



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



All for Health Health for All

Interim Report 2022



* 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."

Company Profile

The Company was established in January 2003 and listed on The Stock Exchange of Hong Kong Limited (stock code: 01099. HK) in September 2009, is a core subsidiary of China National Pharmaceutical Group Co., Ltd. and the largest wholesaler and retailer of pharmaceutical and medical devices and healthcare products, and a leading supply-chain service provider in the PRC.



The Group is mainly engaged in pharmaceutical and medical devices distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, delivery and other value-added services to domestic and foreign manufacturers and suppliers of pharmaceutical products, medical devices and consumables and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions.

Meanwhile, the Group manages its network of retail drug stores chain in major cities of China via direct operations and franchises to sell pharmaceutical and healthcare products to end customers. It has become a leader in China's pharmaceutical retail industry.

Besides, the Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and actively engaged in the innovation of pharmaceutical, medical services and other health-related industries, to explore the synergistic development of its diversified businesses.

Taking advantage of its superior economies of scale, customer resources, network platforms and brand position, the Group will fully leverage on China's pharmaceutical and healthcare market, which shows steady and healthy growth, and capture opportunities arising from healthcare reform to further consolidate and enhance its market leadership, actively striving to become a pharmaceutical and healthcare service provider with international competitiveness.



Contents

1	Company Profile
3	Corporate Information
5	Definitions
7	Management Discussion and Analysis
23	Biographies of Directors, Supervisors and Senior Management
34	Other Information
38	Independent Review Report
39	Interim Condensed Consolidated Statement of Profit or Loss
40	Interim Condensed Consolidated Statement of Comprehensive Income
41	Interim Condensed Consolidated Statement of Financial Position
43	Interim Condensed Consolidated Statement of Changes in Equity
44	Interim Condensed Consolidated Statement of Cash Flows
47	Notes to the Interim Condensed Consolidated Financial Information

Corporate Vision

Becoming a distinguished (technological and innovative) global pharmaceutical and healthcare service provider

Corporate Mission

All for Health
Health for All

Corporate Information

As at the date of this report

Directors

Mr. Yu Qingming (*Executive Director and Chairman*)
Mr. Liu Yong (*Executive Director and President*)
Mr. Chen Qiyu (*Non-executive Director and Vice Chairman*)
Mr. Hu Jianwei (*Non-executive Director*)
Mr. Ma Ping (*Non-executive Director*)
Mr. Deng Jindong (*Non-executive Director*)
Mr. Wen Deyong (*Non-executive Director*)
Mr. Li Dongjiu (*Non-executive Director*)
Ms. Feng Rongli (*Non-executive Director*)
Mr. Zhuo Fumin (*Independent Non-executive Director*)
Mr. Chen Fangruo (*Independent Non-executive Director*)
Mr. Li Peiyu (*Independent Non-executive Director*)
Mr. Wu Tak Lung (*Independent Non-executive Director*)
Mr. Yu Weifeng (*Independent Non-executive Director*)

Supervisors

Ms. Guan Xiaohui (*Chief Supervisor*)
Mr. Liu Zhengdong
Mr. Liu Hongbing
Ms. Lu Haiqing

Company Secretary

Mr. Wu Yijian

Strategy and Investment Committee

Mr. Yu Qingming (*Chairman*)
Mr. Liu Yong
Mr. Chen Qiyu
Mr. Hu Jianwei
Mr. Ma Ping
Mr. Deng Jindong
Mr. Wen Deyong
Mr. Li Dongjiu
Mr. Chen Fangruo
Mr. Li Peiyu

Audit Committee

Mr. Wu Tak Lung (*Chairman*)
Mr. Li Dongjiu
Mr. Zhuo Fumin
Mr. Li Peiyu

Remuneration Committee

Mr. Li Peiyu (*Chairman*)
Ms. Feng Rongli
Mr. Wu Tak Lung
Mr. Yu Weifeng

Nomination Committee

Mr. Yu Qingming (*Chairman*)
Mr. Hu Jianwei
Ms. Feng Rongli
Mr. Zhuo Fumin
Mr. Chen Fangruo
Mr. Wu Tak Lung
Mr. Yu Weifeng

Corporate Information

As at the date of this report

Legal and Compliance and Environmental, Social and Governance Committee

Mr. Yu Weifeng (*Chairman*)
Mr. Yu Qingming
Mr. Liu Yong

Authorized Representatives

Mr. Yu Qingming
Mr. Wu Yijian

Legal Advisers

As to Hong Kong and United States laws:
DLA Piper UK LLP

As to PRC law:
Guantao Law Firm Shanghai Office
Shanghai Boss & Young Attorneys at Law

Auditor

International auditor:
Ernst & Young
Registered PIE auditor

Domestic auditor:
Ernst & Young Hua Ming LLP

Principal Place of Business in Hong Kong

Room 1601,
Emperor Group Center,
288 Hennessy Road,
Wanchai, Hong Kong

Principal Place of Business and Headquarters in the PRC

Sinopharm Group Building,
No. 385, East Longhua Road, Huangpu District,
Shanghai 200023, the PRC

Registered Office in the PRC

1st Floor, No.385,
East Longhua Road,
Huangpu District,
Shanghai 200023, the PRC

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

01099

Principal Banks

Bank of Communications Co., Ltd., Shanghai Branch
China Merchants Bank Co., Ltd., Shanghai Branch
Bank of China Limited, Shanghai Branch
China Minsheng Banking Corp., Ltd., Shanghai Branch
Industrial and Commercial Bank of China Limited, Shanghai Branch
Agricultural Bank of China Co., Ltd., Shanghai Branch
China Construction Bank Co., Ltd., Shanghai Branch

Office of Board of Directors

Tel: (+86 21)2305 2666
Email: ir@sinopharm.com/sinopharm@wsfg.hk

Definitions

In this interim report, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CNPGC”	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“CNPGC Group”	CNPGC and its subsidiaries and associates (excluding the Group)
“Company” or “Sinopharm Group”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
“Directors”	the director(s) of the Company
“Fosun High Technology”	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a company incorporated in the PRC with limited liability
“Fosun Holdings”	Fosun Holdings Limited (復星控股有限公司), a company incorporated in the PRC with limited liability
“Fosun International”	Fosun International Limited (復星國際有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
“Fosun International Holdings”	Fosun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Group”	the Company and its subsidiaries
“Henlius”	Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Definitions

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“PRC”	the People’s Republic of China
“Reporting Period”	the six months ended 30 June 2022
“Shareholder(s)”	the shareholder(s) of the Company
“Sinopharm Accord”	China National Accord Medicines Corporation Ltd. (國藥集團一致藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange
“Sinopharm (CNMC LTD)”	China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A shares are listed and traded on the Shanghai Stock Exchange
“Sinopharm Investment”	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), a company incorporated in the PRC with limited liability
“Supervisor(s)”	the supervisor(s) of the Company

Management Discussion and Analysis

Industry Overview

The economy ran smoothly, policy implementation boosted economic recovery

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

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

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

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

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

Management Discussion and Analysis

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

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

Business Review

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

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

Management Discussion and Analysis

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

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

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

Market share steadily increased, service innovation promoted transformation

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

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

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

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

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

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

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

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

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

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

Fully Participated in pandemic containment, with social responsibility duly exercised

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

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

Management Discussion and Analysis

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

Future Plans

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

Consolidate advantages, and promote transformation

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

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

Management Discussion and Analysis

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

Improve quality and efficiency, secure steady development

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

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

Financial Summary

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

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

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

Management Discussion and Analysis

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

Unit: in millions of RMB unless otherwise stated

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

Unit: in millions of RMB unless otherwise stated

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

Unit: in millions of RMB unless otherwise stated

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

Management Discussion and Analysis

Revenue

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

- **Pharmaceutical distribution segment:** During the Reporting Period, the Group's revenue from pharmaceutical distribution was RMB196,523.94 million, representing an increase of 3.19% as compared with RMB190,446.44 million for the six months ended 30 June 2021, and accounting for 72.69% of the total revenue of the Group. Such increase was mainly due to the increase in the distribution scale of retail pharmacies and the growth of the acquisition rate of the varieties involved in VBP.
- **Medical device segment:** During the Reporting Period, the revenue from medical device of the Group was RMB53,684.24 million, which accounted for 19.86% of the total revenue of the Group and represented an increase of 12.36% as compared with RMB47,780.34 million for the six months ended 30 June 2021. The increase was primarily due to the business growth of the Group's medical device business.
- **Retail pharmacy segment:** During the Reporting Period, the Group's revenue from retail pharmacy was RMB15,274.10 million, representing an increase of 11.31% as compared with RMB13,722.19 million for the six months ended 30 June 2021, and accounting for 5.65% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the Group's network of retail drug stores.
- **Other business segment:** During the Reporting Period, the Group's revenue from other business was RMB4,858.72 million, representing an increase of 0.48% as compared with RMB4,835.31 million for the six months ended 30 June 2021, primarily due to the growth from chemical reagent and pharmaceutical manufacturing business.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB239,814.23 million, representing an increase of 4.94% as compared with RMB228,533.01 million for the six months ended 30 June 2021, which was comparable with the growth rate of the sales revenue.

Gross Profit

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

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

Management Discussion and Analysis

Other Income

During the Reporting Period, other income of the Group was RMB233.68 million, representing a decrease of 3.95% as compared with RMB243.29 million for the six months ended 30 June 2021. The decrease in other income was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB7,777.63 million, representing an increase of 2.26% as compared with RMB7,605.50 million for the six months ended 30 June 2021. The increase in selling and distribution expenses was primarily attributable to the purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network through new set-ups of companies.

Administrative Expenses

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

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

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group for the Reporting Period was RMB9,057.01 million, representing an increase of 3.25% from RMB8,772.03 million for the six months ended 30 June 2021.

Other Gains, Net

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

Other expenses

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

Finance Costs, Net

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

Share of Profits and Losses of Associates

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

Management Discussion and Analysis

Share of Profits and Losses of Joint Ventures

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

Income Tax Expense

The Group's income tax expense increased by 5.13% from RMB1,688.42 million for the six months ended 30 June 2021 to RMB1,775.05 million for the Reporting Period. Such increase was primarily due to the increase in income tax expenses corresponding to the increase in the profits before tax of the Group. The Group's effective income tax rate increased from 21.88% for the six months ended 30 June 2021 to 22.18% for the six months ended 30 June 2022.

Profit for the Reporting Period

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

Profit Attributable to Owners of the Parent

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

Profit Attributable to Non-controlling Interests

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

Liquidity and Capital Sources

Working capital

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

Cash Flow

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

Management Discussion and Analysis

Net cash used in operating activities

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

Net cash generated from investment activities

During the Reporting Period, the net cash generated from investment activities of the Group was RMB391.03 million as compared with the net cash from investment activities of RMB88.30 million for the six months ended 30 June 2021. Such increase was primarily due to the changes of the restricted cash during the Reporting Period.

