***Profit Attributable to Owners of the Parent***

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB7,049.68 million, representing a decrease of 22.14% or RMB2,004.08 million from RMB9,053.76 million for the twelve months ended 31 December 2023.

### ***Profit Attributable to Non-controlling Interests***

During the Reporting Period, profit attributable to non-controlling interests of the Company was RMB3,373.91 million, representing a decrease of 43.35% or RMB2,582.16 million from RMB5,956.07 million for the twelve months ended 31 December 2023.

### ***Liquidity and Capital Resources***

#### ***Working capital***

During the Reporting Period, the Group had commercial banking facilities of RMB310,604.69 million, of which approximately RMB173,910.33 million were not yet utilized. As at 31 December 2024, the Group had cash and cash equivalents of RMB54,313.36 million, which primarily comprised cash and bank savings.



## *Cash flow*

The cash of the Group was 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. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2024 and 2023, respectively:

	<b>2024</b>	2023
	<b><i>RMB million</i></b>	<i>RMB million</i>
Net cash generated from operating activities	<b>11,546.01</b>	17,173.03
Net cash used in investing activities	<b>(3,750.92)</b>	(944.53)
Net cash used in financing activities	<b>(17,285.03)</b>	(7,643.97)
(Decrease)/increase in cash and cash equivalents	<b>(9,489.94)</b>	8,584.53
Cash and cash equivalents at the beginning of the year	<b>63,808.54</b>	55,221.62
Foreign exchange gain and loss	<b>(5.24)</b>	2.39
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<b><u>54,313.36</u></b>	<u>63,808.54</u>

### *Net cash generated from operating activities*

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy, medical device distribution and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB11,546.01 million, representing a decrease of RMB5,627.02 million from RMB17,173.03 million for the twelve months ended 31 December 2023.

### *Net cash used in investing activities*

During the Reporting Period, the net cash used in investing activities of the Group was RMB3,750.92 million, representing an increase of RMB2,806.39 million as compared with RMB944.53 million for the twelve months ended 31 December 2023.

### *Net cash used in financing activities*

During the Reporting Period, the net cash used in financing activities of the Group was RMB17,285.03 million. The net cash used in financing activities of the Group for the twelve months ended 31 December 2023 was RMB7,643.97 million, and such increase was mainly due to the repayment of interest-bearing bank borrowings and other borrowings during the period.

### *Capital Expenditure*

The Group's capital expenditures were primarily utilized for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improvement of the level of informatization. The Group's capital expenditures amounted to RMB2,460.69 million and RMB2,488.43 million for the year ended 31 December 2024 and 2023, respectively, which was primarily due to 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 develop, it may incur additional capital expenditure. The Group's ability to obtain additional funding in future is subject to a variety of factors, including its future operational results, financial condition and cash flows, economic, political and other conditions in the mainland China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings, etc.

### *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 Group's business faced a variety of fiscal risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management addresses the unpredictability of financial markets and minimises potential adverse effects on the Group's financial performance. The Group didn't use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates and interest rates.

During the Reporting Period, the Group has successfully issued corporate bonds of RMB3.0 billion and super short-term commercial papers of RMB6.5 billion, for the purpose of broadening the financing channels, reducing financing costs, so as to repay bank borrowings and replenish the working capital.

The Group's borrowings are mainly denominated in RMB.

As at 31 December 2024, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), and small amount denominated in Euro ("EUR"), Great Britain Pound ("GBP"), Swiss Franc ("CHF") and Japanese Yen ("JPY").

### *Indebtedness*

As at 31 December 2024, the Group had aggregated banking facilities of RMB310,604.69 million (31 December 2023: RMB294,573.27 million), of which RMB173,910.33 million (31 December 2023: RMB148,120.82 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. Among the Group's total borrowings as at 31 December 2024, RMB62,729.05 million (31 December 2023: RMB54,730.45 million) will be due within one year and RMB8,637.23 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 its bank loans with its lenders. As at 31 December 2024, bank borrowings and other financial institutions borrowings of the Group were carried at floating interest rates with a weighted average effective annual interest rate of 2.62% for the year ended 31 December 2024 (for the year ended 31 December 2023: 2.82%).