Net cash generated from financing activities

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

Capital Expenditure

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

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

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group had successfully issued super short-term financing bonds in an aggregate amount of RMB6.30 billion in the first half of 2022 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as to replenish working capital.

Management Discussion and Analysis

The Group's borrowings are mainly denominated in RMB.

As of 30 June 2022, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in USD ("**USD**"), Euro ("**EUR**"), GBP ("**GBP**"), CHF ("**CHF**") and JPY ("**JPY**").

For details of borrowings of the Group, please refer to note 20 to the interim condensed consolidated financial statements.

Indebtedness

As of 30 June 2022, the Group had aggregated banking facilities of RMB277,204.68 million, of which RMB120,777.25 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. As of 30 June 2022, among the Group's total borrowings, RMB76,661.74 million will be due within one year and RMB10,377.68 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing the bank loans with its lenders.

Gearing ratio

As of 30 June 2022, the Group's gearing ratio was 72.24% (31 December 2021: 70.29%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2022.

Foreign Exchange Risks

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

Pledge of Assets

As of 30 June 2022, part of the Group's borrowings and notes payable were secured by trade and bills receivables with book value of RMB3,852.31 million, bank deposits of RMB8,838.30 million, properties, plant and equipment with book value of RMB8.46 million.

Going Concern

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

Management Discussion and Analysis

Contingent Liabilities and Material Litigations

As at 30 June 2022, the Group neither had any material contingent liabilities, nor had any material litigations.

Major Investment

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

Major Acquisitions and Disposals

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

Human Resources

As at 30 June 2022, the Group had a total of 112,859 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group conducts periodic performance reviews on its employees and adjusts their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to designed a compensation structure comprising “basic remuneration, performance-based remuneration, and medium- and long-term incentives”. The basic annual salary is the basic fixed income; the performance-based annual salary is the immediate floating income based on the completion of the annual performance goals, which is paid after evaluation; the “medium-and long-term incentive” is the share incentive scheme, which is contingent on the excellent performance in the medium and long term, designed to bind interests and share risks with shareholders. Details of the employee benefit expenses of the Group during the Reporting Period are set out in Note 11 to the Consolidated Financial Statements.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Yu Qingming, aged 58, is the chairman, executive Director and the secretary of Party Committee of the Company. Mr. Yu has over 35 years of working experience in the pharmaceuticals industry, especially in the management of pharmaceuticals and medical devices, and holds the professional title of senior engineer. Mr. Yu graduated from Shanghai Medical Equipment College (currently known as Shanghai University of Medicine & Health Sciences) in 1987, and graduated from the Party School of the Central Committee of C.P.C majoring in economic management in July 2001 with a master degree. From July 1987 to February 1997, Mr. Yu successively worked at Beijing Pharmaceutical Station of CNPGC, China Medical Instrument Corporation and State Pharmaceutical Administration; from February 1997 to August 2010, Mr. Yu successively held senior management positions in the United Laboratories International Holdings Limited and China Medical Instrument Corporation. Mr. Yu has taken senior management positions of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since August 2010. He currently serves as the director of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd.. Mr. Yu joined the Group since December 2018 and currently serves as the secretary of Party Committee and the chairman and executive Director of the Company. Mr. Yu currently serves as a director and general manager of Sinopharm Investment. Mr. Yu is currently also a representative of the 13th National People's Congress, a party representative of the 12th Party Congress of Shanghai, vice president of China Association for Medical Devices Industry, vice chairman of China Association of Medical Equipment, and vice president of China Association for Vaccines etc. He is appointed as part-time professor in various universities such as East China University of Science and Technology and Beijing Jiaotong University (formerly known as Northern Jiaotong University).

Mr. Liu Yong, aged 53, is an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu has over 30 years of working experience, over 27 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises from China Pharmaceutical University in July 1992, a master's degree in business administration from Fudan University in January 2000 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University in June 2016. Mr. Liu is a chief pharmacist and a practicing pharmacist. Mr. Liu joined the Group since July 1992. He worked at Shanghai Pharmaceutical Station, China National Pharmaceutical Group Shanghai Co., Ltd., Shanghai Guoda Drug Chain Store Co., Ltd. and Sinopharm Holding Shenyang Co., Ltd.. Mr. Liu held senior management positions in the Company since January 2009, and is currently an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu currently serves as the director of Sinopharm Investment and Sinopharm (CNMC LTD), the director of Sinopharm Accord, and also takes senior management positions in a number of subsidiaries.

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Qiyu, aged 50, is a non-executive Director and vice chairman of the Company. Mr. Chen has nearly 29 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and a master's degree in business administration from China Europe International Business School in September 2005. Mr. Chen joined Fosun Pharma Group (namely Fosun Pharma and its holding subsidiaries/units, hereafter the same) since 1994, and is currently the executive director and joint chief executive officer of Fosun International (a company listed on the Hong Kong Stock Exchange (stock code: 00656)), the non-executive director of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)), the non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange (stock code: 02696)), the co-chairman of New Frontier Health Corporation (a company delisted from the NYSE in January 2022), the director of Beijing Sanyuan Food Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600429) and the non-executive director of Gland Pharma Limited (a company listed on Bombay Stock Exchange and National Stock Exchange of India, stock code: GLAND and GLAND). Mr. Chen joined the Company since January 2003, and has served as the chief Supervisor and non-executive Director of the Company, and is currently the non-executive Director and vice chairman of the Company. Mr. Chen is also the deputy chairman of Sinopharm Investment. Mr. Chen is currently also the chairman of China Medical Pharmaceutical Material Association, the vice chairman of China Pharmaceutical Innovation and Research Development Association, the honorary chairman and chief supervisor of Shanghai Biopharmaceuticals Industry Association and the standing member of the 13th Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Hu Jianwei, aged 48, is a non-executive Director of the Company. Mr. Hu worked at government agencies for a long time from July 1994 to November 2017. He has in-depth research on macroeconomic operation and management and is familiar with medical and health work. He has served as a member of Party Committee and the deputy general manager of CNPGC since December 2017, and the general counsel since January 2019, mainly responsible for work such as strategic planning, branding, operation and legal affairs. Mr. Hu has served as a non-executive Director of the Company since he joined the Company in December 2018.

Mr. Ma Ping, aged 66, is a non-executive Director of the Company. Mr. Ma has over 39 years of working experience. Mr. Ma received a bachelor degree from chemistry department of Fudan University in 1982. Mr. Ma worked at the Ministry of Labor and Personnel, the National Pharmaceutical Administration and the State Planning Commission from February 1982 to March 1992. He also took senior management positions in London Export Corporation, Hoechst (China), Lotus Healthcare, BMP, Sinogen International Ltd. and United Medical Industrial Group respectively from March 1992 to March 2000. He served as a director and a vice general manager of Tonghua Golden-horse Group (a company listed on the Shenzhen Stock Exchange, stock code: 000766) from March 2000 to September 2001. He served as a director and a general manager of BMP from September 2001 to December 2005. He served as an external director of CNPGC from May 2016 to June 2021, and a director of China National Biotec Group Co., Ltd. from May 2016 to July 2021. Mr. Ma currently serves as a director of BioPro Pharmaceutical Inc. and a project consultant of Principle Capital. Mr. Ma has been serving as a non-executive Director of the Company since joining the Company in October 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. Deng Jindong, aged 58, is a non-executive Director of the Company. He has over 34 years of working experience, over 29 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics from Hangzhou Electronics Industry Institution (currently known as Hangzhou Dianzi University) in July 1986 and a master's degree in economics from Central Institute of Finance and Economics (currently known as Central University of Finance & Economics) in January 1991. He is a non-practicing PRC certified public accountant. Mr. Deng was previously the chief financial officer of Economic Information Network Data Co., Ltd., senior audit manager of Taikang Life Insurance Co., Ltd. and the head of the finance department of CNPGC from April 2000 to October 2004. Mr. Deng has been the chief accountant of CNPGC from October 2004 to May 2017, and has served as its vice general manager since May 2017. Mr. Deng has been a non-executive Director since he joined the Company in August 2007. He is currently also the chairman of Sinopharm Investment.

Mr. Wen Deyong, aged 51, is a non-executive Director of the Company. Mr. Wen graduated from Donghua University and received a master's degree in business administration in December 2007. Mr. Wen joined Fosun Pharma Group in May 2002, and is currently the chief executive officer of Fosun Pharma, president of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. and the director of pharmaceutical business management committee. Mr. Wen worked at Chongqing Yaoyou Pharmaceutical Co., Ltd. and Chongqing Healthman Pharma Co., Ltd. from September 1995 to May 2016. Mr. Wen has served as the non-executive Director of the Company since September 2017. Mr. Wen is currently also the director of Sinopharm Investment and Sinopharm (CNMC LTD), and a supervisor of Sinopharm Accord. Mr. Wen was also the director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300452) and C.Q. Pharmaceutical Holding Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000950).

Mr. Li Dongjiu, aged 57, is a non-executive director of the Company. Mr. Li has over 34 years of working experience in the pharmaceutical industry, over 29 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li is a professor-level senior engineer and Doctor of engineering. Mr. Li obtained a bachelor's degree in chemical engineering from Dalian University of Technology in July 1987, a master's degree in management science and engineering from Wuhan Transportation University in July 1998, a master's degree of arts in international economic and trade relations from the Flinders University of South Australia in October 2005, a PhD degree of transportation planning and management from Wuhan University of Technology in June 2013 and an EMBA degree from China Europe International Business School. Mr. Li held senior management positions in North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600812) from July 1987 to December 2009, successively as a general manager of Sales Company of North China Pharmaceutical Group Corporation, a general manager of Business Department of North China Pharmaceutical Group Corporation and deputy general manager of North China Pharmaceutical Co., Ltd. and the head of its financial department. Mr. Li joined Fosun Pharma Group for the first time in December 2009 and successively served as the president of Shanghai Fosun Pharmaceutical Development Co., Ltd., the chairman of the Commercialization and Consumer Products Management Committee of Fosun Pharmaceutical and the senior vice president of Fosun Pharmaceutical and also served as the director of Nature's Sunshine Products Inc (a company listed on the NASDAQ, NASDAQ: NATR) from December 2009 to January 2018; and rejoined Fosun Pharma Group in March 2021 and is currently serving as the senior vice president of Fosun Pharma. Mr. Li served as a non-executive Director of the Company from October 2013 to January 2018 and served as a vice president and chief legal advisor of the Company from January 2018 to March 2021. Mr. Li once served as a director of Sinopharm (CNMC LTD) and Sinopharm Accord. Mr. Li has been a non-executive director of the Company since June 2021.