### *Gearing ratio*

As at 31 December 2024, the Group's gearing ratio was 67.75% (31 December 2023: 68.62%), which was calculated based on the total liabilities divided by total assets as at 31 December 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 31 December 2024, the trade and bills receivables of the Group in aggregate amounted to RMB200,255 million (31 December 2023: RMB184,433 million) and its aging analysis is set out in Note 13 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 some extent on certain cash and cash equivalents, prepayments and other receivables, trade payables and accrued expenses and other payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group has no corresponding hedging arrangements.

### ***Pledge of Assets***

As at 31 December 2024, part of the Group's borrowings and notes payable were secured by trade and notes receivable with book value of RMB2,214.32 million (31 December 2023: RMB1,826.62 million), bank deposits of RMB10,200.79 million (31 December 2023: RMB11,011.08 million), and property, plant and equipment with book value of RMB14.90 million (31 December 2023: RMB8.30 million).

### ***Major Acquisitions and Disposals***

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

### ***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.

### ***Going Concern***

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

### ***Contingent Liabilities and Material Litigations***

As at 31 December 2024, the Group neither had any material contingent liability, nor had any material litigation.

## *Human Resources*

As at 31 December 2024, the Group had a total of 108,217 employees (as at 31 December 2023: 115,959 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 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. The Group also 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-based remuneration, bonus and piece rate wage. Remuneration is adjusted based on factors such as the results of the corporation, work performance and capability as well as job responsibilities of employees.

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to determine Directors’ remuneration incentive policies, and designed a compensation structure comprising “basic remuneration, performance-based remuneration, and medium and long-term incentives”. The basic 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. During the Reporting Period, the details of employee benefit expenses of the Group is set out in the Note 9 to the consolidated financial statements.

## **DIVIDEND POLICY**

The Company has established a dividend policy. Under the Company Law of the People's Republic of China and the Articles of Association, all of our shareholders have equal rights to dividends and distribution. The declaration of dividends is subject to the discretion of the Board and the approval of the shareholders, which the Company expects will take into account factors such as the following:

- (i) the Company's financial results;
- (ii) the Company's shareholders' interests;
- (iii) general business conditions and strategies;
- (iv) the Company's capital needs;
- (v) contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- (vi) taxation considerations;
- (vii) possible effects on the Company's credit worthiness;
- (viii) statutory and regulatory restrictions; and
- (ix) any other factors the Board may deem relevant.

The allocations to the statutory common reserve fund are currently determined to be 10% of the Company's after-tax profit attributable to equity holders of the Company for the fiscal year determined in accordance with PRC accounting rules and regulations. When the accumulated allocations to the statutory common reserve fund reach 50% of the Company's registered capital, the Company will no longer be required to make allowances for allocation to the statutory common reserve fund.

## **DIVIDENDS**

Relevant resolution was passed at a meeting of the Board held on 21 March 2025 to propose to distribute a final dividend of RMB0.68 per share (tax inclusive) for the year ended 31 December 2024 (the "**Final Dividend**"), totalling approximately RMB2,122,046,000. If the proposal of profit distribution is approved by shareholders at the 2024 annual general meeting to be held on Thursday, 12 June 2025 (the "**AGM**"), the Final Dividend will be distributed to the shareholders whose names appear on the register of members of the Company on Monday, 23 June 2025 no later than 12 August 2025.