Biographies of Directors, Supervisors and Senior Management

Ms. Feng Rongli, aged 47, is a non-executive Director of the Company. Ms. Feng graduated from Shanghai University with a major in microcomputer application in July 1996 and obtained a master's degree in business administration from Columbia Southern University in February 2002. Ms. Feng has extensive experience in the field of human resources management. Ms. Feng held human resources management positions in Sealed Air Packaging (Shanghai) Co., Ltd. (希悅爾包裝(上海)有限公司), Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), and F. Hoffmann-La Roche AG from July 1996 to February 2015. Ms. Feng served as the deputy chief human resources officer of Fosun High Technology and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海復星創業投資管理有限公司) from July 2018 to April 2020. Ms. Feng joined Fosun Pharma Group since April 2020 and is currently serving as the senior vice president of Fosun Pharma. Ms. Feng currently serves as the chairman of the supervisory committee of Henlius (a company listed on the Hong Kong Stock Exchange, stock code: 02696) and the non-executive director of Sisram Medical Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 01696). Ms. Feng has served as the non-executive Director of the Company since June 2020.

Mr. Zhuo Fumin, aged 71, is an independent non-executive Director of the Company. Mr. Zhuo has more than 46 years of experience in the field of enterprise management and capital markets. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science (currently known as Shanghai University of Engineering Science) in 1983. He subsequently obtained a master's degree in economics from Fudan University in 1997. Mr. Zhuo currently serves as the chairman and managing partner of V Star Capital. Between 1987 and 1995, Mr. Zhuo served positions including an office head and an officer assistant of the Shanghai Government Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo held in turn various positions such as the managing director and CEO at Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0363). Mr. Zhuo has successively served as the chairman and the chief executive officer of Vertex China Investment Co., Ltd. (a wholly-owned subsidiary of Vertex Management Group, a global venture capital management company), the founder and chairman of Shanghai Kexing Investment Co., Ltd., and managing partner of GGK Capital (a venture fund) since 2002. Mr. Zhuo has served as the independent non-executive Director of the Company since March 2016. Mr. Zhuo is also an independent director of Daqo New Energy Corp. (a company listed on the New York Stock Exchange, stock code: DQ), Shanghai Shine-Link International Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603648) and Dazhong Transportation (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600611), a non-executive director of Besunyen Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0926), and an independent non-executive director of SRE Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1207).

Biographies of Directors, Supervisors and Senior Management

Mr. Chen Fangruo, aged 57, is an independent non-executive Director of the Company. Mr. Chen graduated from Shanghai Jiao Tong University in 1985 with dual bachelor's degrees in Shipbuilding and Marine Engineering and Computer Science and Technology. In 1987, he obtained a master's degree from the Moore School of Electrical Engineering, University of Pennsylvania. He then received his Ph.D. degree from the Wharton School at the University of Pennsylvania. Mr. Chen worked at Columbia Business School in 1992, successively serving as the Assistant Professor, Associate Professor, Lifetime Associate Professor, and Full Professor. In 2005, he became the Lifetime Chair Professor. During the foregoing period, Mr. Chen acted as a distinguished visiting professor at Stanford School of Business, Cheung Kong Graduate School of Business, Chinese Academy of Sciences, Shanghai Jiao Tong University, Peking University, Tianjin University and other prestigious universities at home and abroad. Mr. Chen has served as the independent non-executive Director of the Company since December 2018. Mr. Chen has served as a visiting chair professor at Shanghai Jiao Tong University since 2017. He is currently a "Guangqi" fund sponsored professor at Shanghai Jiao Tong University, the Dean of Antai College of Economics and Management at Shanghai Jiao Tong University and concurrently as the Dean of the Industry Research Institute of Shanghai Jiao Tong University. Since 2019, he has served concurrently as the vice chairman of the National MBA Education Instruction Committee and a director of the AMBA & BGA's International Management Board. Currently, Mr. Chen also served as the independent director of Yunnan Jianzhijia Health-Chain Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 605266).

Mr. Li Peiyu, aged 59, is an independent non-executive Director of the Company. Mr. Li obtained a bachelor's degree of engineering in Power System and Automation from Tsinghua University, a master's degree of engineering in Management Engineering from the Department of Economics, School of Economics and Management, Tsinghua University and the PhD of management in Management Science and Engineering from School of Economics and Management, Tsinghua University in July 1984, July 1987 and January 2004, respectively, and obtained a Master of Public Administration (MPA) from Harvard University in June 1998. Mr. Li has worked in the areas of economics, finance and management for more than 31 years. From July 1987 to September 2000, he held positions in the Development Research Center of the State Council. From September 2000 to December 2007, Mr. Li successively served as the deputy director of Henan Provincial Development Planning Committee and the mayor of Hebi City in Henan Province. From December 2007 to November 2020, Mr. Li successively served as the director of alternative investment department of China Investment Corporation, the inspector of the research office of the State Council, the chairman of China Reinsurance (Group) Corporation, the managing director of Beijing Zhongyu Green Investment Management Co., Ltd., the managing director of CASIC Investment Fund Management (Beijing) Limited Company (航天科工投資基金管理(北京)有限公司) and the partner of the Beijing Qiyuanhouji Investment Management Co., Ltd. (北京啟源厚積投資管理有限公司). Mr. Li has served as the independent non-executive Director of the Company since September 2020. Mr. Li has served as the managing director of Lotus Lake Venture Capital Management (Beijing) Co., Ltd. (荷塘創業投資管理(北京)有限公司) since January 2022.

Biographies of Directors, Supervisors and Senior Management

Mr. Wu Tak Lung, aged 57, is an independent non-executive Director of the Company. Mr. Wu received a bachelor's degree in Business Administration from the Hong Kong Baptist University and a master's degree in business administration jointly from the University of Manchester and the University of Wales, respectively. Mr. Wu currently serves as an independent non-executive director of Sinomax Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1418), Kam Hing International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2307), Henan Jinma Energy Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 6885), Zhongguancun Science-Tech Leasing Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1601) and Minth Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0425). In the last three years, Mr. Wu was an independent non-executive director of China Machinery Engineering Corporation and Beijing Media Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1000). On 10 February 2022, the Listing Committee of the Stock Exchange published a statement to criticize certain members and former members of the board of directors of Beijing Media Corporation Limited. Particulars of Mr. Wu as the former independent non-executive director of the company, are set out in the announcement of the Company dated 14 February 2022. Mr. Wu has received relevant trainings mentioned in such announcement. Mr. Wu had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years. Mr. Wu has served as an independent non-executive Director of the Company since September 2020. Mr. Wu is currently a member of Hong Kong Institute of Certified Public Accountants and a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and The Hong Kong Chartered Governance Institute.

Mr. Yu Weifeng, aged 51, is an independent non-executive Director of the Company. Mr. Yu is a lawyer with more than 26 years of working experience as a practicing lawyer. Mr. Yu obtained a bachelor's degree in laws from Fudan University in June 1995 and a master's degree in business administration from China Europe International Business School in July 2015. In July 2019, he completed the Senior Management Leadership Program of Harvard Business School. From July 1995 to December 1998, Mr. Yu served as a paralegal and lawyer in Shanghai Pu Dong International Law Office (now renamed as Shanghai Pu Dong Law Office). Mr. Yu has served as a partner in Links Law Offices since December 1998, and served as a director thereof from January 2014 to June 2020. Mr. Yu currently serves as an independent director of Deppon Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603056) and Shenergy Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600642) and an external director of Jiahua Chemicals Inc.. Mr. Yu has served as the independent non-executive Director of the Company since September 2020. Currently, Mr. Yu is also a director of Foreign Affairs Committee of the All China Lawyers Association, president of Shanghai Arbitration Association, a member and an arbitrator of Shanghai Arbitration Commission, an arbitrator of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) and Hainan International Arbitration Court and a mediator of Shanghai Commercial Mediation Center.

Biographies of Directors, Supervisors and Senior Management

Supervisors

Ms. Guan Xiaohui, aged 51, is the chief Supervisor of the Company. Ms. Guan obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics and obtained a master's degree in accounting for senior accountant from the Chinese University of Hong Kong in December 2007. Ms. Guan is qualified as Chinese Certified Public Account (CPA) and a member of The Association of Chartered Certified Accountants (ACCA). Ms. Guan joined Fosun Pharma Group in May 2000 and currently serves as an executive director and vice chairman of Fosun Pharma. Ms. Guan worked at Jiangxi Provincial Branch of the Industrial and Commercial Bank of China from July 1992 to May 2000. Ms. Guan served as the non-executive Director of the Company from March 2019 to March 2021 and also once served as a supervisor of Sinopharm Accord. Ms. Guan serves as the Supervisor and the chief Supervisor of the Company since June 2021, and currently also serves as a non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange, stock code: 02696) and a supervisor of Sinopharm Industrial Investment Co., Ltd..

Mr. Liu Zhengdong, aged 52, is a Supervisor of the Company. Mr. Liu is a lawyer who has more than 28 years of working experience as a practicing lawyer. Mr. Liu graduated from East China University of Political Science and Law (formerly known as East China School of Political Science and Law) with a bachelor's degree in Law in 1991, and juris master's degree in 2002. He served as an assistant prosecutor in Railway Transportation branch of Shanghai People's Procuratorate from July 1991 to June 1994. From June 1994 to October 1998, Mr. Liu worked at Shanghai Hongqiao Law Firm and has been serving as a lawyer. Mr. Liu worked at Shanghai Junyue Law Firm from October 1998 to February 2022, and served as director and chief partner successively. Mr. Liu has been working in Jun He Law Offices since February 2022 as a partner. Mr. Liu has served as the independent non-executive Director of the Company from September 2014 to September 2020 and has been a Supervisor of the Company since September 2020. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and was also honored as National Excellent Lawyer and Shanghai Excellent Non-litigation Lawyer. Currently, Mr. Liu serves as a deputy to the Shanghai 15th People's Congress, the standing director of the National Lawyers Association, the president of Shanghai Bankruptcy Administrators Association (上海市破產管理人協會) and the vice president of Shanghai General Chamber of Commerce. Mr. Liu also serves as an arbitrator of China International Economic and Trade Arbitration Commission (CIETA), Shanghai International Economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC).

Mr. Liu Hongbing, aged 51, is an employee representative Supervisor of the Company. Mr. Liu served in the army force from 1987 to 2019, and developed an in-depth study in the national policies. From January 2020 to March 2021, Mr. Liu acted as the director of the board office, the head of the publicity department of the Party Committee and the director of press office, and concurrently served as the deputy officer of policy study office of China National Pharmaceutical Group Co., Ltd.. Mr. Liu has served as the employee representative Supervisor of the Company since 17 June 2022 and currently is a member of the Party Committee and the secretary of Discipline Inspection Commission of the Company.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhang Hongyu, aged 60, is the former employee representative Supervisor of the Company. Mr. Zhang has over 36 years of working experience. Mr. Zhang obtained a bachelor's degree in political economics from East China Normal University in July 1985 and a master's degree of EMBA from Shanghai Jiao Tong University in December 2007. Mr. Zhang held human resources management position in China Worldbest Group Co., Ltd. from November 1999 to December 2006. Mr. Zhang joined the Group in March 2007, and served as a deputy party secretary and the head of Human Resources Department of Sinopharm Logistics Co., Ltd., the head of Human Resources Department of Distribution Business Department of the Company, the deputy head of Human Resources Department of the Company, the head of the Party Affairs Department of the Company and the deputy secretary of Discipline Inspection Commission and the deputy chairman of Labour Union of the Company as well as the secretary of Discipline Inspection Commission of the Company. Mr. Zhang has been an employee representative Supervisor of the Company from January 2018 to 17 June 2022. Mr. Zhang has resigned due to attainment of the statutory retirement age.

Ms. Lu Haiqing, aged 48, is an employee representative Supervisor of the Company. Ms. Lu obtained a master's degree in accounting from the Chinese University of Hong Kong in December 2012. Ms. Lu is a non-executive member of the Chinese Institute of Certified Public Accountants (CPA) and a non-executive member of the International Certified Internal Auditor (CIA) Association. Ms. Lu has approximately 27 years' working experience, with all audit experience obtained from February 2000 to June 2006. She had served successively as the project manager of the audit department of Guangxi GuiXinCheng Certified Public Accountants Co., Ltd. (廣西桂鑫誠會計事務所), the project manager of the audit department of Shanghai Huadong Certified Public Accountants Co., Ltd., Guangxi Branch (上海華東會計師事務所有限公司廣西分所), the project manager of the investment department of Shanghai Kangrun Investment Co., Ltd. (上海康潤投資有限公司) and the deputy general manager of the audit center of Bosideng Corporation Limited (波司登股份有限公司). Since she joined the Group in July 2006, Ms. Lu has been serving as the deputy head of the audit department of the Company and has served as an employee representative Supervisor of the Company since September 2020. Ms. Lu currently also takes executive director or supervisor positions in a number of subsidiaries.

Company Secretary

Mr. Wu Yijian, the company secretary, is also the secretary to the Board of the Company. Please refer to the section headed "Senior Management" for Mr. Wu's biography.

Senior Management

Mr. Liu Yong, is currently an executive Director and the President of the Company. Please refer to the section headed "Directors" above for Mr. Liu's biography.

Mr. Li Yang, aged 44, is a vice president of the Company. Mr. Li has more than 22 years of working experience, with more than 20 years of operation and management experience in the medical devices industry. Mr. Li obtained a bachelor of Economics in International Enterprise Management from Dalian Maritime University in July 2000. Mr. Li is a senior engineer. Mr. Li worked at China National Pharmaceutical Group Corporation, General Electric (China) Co., Ltd. and IBA (China) Co., Ltd. from July 2000 to January 2011. Mr. Li has been serving as the senior management of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since January 2011. Mr. Li currently serves as the chairman of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. and takes senior management positions in a number of subsidiaries of the Company. Mr. Li joined the Company as a vice president of the Company in November 2018.

Biographies of Directors, Supervisors and Senior Management

Mr. Jiang Xiuchang, aged 58, is a vice president of the Company. Mr. Jiang has over 35 years of working experience, over 24 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Jiang obtained a bachelor's degree in financial accounting from Zhongnan University of Economics and Law in July 1986, and graduated from the class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at CNPGC from July 1986 to March 2002. Mr. Jiang served at Sinopharm (CNMC LTD) from March 2002 to May 2010 and successively served as the deputy head, the head of the finance department and the chief financial officer. Mr. Jiang served as the chief financial officer of the Company from May 2010 to March 2021, and has served as the vice president of the Company since July 2013. Mr. Jiang was a director of Sinopharm Accord. Mr. Jiang is currently the general counsel of the Company and concurrently served as the chairman of Sinopharm (CNMC LTD) and takes senior management positions in a number of subsidiaries of the Company.

Mr. Lian Wanyong, aged 52, is a vice president of the Company. Mr. Lian has over 25 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-Sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian is an associate chief pharmacist. Mr. Lian served at CNPGC from July 2005 to January 2018, and successively served as the deputy head of the financial assets management department, the head of the investment management department and the vice director of policy research office. Mr. Lian served as the non-executive Director and Supervisor of the Company from December 2008 to January 2018, and joined the Company as a vice president in January 2018. Mr. Lian is currently also the director of Sinopharm (CNMC LTD) and Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Cai Maisong, aged 52, is a vice president of the Company. Mr. Cai has over 29 years of working experience. Mr. Cai received a bachelor degree of pharmacy from School of Pharmacy of Beijing Medical University in July 1992, and later received a master degree in business administration from Nankai University. Mr. Cai served at Guangzhou Baiyunshan Pharmaceutical General Factory, Les Laboratoires Servier Industrie, Tianjin purchase station of China National Pharmaceutical Group Corp. and China National Pharmaceutical Group Corp. Tianjin Co., Ltd. from July 1992 to December 2002. Mr. Cai served as a director of commerce department and director of operation management center in Sinopharm Holding Tianjin Co., Ltd. from January 2003 to July 2006, and served as the director of risk and operation management department of the Company from July 2006 to December 2010. Mr. Cai served as the vice director and the director of risk and operation management department and the vice director of policy research office of CNPGC from January 2011 to August 2017. Mr. Cai served as a supervisor of CNPGC from December 2012 to January 2018, and served as a vice principal in Sichuan Province Food and Drug Administration from June 2016 to January 2018. Mr. Cai joined in the Company as a vice president in January 2018 and served as the general counsel of the Company from November 2021 to June 2022. Mr. Cai currently takes senior management positions in a number of subsidiaries of the Company.

Biographies of Directors, Supervisors and Senior Management

Ms. Li Xiaojuan, aged 46, is the chief financial officer of the Company. Ms. Li has over 20 years of working experience. Ms. Li obtained a bachelor's degree in real estate operation and management from investment economics department of Dongbei University of Finance & Economics in July 1998 and a master's degree in national economics (investment economics) with specialty in securities investment from investment economics department of Dongbei University of Finance & Economics in April 2001. Ms. Li is a non-practicing certified public accountant, a senior economist and a certified asset valuer. Ms. Li served as the project manager of Beijing Tianhua Accounting Firm and the vice director of strategic development department of Xi'an TopSun Group from April 2001 to February 2005. Ms. Li served as the manager of finance department, the director of auditing and supervision office and the manager of auditing department of China National Pharmaceutical Industry Corporation from February 2005 to August 2010. Ms. Li served at CNPGC from August 2010 to March 2021, and served as its vice director of investment management department, the vice director of auditing department, the director of auditing department, the director of finance department and the vice director of policy research office. Ms. Li has served as the Supervisor of the Company from January 2016 to March 2021 and has served as the chief financial officer of the Company since March 2021. Ms. Li is currently a director of Sinopharm Accord and Sinopharm (CNMC LTD), and takes senior management positions in a number of subsidiaries of the Company.

Mr. Chen Zhanyu, aged 51, is a vice president of the Company. Mr. Chen graduated from Xi'an University of Finance and Economics with a college degree in accounts in July 1992, and obtained his master's degree in business administration from Northwest University in 2005 and his master's degree in accounts from the Chinese University of Hong Kong in 2015. Mr. Chen holds the qualification of PRC Certified Public Accountant (CPA). From 1992 to 2011, Mr. Chen took financial management positions at Baoji Pharmaceutical Machinery Plant, Xi'an Fifth Grinding Wheel Factory, Xi'an Omeya Beauty Products Co., Ltd., Xi'an Topsun Science and Technology Co., Ltd. and Shandong Buchang Pharmaceutical Co., Ltd.. Mr. Chen served as the vice president, the vice chief financial officer and the general manager of the Finance Department in Fosun Pharma Group and served as the senior management of several subsidiaries of Fosun Pharma Group from June 2011 to March 2021. Since joining the Company in March 2021, Mr. Chen has served as a vice president of the Company. Currently, Mr. Chen also takes senior management positions in a number of subsidiaries of the Company.

Mr. Xu Shuangjun, aged 54, is a non-executive vice president of the Company. He has over 36 years of working experience, over 28 years of which is management experience in the pharmaceutical and healthcare products industry. He graduated from the School of Pharmacy of the Second Military Medical University in Shanghai and obtained a bachelor's degree in medicine in 2001. He further obtained a master's degree in business administration from the Macau University of Science and Technology in 2006 and has the qualifications of practicing pharmacist and chief pharmacist. He was the manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co., Ltd., the chairman and general manager of Hebei Zhongrui Medicines Co., Ltd., the general manager and secretary of the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co., Ltd., and the chairman, general manager and secretary of the Party Committee of Lerentang Pharmaceutical Group Co., Ltd. from March 1999 to May 2011. Mr. Xu is currently the chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd.. Mr. Xu has been a non-executive vice president of the Company since May 2011.

Biographies of Directors, Supervisors and Senior Management

Mr. Wu Yijian, aged 52, is the secretary to the Board of the Company. Mr. Wu graduated from Shanghai Medical University with a bachelor's degree in preventive medicine in July 1993. Mr. Wu obtained his master's degree in business administration from Tsinghua University in July 2003, his joint master's degree in professional accounting for senior accountant from the Chinese University of Hong Kong and Shanghai National Accounting Institute in July 2013. Mr. Wu worked at Sanjiu Enterprise from July 1993 to May 2004 and served as the sales director of Sanjiu Pharmaceutical Trading Co., Ltd., the chief operating officer of Sanjiu Pharmaceutical Chain Co., Ltd. and the deputy general manager of Shanghai Sanjiu Pharmaceutical Technology Development Co., Ltd.. Mr. Wu worked at Fosun Pharma from June 2004 to December 2018, and served as its vice general manager of the investment department and president assistant. Mr. Wu has served as the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600655) from November 2014 to December 2015. Mr. Wu was a non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018. He joined the Company as the secretary to the Board in January 2019. Mr. Wu is currently also a director of Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Zhou Xudong, aged 53, is the former vice president of the Company. Mr. Zhou has over 31 years of working experience. Mr. Zhou received an associate degree of audit from department one from Nanjing Audit University in July 1990. From November 1992 to December 2002, Mr. Zhou worked at Nantong City Chemical Pharmaceutical Raw Material Company, and finally served as its vice general manager. Mr. Zhou served as a general manager and chairman in Nantong City Pharmaceutical Sales Co., Ltd. from December 2002 to December 2011. Mr. Zhou served as a general manager of Sinopharm Holding Nantong Co., Ltd. and a general manager of Sinopharm Holding Jiangsu Co., Ltd. from December 2011 to June 2019. Mr. Zhou served as a vice president of the Company from January 2018 to January 2022. Mr. Zhou has served as a director of Sinopharm (CNMC LTD) and takes senior management positions in a number of subsidiaries of the Company.