According to the Articles of Association of the Company, the Final Dividends will be denominated and declared in Renminbi. Final Dividend on domestic shares of the Company and for investors investing in the H shares of the Company through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect (the “**Southbound Trading**”) (the “**Southbound Trading Shareholders**”) will be paid in Renminbi, and the Final Dividend for other holders of H shares of the Company will be paid in Hong Kong dollars. The amount of the Final Dividend payable in Hong Kong dollars shall be calculated based on the average exchange rate of Renminbi to Hong Kong dollars as announced by the People’s Bank of China for the calendar week prior to 12 June 2025 (being the date of declaration of the Final Dividend).

For the Southbound Trading Shareholders, the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) with China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, each of which as a nominee of the holders of H shares for Southbound Trading, will receive all the Final Dividend distributed by the Company and distribute the Final Dividend to the relevant Southbound Trading Shareholders through their depository and clearing systems.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the “**EIT Law**”), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the EIT Law. The Company will distribute the Final Dividend to non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise as defined under the EIT Law which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the register of the members of H shares of the Company should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a PRC lawyer (with the official chop of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the “**Notice**”) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld by the Company from the Final Dividend payable to the individual H-share shareholders whose names appear on the register of members of the Company on Monday, 23 June 2025, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice. If individual H Share shareholders consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, after receiving the dividends, they may proceed with the subsequent tax related treatment in person or through proxy with competent tax authorities of the Company in accordance with requirements under the tax treaties.

Pursuant to the “Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets” (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the “Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets” (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission, for dividends derived by Mainland individual investors from investing in H-share listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

As at the date of this announcement, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.



## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 9 June 2025 to Thursday, 12 June 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend the AGM and to vote at the meeting, all instruments of transfer of the holders of H-shares of the Company must be lodged at the H-shares registrar of the Company at Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 6 June 2025. Shareholders whose names appear on the register of members of the Company on Monday, 9 June 2025 shall be entitled to attend the AGM.

In order to ascertain Shareholders' entitlement to receive the proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 18 June 2025 to Monday, 23 June 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the Final Dividend, all instruments of transfer of the holders of H-shares of the Company must be lodged at the H-shares registrar of the Company at Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 June 2025. Shareholders whose names appear on the register of members of the Company on Monday, 23 June 2025 shall be entitled to receive the Final Dividend.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the Reporting Period, none of the Company and its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sales of treasury shares (the "**Treasury Shares**") within the meaning under the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "**Listing Rules**")). As at 31 December 2024, the Company did not hold any Treasury Shares.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company currently consists of four directors: including three independent non-executive directors being Mr. Wu Tak Lung, Mr. Li Peiyu and Mr. Shi Shenghao and one non-executive director being Mr. Li Dongjiu. Mr. Wu Tak Lung currently serves as the chairman of the audit committee. The primary responsibilities of the Company's audit committee are to inspect, review and supervise the Company's financial information, reporting process for financial information and risk management and internal control system. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2024.

## **SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED**

The financial figures in respect of the preliminary results announcement of the Group for the year ended 31 December 2024 have been agreed by the Group's auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2024. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Confucius International CPA Limited on the preliminary results announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CORPORATE GOVERNANCE CODE") SET OUT IN APPENDIX C1 TO THE LISTING RULES**

The Company has adopted all code provisions of 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.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”) SET OUT IN APPENDIX C3 TO THE LISTING RULES**

The Board has adopted the Model Code as the code of practice for directors and supervisors in respect of their trading in the listed securities of the Company. After making specific enquires with the directors and supervisors, all of them confirmed that they had complied with the requirements for securities trading of directors and supervisors 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 annual 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 of  
**Sinopharm Group Co. Ltd.**  
**Zhao Bingxiang**  
*Chairman*

Shanghai, the PRC  
21 March 2025

*As at the date of this announcement, the executive Directors are Mr. Lian Wanyong and Mr. Sun Jinglin; the non-executive Directors are Mr. Zhao Bingxiang, Mr. Chen Qiyu, Mr. Hu Ligang, Mr. Zu Jing, Mr. Xing Yonggang, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and the independent non-executive Directors are Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao.*