Other Information

Changes of Directors and Supervisors

- (1) On 10 June 2022, Mr. Deng Jindong resigned as a member of the audit committee and remuneration committee of the Company due to other work arrangements, which took effect on 10 June 2022.
- (2) On 17 June 2022, Mr. Zhang Hongyu applied to resign as an employee representative supervisor of the Company due to attainment of the statutory retirement age, which took effect from 17 June 2022. On the same day, Mr. Liu Hongbing was elected as an employee representative supervisor of the Company at the meeting of the employee representatives of the Company.

Please refer to the section headed “Biographies of Directors, Supervisors and Senior Management” for details about the latest biographies of the Directors and Supervisors of the Company, which includes the latest information of the Directors and Supervisors of the Company disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2022, the interests and short positions held by the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

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

Note: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The above mentioned “approximate percentage to the total number of shares of the Company” is calculated based on the total issued shares of the Company of 3,120,656,191 shares as at 30 June 2022, and the “approximate percentage to the total number of H shares in issue of the Company” is calculated based on the issued H shares of the Company of 1,341,810,740 shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors, Supervisors or the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

Other Information

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

As at 30 June 2022, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNP GC	Domestic shares	Beneficial owner	207,289,498	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun International	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	Long position
Citigroup Inc.	H shares	Interest of controlled corporation	2,827,089	0.09	0.21	Long position
			4,122,821	0.13	0.30	Short position
		Approved lending Agent (Note 9)	94,235,295	3.02	7.02	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation	81,923,996	2.63	6.11	Long position
		(Note 10)	2,226,000	0.07	0.17	Short position
FMR LLC	H shares	Interest of controlled corporation (Note 11)	147,687,769	4.73	11.01	Long position

Other Information

Notes:

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

- (1) Such 1,571,555,953 domestic shares belong to the same batch of shares.
- (2) CNPGC is interested in 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.
- (3) Fosun Pharma is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (4) Fosun High Technology is the beneficial owner of 39.39% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (5) Fosun International is the beneficial owner of 100% equity interest in Fosun High Technology and 0.23% equity interest in Fosun Pharma and, therefore, Fosun International is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (6) Fosun Holdings is the beneficial owner of 71.09% equity interest in Fosun International and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (7) Fosun International Holdings is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (8) Mr. Guo Guangchang is the beneficial owner of 85.29% equity interest in Fosun International Holdings and 0.004% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.
- (9) Citigroup Inc. is interested in 97,062,384 H Shares of the Company in an aggregate in long position (including 94,235,295 H Shares available for lending) and 4,122,821 H Shares in short position.
- (10) BlackRock, Inc. is interested in long positions of 81,923,996 H shares of the Company and short positions of 2,226,000 H shares of the Company.
- (11) FMR LLC is interested in an aggregate of long positions of 147,687,769 H shares of the Company.
- (12) The above mentioned “approximate percentage to the total number of shares of the Company” was calculated based on the total issued shares of the Company of 3,120,656,191 shares as at 30 June 2022. In respect of H shares, the “approximate percentage to the relevant class of shares” was calculated based on the issued H shares of the Company of 1,341,810,740 shares as at 30 June 2022. In respect of domestic shares, the “approximate percentage to the relevant class of shares” was calculated based on the issued domestic shares of the Company of 1,778,845,451 domestic shares as at 30 June 2022.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2022, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Other Information

Purchase, Sale or Redemption of Listed Securities of the Company

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

Dividends

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

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

Audit Committee

As at the date of this report, the Audit Committee of the Company consists of three Independent Non-executive Directors, namely Mr. Wu Tak Lung (Chairman), Mr. Zhuo Fumin and Mr. Li Peiyu, and one Non-executive Director, namely Mr. Li Dongjiu. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 and agreed on the accounting treatment adopted by the Company.

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

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

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as the Standards for governing the transactions of the Company's listed securities by the Directors and Supervisors. Having made specific enquiry of all the Directors and Supervisors, all of them confirmed that they had complied with the required standard regarding securities transactions by the Directors and Supervisors as set out in the Model Code during the Reporting Period.

Disclosure of Information

This report will be dispatched to the shareholders of the Company and published on the websites of the Company (<http://www.sinopharmgroup.com.cn> or <http://sinopharm.todayir.com>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Independent review report



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

TO THE BOARD OF DIRECTORS OF SINOPHARM GROUP CO. LTD.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 39 to 84, which comprises the condensed consolidated statement of financial position of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	6	261,471,723	249,120,231
Cost of sales	10	(239,814,229)	(228,533,008)
Gross profit		21,657,494	20,587,223
Other income	7	233,683	243,294
Selling and distribution expenses	10	(7,777,626)	(7,605,499)
Administrative expenses	10	(3,659,428)	(3,441,563)
Impairment losses on financial and contract assets	8	(987,599)	(710,546)
Losses on derecognition of financial assets measured at amortised cost		(409,515)	(300,878)
Operating profit		9,057,009	8,772,031
Other gains, net	9	28,268	75,435
Other expenses	9	9,825	(176)
Finance income		319,126	313,479
Finance costs		(1,903,436)	(1,898,727)
Finance costs, net	12	(1,584,310)	(1,585,248)
Share of profits and losses of:			
Associates		490,851	454,308
Joint ventures		2,029	597
		492,880	454,905
Profit before tax		8,003,672	7,716,947
Income tax expense	13	(1,775,054)	(1,688,416)
PROFIT FOR THE PERIOD		6,228,618	6,028,531
Attributable to:			
Owners of the parent		3,693,744	3,582,839
Non-controlling interests		2,534,874	2,445,692
		6,228,618	6,028,531
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)			
– Basic and Diluted	14	1.18	1.15

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Right-of-use assets	16	7,077,179	6,983,410
Investment properties	16	559,114	588,366
Property, plant and equipment	16	12,303,558	12,424,342
Intangible assets	16	10,291,733	10,391,727
Investments in joint ventures		29,097	27,002
Investments in associates	17	8,833,844	8,387,677
Equity investments designated at fair value through other comprehensive income		84,685	81,045
Financial assets at fair value through profit or loss		696,303	688,555
Finance lease receivables		9,887	11,816
Deferred tax assets	22	2,016,675	1,787,093
Other non-current assets		3,014,839	3,119,147
Total non-current assets		44,916,914	44,490,180
CURRENT ASSETS			
Inventories		56,992,053	51,499,625
Trade and bills receivables	18	210,496,105	171,389,603
Contract assets		1,254,771	1,184,017
Prepayments, other receivables and other assets		15,532,451	13,611,275
Financial assets at fair value through profit or loss		347	11,749
Finance lease receivables		2,957	1,915
Pledged deposits and restricted cash		8,838,298	9,694,529
Cash and cash equivalents		32,146,044	43,529,428
Total current assets		325,263,026	290,922,141
Total assets		370,179,940	335,412,321
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	3,120,656	3,120,656
Treasury shares held for share incentive scheme		(3,838)	(3,838)
Reserves		60,124,105	58,769,197
		63,240,923	61,886,015

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Non-controlling interests		39,507,132	37,767,920
Total equity		102,748,055	99,653,935
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	20	10,377,681	8,418,680
Lease liabilities	21	3,364,816	3,249,870
Deferred tax liabilities	22	1,002,655	1,022,792
Post-employment benefit obligations	23	377,718	387,697
Contract liabilities		52,285	56,750
Other non-current liabilities	24	3,276,839	3,316,048
Total non-current liabilities		18,451,994	16,451,837
CURRENT LIABILITIES			
Trade and bills payables	25	131,276,526	128,431,227
Contract liabilities		6,486,499	6,085,953
Accruals and other payables		29,091,894	26,229,755
Dividends payable		2,708,341	246,214
Tax payable		1,255,380	1,613,704
Interest-bearing bank and other borrowings	20	76,661,743	55,151,650
Lease liabilities	21	1,499,508	1,548,046
Total current liabilities		248,979,891	219,306,549
Total Liabilities		267,431,885	235,758,386
Total equity and liabilities		370,179,940	335,412,321

Yu Qingming
Director

Wu Tak Lung
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Notes	Attributable to owners of the parent				Non-controlling interests	Total equity
		Share capital	Treasury shares held for share incentive scheme	Reserves	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)		3,120,656	(3,838)	58,769,197	61,886,015	37,767,920	99,653,935
Total comprehensive income for the period		-	-	3,700,679	3,700,679	2,537,634	6,238,313
Effect of transactions with non-controlling interests	26	-	-	(2,771)	(2,771)	(17,488)	(20,259)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	146,778	146,778
Dividends paid to non-controlling interests		-	-	-	-	(930,812)	(930,812)
Dividend declared	15	-	-	(2,340,492)	(2,340,492)	-	(2,340,492)
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	15	15	9	24
Others		-	-	(2,523)	(2,523)	3,091	568
At 30 June 2022 (unaudited)		3,120,656	(3,838)	60,124,105	63,240,923	39,507,132	102,748,055
At 1 January 2021 (audited)		3,120,656	(3,838)	53,242,027	56,358,845	33,588,476	89,947,321
Total comprehensive income for the period		-	-	3,580,883	3,580,883	2,441,674	6,022,557
Effect of transactions with non-controlling interests		-	-	2,149	2,149	(10,433)	(8,284)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	239,388	239,388
Acquisition of subsidiaries		-	-	-	-	135,724	135,724
Disposal of a subsidiary		-	-	-	-	71	71
Dividends paid to non-controlling interests		-	-	-	-	(1,007,204)	(1,007,204)
Dividend declared		-	-	(2,153,253)	(2,153,253)	-	(2,153,253)
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	(314)	(314)	(202)	(516)
Others		-	-	501	501	356	857
At 30 June 2021 (unaudited)		3,120,656	(3,838)	54,671,993	57,788,811	35,387,850	93,176,661

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		8,003,672	7,716,947
Adjustments for:			
– Share of profits and losses of associates	17	(490,851)	(454,308)
– Share of profits and losses of joint ventures		(2,029)	(597)
– Asset impairment		989,383	724,739
– Depreciation of property, plant and equipment and investment properties	16	861,697	811,718
– Amortisation of intangible assets	16	178,615	172,975
– Depreciation of right-of-use assets	16	960,373	897,227
– Gain on disposal of investment properties, property, plant and equipment and intangible assets	9	(4,719)	(40,319)
– Gain on disposal of right-of-use assets	9	(7,901)	(3,728)
– Write-back of certain liabilities	9	(12,659)	(16,010)
– Negative goodwill		–	(579)
– Loss on derecognition of financial assets measured at amortised cost		361,181	300,878
– Finance cost		1,758,441	1,745,645
– Gain on disposal of a subsidiary	9	–	(229)
– Gain on disposal of portion of equity investment in associates	9	(7,421)	(11,472)
– Fair value gain on financial assets at fair value through profit or loss	9	(7,745)	(28)
– Dividend from financial assets at fair value through other comprehensive income	9	(535)	(489)
		12,579,502	11,842,370
– Inventories		(5,548,371)	(3,679,384)
– Trade and bills receivables		(40,036,475)	(45,321,864)
– Contract assets		(76,800)	(214,528)
– Prepayments, other receivables and other assets		(2,268,087)	(360,856)
– Trade and bills payables		4,070,996	13,144,528
– Contract liabilities		417,699	(787,086)
– Accruals, other payables and other liabilities		(1,040,594)	(249,597)
Cash used in operations		(31,902,130)	(25,626,417)
Income tax paid		(2,391,255)	(2,141,946)
Net cash flows used in operating activities		(34,293,385)	(27,768,363)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

Notes	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of intangible assets	3,371	1,877
Proceeds from disposal of right-of-use assets	6,016	3,938
Proceeds from disposal of property, plant and equipment	41,736	54,785
Proceeds from disposal of investment properties	635	–
Proceeds from disposal of financial assets at fair value through profit or loss	11,400	39,778
Proceeds from disposal of an associate	10,421	21,214
Interest received from long-term deposits	39,841	44,971
Disposal of a subsidiary, net of cash disposed	–	97
Dividends received from associates	99,432	46,031
Dividends received from joint ventures	–	10,200
Dividends received from financial assets at fair value through other comprehensive income	535	489
Prepayments of right-of-use assets	(32,133)	(28,358)
Purchase of property, plant and equipment	(870,081)	(791,964)
Purchase of intangible assets	(20,486)	(32,602)
Withdrawal of long-term deposits	126,947	17,716
Consideration paid for prior year acquisition of subsidiaries	(163,067)	(136,545)
Acquisition of subsidiaries, net of cash acquired	–	(96,754)
Acquisition of associates	(4,750)	(2,000)
Investment in a joint venture	(66)	–
Decrease in restricted cash	1,141,274	935,431
Net cash flows from investing activities	391,025	88,304

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings from banks		47,795,068	41,655,582
Proceeds from borrowings from related parties		55,912	–
Proceeds from borrowings from other financial institutions		6,602,884	7,874,857
Repayments of borrowings from banks		(26,060,366)	(33,385,143)
Repayments of borrowings from related parties		(1,922,990)	(16,710)
Repayments of borrowings from other financial institutions		(4,790,565)	(3,522,570)
Repayments of bonds		(2,000,000)	(11,540,010)
Proceeds from issue of bonds		6,300,000	14,494,735
Capital injections from non-controlling shareholders of subsidiaries		146,778	239,388
Dividends paid to non-controlling shareholders of subsidiaries		(809,177)	(1,040,102)
Transactions with non-controlling interests of subsidiaries		(13,740)	(91,585)
Interest paid		(1,847,908)	(1,960,688)
Principal portion of lease payments		(942,339)	(847,316)
Net cash flows from financing activities		22,513,557	11,860,438
Net decrease in cash and cash equivalents		(11,388,803)	(15,819,621)
Cash and cash equivalents at beginning of year		43,529,428	50,178,265
Effect of foreign exchange rate changes, net		5,419	1,097
Cash and cash equivalents at end of period		32,146,044	34,359,741

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

1. General information

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

2. Basis of preparation and changes in accounting policies

(1) Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

(2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3,
Amendments to HKAS 16

Reference to the Conceptual Framework
*Property, Plant and Equipment: Proceeds before
Intended Use*

Amendments to HKAS 37

Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to HKFRSs 2018-2020 Amendments to HKFRS 1, HKFRS 9, Illustrative
Examples accompanying HKFRS 16, and HKAS 41

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

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

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

The amendments did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments did not have any significant impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

2. Basis of preparation and changes in accounting policies (continued)

(2) Changes in accounting policies (continued)

- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no significant modification of the Group's financial liabilities during the period, the amendment did not have any significant impact on the financial position or performance of the Group.
 - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial information for the year ended 31 December 2021.

4. Financial risk management

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

There have been no changes in the risk management department since year end or in any risk management policies.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

4. Financial risk management (continued)

(ii) Liquidity risk

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2022 (unaudited)					
Interest-bearing bank and other borrowings	78,209,639	5,908,883	4,907,545	-	89,026,067
Trade and other payables	157,416,089	-	-	-	157,416,089
Dividends payable	2,708,341	-	-	-	2,708,341
Lease liabilities	1,499,508	1,483,425	1,929,095	692,323	5,604,351
Other non-current liabilities	-	145,820	-	-	145,820
	239,833,577	7,538,128	6,836,640	692,323	254,900,668
As at 31 December 2021 (audited)					
Interest-bearing bank and other borrowings	55,816,676	4,517,324	4,186,310	-	64,520,310
Trade and other payables	150,715,716	-	-	-	150,715,716
Dividends payable	246,214	-	-	-	246,214
Lease liabilities	1,548,046	1,510,956	1,907,523	613,754	5,580,279
Other non-current liabilities	-	174,150	-	-	174,150
	208,326,652	6,202,430	6,093,833	613,754	221,236,669

Note: The calculation of expected interest to be paid is based on borrowings as at 30 June 2022 and 31 December 2021 and the interest rates as at 30 June 2022 and 31 December 2021.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

4. Financial risk management (continued)

(iii) Fair value estimation

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The table below presents the Group's assets and liabilities that are measured at fair value at 30 June 2022 and 31 December 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2022 (unaudited)				
Equity investments designated at fair value through other comprehensive income	39,885	13,340	31,460	84,685
Financial assets at fair value through profit or loss	347	3,700	692,603	696,650
Trade and bills receivables held both to collect cash flows and to sell	–	7,183,417	–	7,183,417
	40,232	7,200,457	724,063	7,964,752
As at 31 December 2021 (audited)				
Equity investments designated at fair value through other comprehensive income	36,245	13,340	31,460	81,045
Financial assets at fair value through profit or loss	349	3,700	696,255	700,304
Trade and bills receivables held both to collect cash flows and to sell	–	8,513,229	–	8,513,229
	36,594	8,530,269	727,715	9,294,578

There were no significant transfers of financial assets among level 1, level 2 and level 3 during the period.

There were no changes in valuation techniques during the period.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

4. Financial risk management (continued)

(iv) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Borrowings from banks and other financial institutions (Note 20)	3,681,867	1,723,560	3,697,393	1,718,230
Bonds (Note 20)	6,695,814	6,695,120	6,695,814	6,695,120

The carrying amounts and fair values of the Group's financial instruments, other than borrowings from banks and other financial institutions and bonds, those with carrying amounts that reasonably approximate to fair values.

5. Segment Information

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

5. Segment Information (continued)

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 purpose.

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

Capital expenditure comprises mainly additions to right-of-use assets, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

5. Segment Information (continued)

Segment revenue and results

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

	Pharmaceutical distribution RMB'000	Medical device RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
Six months ended 30 June 2022 (unaudited)						
Segment results						
External segment revenue	189,464,721	53,024,725	15,000,740	3,981,537	-	261,471,723
Intersegment revenue	7,059,221	659,510	273,356	877,186	(8,869,273)	-
Revenue	196,523,942	53,684,235	15,274,096	4,858,723	(8,869,273)	261,471,723
Operating profit	6,014,958	2,106,505	141,775	761,167	32,604	9,057,009
Other gains/(loss), net	27,287	2,467	(72)	(1,414)	-	28,268
Other expenses	(341)	10,142	-	24	-	9,825
Share of profits and losses of associates and joint ventures	6,982	(1,925)	265	487,558	-	492,880
	6,048,886	2,117,189	141,968	1,247,335	32,604	9,587,982
Finance costs, net						(1,584,310)
Profit before tax						8,003,672
Income tax expense						(1,775,054)
Profit for the period						6,228,618
Other segment items included in the consolidated statement of profit or loss						
Provision for impairment of financial and contract assets	668,150	303,283	9,320	6,846		987,599
Provision/(reversal of provision) for impairment of inventories	14,817	(7,353)	3,922	223		11,609
Depreciation of property, plant and equipment	522,559	209,377	94,190	16,771		842,897
Depreciation of investment properties	5,878	11,016	577	1,329		18,800
Depreciation of right-of-use assets	318,791	127,637	488,543	25,402		960,373
Amortisation of intangible assets	132,582	21,679	23,817	537		178,615
Capital expenditures	547,054	206,012	84,808	26,517		864,391

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

5. Segment Information (continued)

Segment revenue and results (continued)

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

5. Segment Information (continued)

Segment assets and liabilities

(2) At 30 June 2022 and 31 December 2021

	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
As at 30 June 2022 (unaudited)						
Segment assets and liabilities						
Segment assets	265,151,746	82,039,051	16,451,748	21,723,110	(17,202,390)	368,163,265
Segment assets include:						
Investments in associates and joint ventures	283,513	101,448	24,200	8,453,780	-	8,862,941
Unallocated assets – Deferred tax assets						2,016,675
Total assets						370,179,940
Segment liabilities	119,378,941	58,754,775	13,701,118	5,780,120	(18,225,148)	179,389,806
Unallocated liabilities – Deferred tax liabilities and borrowings						88,042,079
Total liabilities						267,431,885
As at 31 December 2021 (audited)						
Segment assets and liabilities						
Segment assets	245,710,000	70,506,523	15,728,086	19,806,913	(18,126,294)	333,625,228
Segment assets include:						
Investments in associates and joint ventures	280,446	105,892	25,097	8,003,244	-	8,414,679
Unallocated assets – Deferred tax assets						1,787,093
Total assets						335,412,321
Segment liabilities	120,319,819	50,490,205	13,213,469	5,812,660	(18,670,889)	171,165,264
Unallocated liabilities – Deferred tax liabilities and borrowings						64,593,122
Total liabilities						235,758,386

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

5. Segment Information (continued)

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.

6. Revenue

An analysis of revenue is as follows:

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

6. Revenue (continued)

Revenue from contracts with customers

Disaggregated revenue information

Segments	For the six months ended 30 June 2022 (Unaudited)				
	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of goods	188,594,514	52,818,683	14,572,920	3,968,551	259,954,668
Others	870,207	206,042	328,324	12,986	1,417,559
Total revenue from contracts with customers	189,464,721	53,024,725	14,901,244	3,981,537	261,372,227
Geographical market					
China	189,464,721	53,024,725	14,901,244	3,981,537	261,372,227
Timing of revenue recognition					
Recognised at a point in time	189,464,721	53,024,725	14,901,244	3,981,537	261,372,227

Segments	For the six months ended 30 June 2021 (Unaudited)				
	Pharmaceutical distribution RMB'000	Medical device RMB'000	Retail pharmacy RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of goods	183,627,049	47,198,137	13,130,068	3,960,782	247,916,036
Others	597,416	206,861	290,896	13,399	1,108,572
Total revenue from contracts with customers	184,224,465	47,404,998	13,420,964	3,974,181	249,024,608
Geographical market					
China	184,224,465	47,404,998	13,420,964	3,974,181	249,024,608
Timing of revenue recognition					
Recognised at a point in time	184,224,465	47,404,998	13,420,964	3,974,181	249,024,608

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

7. Other income

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

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

8. Impairment losses on financial and contract assets

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Impairment of financial and contract assets, net:		
Trade and bills receivables	929,548	696,587
Contract assets	6,046	8,128
Other receivables	44,332	7,076
Other non-current assets	7,673	(1,245)
	987,599	710,546

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

9. Other gains, net/Other expenses

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other gains, net		
Write-back of certain liabilities	12,659	16,010
Gain on disposal of equity investment in associates	7,421	11,472
Gain on disposal of investment properties, property, plant and equipment, intangible assets and right-of-use assets	12,620	44,047
Gain on disposal of a subsidiary	–	229
Foreign exchange loss, net	(4,483)	(5,701)
Donation	(16,593)	(7,292)
Dividend from:		
Equity investments at fair value through other comprehensive income	535	489
Fair value gain, net:		
Equity investments at fair value through profit or loss	7,745	28
Others, net	8,364	16,153
	28,268	75,435
Other expenses		
Reversal of provision/(provision) for impairment of prepayment	9,825	(176)

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

10. Expenses by nature

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

11. Employee benefit expenses

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, wages, allowances and bonus (i)	5,287,051	4,834,655
Contributions to pension plans (ii)	598,322	508,926
Post-employment benefits (Note 23)	1,895	2,318
Housing benefits (iii)	251,294	222,454
Other benefits (iv)	630,140	559,650
	6,768,702	6,128,003

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

(ii) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 8% (2021: 8%) of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 12% to 20% (2021: 12% to 20%) of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees. Contributions totalling RMB17,361,000 (31 December 2021: RMB10,127,000) were payable to the fund pension plan of China National Pharmaceutical Group at 30 June 2022.

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

12. Finance income and costs

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense:		
– Bank and other borrowings	1,427,442	1,384,675
– Discount of bills receivable	287,495	329,621
– Net interests on net defined benefit liability (Note 23)	5,665	6,282
– Lease liabilities (Note 21)	93,193	82,672
Gross interest expense	1,813,795	1,803,250
Bank charges	99,489	101,829
Less: capitalised interest expense	(9,848)	(6,352)
Finance costs	1,903,436	1,898,727
Finance income:		
– Interest income on deposits in bank or other financial institutions	(279,285)	(268,508)
– Interest income on long-term deposits	(39,841)	(44,971)
Net finance costs	1,584,310	1,585,248

13. Taxation

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax	2,025,047	1,843,388
Deferred income tax (Note 22)	(249,993)	(154,972)
	1,775,054	1,688,416

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

13. Taxation (continued)

During the six months ended 30 June 2022, enterprises incorporated in the PRC are normally subject to enterprise income tax (“EIT”) at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

Two of the Group’s subsidiaries were subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HKD2,000,000 (2021: HKD2,000,000) of assessable profits of this subsidiary was taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

14. Earnings per share

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent excluding the cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as at the end of the reporting period and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2021: 3,120,656,000) in issue excluding restricted shares at the end of the reporting period.

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

14. Earnings per share (continued)

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

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

15. Dividends

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

16. Right-of-use assets, Investment properties, Property, plant and equipment and Intangible assets

	Investment properties RMB'000	Property plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
For the six months ended 30 June 2022 (unaudited)				
Net carrying amount as at 1 January 2022	588,366	12,424,342	10,391,727	6,983,410
Additions	–	801,340	30,918	1,233,262
Transfers	(9,817)	(42,210)	52,027	–
Disposals	(635)	(37,017)	(4,324)	(179,120)
Depreciation or amortisation (Note 10)	(18,800)	(842,897)	(178,615)	(960,373)
Net carrying amount as at 30 June 2022	559,114	12,303,558	10,291,733	7,077,179
For the six months ended 30 June 2021 (unaudited)				
Net carrying amount as at 1 January 2021	634,050	12,067,755	10,729,302	6,828,091
Additions	–	813,240	28,684	1,075,220
Acquisition of subsidiaries	–	32,785	413,679	50,107
Transfers	511	(10,324)	9,813	–
Disposals	–	(51,973)	(1,904)	(182,011)
Disposals of a subsidiary	–	(28)	–	–
Depreciation or amortisation (Note 10)	(23,246)	(788,472)	(172,975)	(897,227)
Net carrying amount as at 30 June 2021	611,315	12,062,983	11,006,599	6,874,180

Goodwill, included in intangible assets, is allocated to the Group's cash-generating units ("CGUs"), identified by the operating segment. The recoverable amount of a CGU is determined based on the higher of value-in-use and fair value less costs of disposal. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

Management determined the budgeted gross margin and growth rates based on past performance of the CGUs and expectations for market development. The discount rates used are before tax after reflecting specific risks of the relevant businesses.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

17. Investments in associates

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At 1 January	8,387,677	7,735,431
Additions	4,750	2,000
Share of results	490,851	454,308
Unrealised gain on transactions with an associate	44,333	42,979
Share of other comprehensive income	3,197	2,411
Share of changes in equity other than comprehensive income and distributions received from associates	24	(516)
Dividends declared by associates attributable to the Group	(93,988)	(206,340)
Disposal of investment in an associate	(3,000)	(9,741)
At 30 June	8,833,844	8,020,532

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentages of equity interest attributable to the Group		Principal activities
			30 June 2022(j)	31 December 2021	
Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	Mainland China	18.14%	18.14%	Pharmaceutical manufacturing

- (i) The Group's investment in this associate is accounted for under the equity method of accounting because the Group has significant influence over it by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interests in it were lower than 20% for the period ended 30 June 2022 and the year ended 31 December 2021.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

17. Investments in associates (continued)

The following table illustrates the summarised financial information of Shanghai Shyndec Pharmaceutical Co., Ltd. extracted from its financial information, reconciled to the carrying amount in the consolidated financial information:

	30 June 2022 RMB'000 (Unaudited)
Current assets	11,199,766
Non-current assets	7,897,679
Current liabilities	(5,560,463)
Non-current liabilities	(3,027,055)
Non-controlling interests	(1,797,835)
Net assets	8,712,092
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	18.14%
Carrying amount of the investment	1,580,373
Revenue	6,387,024
Profit for the period	326,975
Total comprehensive income for the year	326,952
Dividend declared	18,624

18. Trade and bills receivables

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

18. Trade and bills receivables (continued)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	192,412,558	155,827,980
1 to 2 years	6,827,238	2,296,149
Over 2 years	759,681	618,576
	199,999,477	158,742,705

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

19. Share capital

	Number of shares '000	Domestic shares with par value of RMB1 per share RMB'000	H shares with par value of RMB1 per share RMB'000	Total RMB'000
At 1 January 2022 (audited) and 30 June 2022 (unaudited)	3,120,656	1,778,845	1,341,811	3,120,656
At 1 January 2021 (audited) and 30 June 2021 (unaudited)	3,120,656	1,778,845	1,341,811	3,120,656

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

20. Interest-bearing bank and other borrowings

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current		
Unsecured bank borrowings	3,649,394	1,690,766
Unsecured borrowings from other financial institutions and related parties	32,473	32,794
Bond (notes)	6,695,814	6,695,120
	10,377,681	8,418,680
Current		
Secured bank borrowings	2,799,935	1,808,890
Unsecured bank borrowings	49,912,666	35,525,429
Unsecured borrowings from other financial institutions and related parties	11,123,098	10,327,559
Secured borrowings from other financial institutions and related parties	1,200,292	357,616
Bond (notes)	11,625,752	7,132,156
	76,661,743	55,151,650
Total borrowings	87,039,424	63,570,330

Notes:

On 26 October 2017, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB1,000,000,000. The corporate bonds will expire on 26 October 2022, for a period of five years commencing from the issue date of 26 October 2017. The Company has the right for early redemption at the end of the third year, i.e., 26 October 2020. The annual interest rate of the corporate bonds for the first three years is fixed at 4.80%. Interest is paid on an annual basis. The Company exercised its early redemption right and repurchased bonds of RMB10,000,000 in 2020. As at 30 June 2022, the remaining corporate bonds of RMB990,000,000 were classified as current liabilities.

On 5 September 2019, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000,000. The corporate bonds will expire on 5 September 2022, for a period of three years commencing from the issue date of 5 September 2019. The annual interest rate of the corporate bonds is fixed at 3.53%. Interest is paid on an annual basis. As at 30 June 2022, the corporate bonds were classified as current liabilities.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

20. Interest-bearing bank and other borrowings (continued)

On 28 July 2020, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB2,700,000,000. The corporate bonds will expire on 28 July 2023, for a period of three years commencing from the issue date of 28 July 2020. The annual interest rate of the corporate bonds is fixed at 3.27%. Interest is paid on an annual basis. As at 30 June 2022, the corporate bonds were classified as non-current liabilities.

On 4 February 2021, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB1,000,000,000. The corporate bonds will expire on 4 February 2024, for a period of three years commencing from the issue date of 4 February 2021. The annual interest rate of the corporate bonds is fixed at 3.65%. Interest is paid on an annual basis. As at 30 June 2022, the corporate bonds were classified as non-current liabilities.

On 3 November 2021, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB3,000,000,000. The corporate bonds will expire on 3 November 2024, for a period of three years commencing from the issue date of 3 November 2021. The annual interest rate of the corporate bonds is fixed at 3.20%. Interest is paid on an annual basis. As at 30 June 2022, the corporate bonds were classified as non-current liabilities.

On 22 November 2021, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB1,283,600 in relation to the issuance, the total net proceeds were approximately RMB1,998,716,400. The bonds will mature 180 days from the issue date (i.e., 21 May 2022), and the annual interest rate was 2.73%. As at 30 June 2022, the corporate bonds matured and were repaid in 2022.

On 10 February 2022, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB1,904,000 in relation to the issuance, the total net proceeds were approximately RMB2,998,096,000. The bonds will mature 180 days from the issue date (i.e., 9 August 2022), and the annual interest rate was 2.28%. As at 30 June 2022, the corporate bonds were classified as current liabilities.

On 15 April 2022, a subsidiary of the Company issued 7,000,000 units of bonds at a total par value of RMB700,000,000. After deduction of the expenses of approximately RMB769,000 in relation to the issuance, the total net proceeds were approximately RMB699,231,000. The bonds will mature 257 days from the issue date (i.e., 28 December 2022), and the annual interest rate was 2.35%. As at 30 June 2022, the corporate bonds were classified as current liabilities.

On 19 May 2022, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB1,304,000 in relation to the issuance, the total net proceeds were approximately RMB1,998,696,000. The bonds will mature 180 days from the issue date (i.e., 15 November 2022), and the annual interest rate was 2.00%. As at 30 June 2022, the corporate bonds were classified as current liabilities.

On 27 May 2022, a subsidiary of the Company issued 6,000,000 units of bonds at a total par value of RMB600,000,000. After deduction of the expenses of approximately RMB554,000 in relation to the issuance, the total net proceeds were approximately RMB599,446,000. The bonds will mature 215 days from the issue date (i.e., 28 December 2022), and the annual interest rate was 2.20%. As at 30 June 2022, the corporate bonds were classified as current liabilities.

All proceeds from the issuance of the above bonds are used to supplement the group's working capital and repaying bank borrowings and debentures.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

20. Interest-bearing bank and other borrowings (continued)

At the end of respective reporting period, borrowings were repayable as follows:

	Borrowings and other borrowings		Bonds	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	65,035,991	48,019,494	11,625,752	7,132,156
Between 1 to 2 years	1,909,164	1,668,740	3,698,087	2,698,526
Between 2 to 5 years	1,772,703	54,820	2,997,727	3,996,594
	68,717,858	49,743,054	18,321,566	13,827,276

21. Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January (audited)	4,797,916	4,649,150
New leases	1,154,095	991,750
Additions as a result of acquisition of a subsidiary	–	27,773
Accretion of interest recognised during the period	93,193	82,672
Payments	(1,035,532)	(929,988)
Covid-19-related rent concessions from lessor	(352)	(485)
Disposals	(144,996)	(181,801)
Carrying amount at 30 June (unaudited)	4,864,324	4,639,071
Analysed into:		
Current portion	1,499,508	1,356,469
Non-current portion	3,364,816	3,282,602

The maturity analysis of lease liabilities is disclosed in note 4 to the financial information.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

22. Deferred income tax

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deferred tax assets	2,016,675	1,787,093
Deferred tax liabilities	(1,002,655)	(1,022,792)
	1,014,020	764,301

The gross movements in deferred tax assets and liabilities are as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At 1 January	764,301	489,918
Acquisition of subsidiaries	-	(25,863)
Disposal of a subsidiary	-	(8)
Credited to the consolidated statement of profit or loss (Note 13)	249,993	154,972
(Charged)/Credited to other comprehensive income	(274)	3,106
At 30 June	1,014,020	622,125

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

23. Post-employment benefit obligations

Certain subsidiaries provide post-employment pension and medical benefits to their retirees. The Group accounts for these benefits using the accounting treatments similar to a defined benefit plan.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current service cost	1,695	2,318
Past service cost	200	–
Interest expense	5,665	6,282
	7,560	8,600

The amounts recognised in the consolidated statement of financial position are analysed as follows:

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Present value of funded obligations	34,815	35,570
Fair value of plan assets	(117,573)	(118,974)
Surplus of funded plans	(82,758)	(83,404)
Present value of unfunded post-employment benefit obligations	460,476	471,101
Liability in the consolidated statement of financial position	377,718	387,697

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

23. Post-employment benefit obligations (continued)

The movements in the defined benefit liability during the period were as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At 1 January	387,697	396,417
Charged to consolidated statement of profit or loss	7,560	8,600
Remeasurements of post-employment benefit obligations recognised in the consolidated statement of other comprehensive income	2,288	7,975
Contributions by employers and benefit payments	(19,827)	(19,429)
At 30 June	377,718	393,563

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan (the plan is funded by the group) obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries.

As at 30 June 2022, fair value of the plan asset was RMB117,573,000 (31 December 2021: RMB118,974,000). As at 30 June 2022, obligations under these defined benefit plans are 24.62% (31 December 2021: 24.34%) covered by the plan assets. No material surplus or deficiency was noted for the above mentioned plan assets.

24. Other non-current liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Medical reserve funds		
-general (i)	2,577,389	2,568,075
-for H1N1 vaccines	66,407	66,407
Government grants for construction of logistics centres (ii)	65,235	86,500
Other government grants	359,606	319,490
Payables for acquisition of subsidiaries	145,820	174,150
Others	62,382	101,426
	3,276,839	3,316,048

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

24. Other non-current liabilities (continued)

Notes:

- (i) Certain medical reserve funds were received by CNPGC from the PRC government for the State reserve requirements of medical products (including medicines) for serious disasters, epidemics and other emergencies. In accordance with a responsibility letter dated 4 January 2006 signed between CNPGC and the Company, CNPGC has re-allocated the funds in relation to medicines to the Group. The Group received general medical reserve funds of RMB330,998,000 during the six months ended 30 June 2022 from CNPGC.

The Group will have to sell pharmaceutical products to specific customers at cost when there are any serious disasters, epidemic and other emergencies, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. RMB321,684,000 was written-off with the government's approval due to the expiry or usage of relevant medicines during the six months ended 30 June 2022. The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for use as mentioned above.

- (ii) Certain of the Group's subsidiaries received funds from local governments as subsidies for construction of logistics centres. As at 30 June 2022, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

25. Trade and bills payables

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

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

25. Trade and bills payables (continued)

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

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

The Group has trade payable financing program with certain banks whereby the banks repaid accounts payable on behalf of the Group with an equivalent sum drawn as borrowings. Such drawdown of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows.

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

26. Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

During the period, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Equity interests acquired %	Cash consideration RMB'000
Yuxi Sinopharm Pharmaceutical Co., Ltd.	9.00%	4,437
Sinopharm Equipment Jinzhou Co., Ltd.	30.00%	6,000
Sinopharm Jilin Med-tech Co., Ltd.	30.00%	6,430
China National Medical Device (Nanping) Co., Ltd	30.00%	3,392
		<u>20,259</u>

The effect of changes in the equity interests of these subsidiaries on the total equity attributable to owners of the parent during the period is summarised as follows:

	Effect on the total equity RMB'000
Carrying amount of non-controlling interests acquired	17,488
Consideration payable to non-controlling interests	<u>20,259</u>
Excess of consideration paid over the carrying amount acquired	<u>2,771</u>

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the six months ended 30 June 2022

	Effect on the total equity RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	2,771
– Disposal of interests in subsidiaries without loss of control	<u>–</u>
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	<u>2,771</u>

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

27. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Property, plant and equipment: contracted but not provided for	72,061	156,313
Fund investment: contracted but not provided for	175,000	175,000

28. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The PRC government, indirectly, owns 100% of CNPGC, the ultimate holding company of the Company. The Group's significant transactions with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its sale of goods, purchase of goods, purchase of fixed assets, interest expenses on borrowings and interest income from bank deposits. The Group's significant balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its trade and bills receivables, prepayments and other receivables, trade payables and other payables, borrowings, pledged bank deposits, cash and cash equivalents.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

28. Significant related party transactions (continued)

(i) Significant transactions with related parties except for other PRC government-related entities

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of goods		
Associates	486,892	322,019
Companies controlled by CNPGC	1,217,373	1,080,995
Associates of CNPGC	1,649	4
Subsidiaries of Fosun Pharmaceutical	219,554	172,775
Subsidiary of Natong Group	13,109	1,658
Purchases of goods		
Associates	2,028,730	1,870,935
Companies controlled by CNPGC	2,883,193	2,735,316
Associates of CNPGC	784,976	905,480
Subsidiaries of Fosun Pharmaceutical	2,247,130	1,774,888
Subsidiary of Natong Group	269,896	397,343
Borrowings		
Addition		
Associates	55,912	–
Companies controlled by CNPGC	6,602,884	7,874,857
Repayment		
Ultimate holding company	1,500,000	–
Associates	364,335	16,707
Companies controlled by CNPGC	4,710,576	3,522,570
Interest fee paid for other financial services		
Ultimate holding company	53,363	612
Associates	5,292	607
Companies controlled by CNPGC	60,712	141,644
Bills receivable discount		
Companies controlled by CNPGC	1,147,824	1,867,514
Trade receivable factoring		
Associates	550,653	524,938
Companies controlled by CNPGC	3,632,289	2,676,771

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

28. Significant related party transactions (continued)

(ii) Significant balances with related parties except for other PRC government-related entities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash in other financial institution		
Companies controlled by CNPGC	1,718,494	2,345,767
Trade and bills receivables due from		
Subsidiary of Natong Group	403	467
Associates	152,345	121,616
Companies controlled by CNPGC	1,373,321	1,415,493
Associates of CNPGC	309	129
Subsidiaries of Fosun Pharmaceutical	119,033	145,107
Other receivables due from		
Subsidiary of Natong Group	1,962	180
Associates	56,914	54,276
Companies controlled by CNPGC	46,240	34,176
Associates of CNPGC	773	262
Subsidiaries of Fosun Pharmaceutical	2,020	1,143
Prepayments to		
Subsidiary of Natong Group	308	207
Associates	4,533	3,338
Companies controlled by CNPGC	219,175	167,727
Associates of CNPGC	7,002	9,329
Subsidiaries of Fosun Pharmaceutical	33,492	29,520
Trade and bills payables due to		
Subsidiary of Natong Group	265,157	218,487
Associates	1,217,456	751,106
Companies controlled by CNPGC	1,838,893	1,722,366
Associates of CNPGC	182,369	172,411
Subsidiaries of Fosun Pharmaceutical	844,332	843,125

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

28. Significant related party transactions (continued)

(ii) Significant balances with related parties except for other PRC government-related entities (continued)

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Other payables due to		
Subsidiary of Natong Group	1,202	29,569
Ultimate holding company	6,192	3,587
Associates	486,165	655,139
Companies controlled by CNPGC	1,527,935	607,892
Associates of CNPGC	1,238	600
Subsidiaries of Fosun Pharmaceutical	1,459	1,146
Contract liabilities		
Subsidiary of Natong Group	96	–
Associates	2,692	22,936
Companies controlled by CNPGC	114,986	327,583
Associates of CNPGC	2	–
Subsidiaries of Fosun Pharmaceutical	2,733	3,076
Borrowing due to		
Ultimate holding company	2,502,063	4,034,937
Associates	50,411	359,264
Companies controlled by CNPGC	8,161,171	6,270,985
Other non-current liabilities		
Ultimate holding company	1,334,805	1,302,729
Associates	761	761
Companies controlled by CNPGC	2,446	2,446

The receivables from the related parties were unsecured, non-interest-bearing and repayable on demand. The payables to the related parties were unsecured and non-interest bearing.

(iii) Key management compensation

The compensation of key management is on an annual basis and still in approval process.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

29. Material subsequent events

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

30. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 26 August 2022.