



# 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

### Interim Report 2023

# All for Health

# Health for All



\* 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 products and medical devices, and a leading supply-chain service provider in the PRC.**

The Group is mainly engaged in pharmaceutical products and medical device 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 an efficient organizer of pharmaceutical supply chain and comprehensive service solution provider in the industry.

## *Corporate Vision*

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

## *Corporate Mission*

All for Health  
Health for All

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# 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. Deng Jindong (*Non-executive Director*)  
Mr. Wang Kan (*Non-executive Director*)  
Mr. Wang Peng (*Non-executive Director*)  
Mr. Wen Deyong (*Non-executive Director*)  
Mr. Li Dongjiu (*Non-executive Director*)  
Ms. Feng Rongli (*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*)  
Mr. Shi Shenghao (*Independent Non-executive Director*)

## Supervisors

Ms. Guan Xiaohui (*Chief Supervisor*)  
Mr. Liu Zhengdong  
Mr. Guo Jinhong  
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. Deng Jindong  
Mr. Wen Deyong  
Mr. Li Dongjiu  
Mr. Chen Fangruo  
Mr. Li Peiyu  
Mr. Shi Shenghao

## Audit Committee

Mr. Wu Tak Lung (*Chairman*)  
Mr. Li Dongjiu  
Mr. Li Peiyu  
Mr. Shi Shenghao

## 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. Chen Fangruo  
Mr. Wu Tak Lung  
Mr. Yu Weifeng  
Mr. Shi Shenghao

# 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 Law:*  
DLA Piper UK LLP

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

## Auditor

*International auditor:*  
PricewaterhouseCoopers  
Registered PIE auditor

*Domestic auditor:*  
PricewaterhouseCoopers Zhong Tian 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](http://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](mailto:ir@sinopharm.com)/[sinopharm@wsfg.hk](mailto: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
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

## Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“Reporting Period”	the six months ended 30 June 2023
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Company

# Management Discussion and Analysis

## Industry Overview

### **Macro-economy: Normalising operation of the economy and society and promoting the stability and improvement using policies**

In the first half of 2023, as the economy and society resumed normal operation in an all-round way, macroeconomic policies played a significant role to help the economy steadily develop with high quality. Judging from various data, the market demand has gradually recovered, the production and supply have continued to increase, and the economic operation has steadily turned for the better. However, the world political and economic situations are complicated, and the foundation for the sustained recovery of the domestic economy is still unstable, facing some risks and challenges.

According to the accounting data released by the National Bureau of Statistics of China, the GDP in the first half of 2023 was RMB59.30 trillion, representing a year-on-year increase of 5.5% at constant prices. On a quarterly basis, as compared to the same period of the previous year, GDP grew 4.5% in the first quarter and grew 6.3% in the second quarter. When compared with the previous quarter, the growth rates of GDP in the first and second quarters were 2.2% and 0.8%, respectively.

According to the statistics of financial data released by the People's Bank of China, the market liquidity remained reasonable and abundant, the financing cost of the real economy was stable with a slight decline, and the supporting role of finance in the economy continued to be strengthened. During the Reporting Period, the People's Bank of China lowered the reserve requirement ratio by 0.25 percentage point to release the long-term liquidity and serve the real economy. Both the Loan Prime Rate ("LPR") of 1-year loans and the LPR of 5-year loans dropped by 10 basis points, and the weighted average interest rate of newly released corporate loans was 3.96%, representing a decrease of 25 basis points as compared with the corresponding period of last year, promoting the corporate financing costs to remain stable with a slight decline.

### **Industry development: Bouncing back of demand for medical services and deepening of medical reform and accelerating transformation**

In the first half of 2023, the medical industry showed a good recovery trend. With the orderly relaxation of pandemic prevention and control measures, the rigid demand for health services has been gradually released, the quantity of hospital diagnosis and treatment has continued to increase, and the operation of medical institutions has gradually returned to the pre-pandemic state, driving an increasing terminal demand for drugs and medical devices. According to the data released by the National Healthcare Security Administration, from January to June 2023, the total expenditure of the basic medical insurance fund (including maternity insurance) was RMB1,303.55 billion, representing a year-on-year increase of 18.2%, and the expenditure of the basic medical insurance fund (including maternity insurance) for employees was RMB820.039 billion, representing a year-on-year increase of 19.4%.

# Management Discussion and Analysis

With the continuous deepening of China medical insurance reform, the medical security system has been continuously improved and the medical services have developed rapidly, which played an important role in accelerating the transformation and development of China's pharmaceutical and health undertakings and encouraging the transformation and innovation of the industry and other aspects, while effectively easing the burden of residents' medical expenses. In July 2023, with the consent of the State Council, six authorities such as the National Health Commission, the National Healthcare Security Administration and the National Medical Products Administration, jointly issued the Key Work Tasks for Deepening the Reform of Pharmaceutical and Health System in the Second Half of 2023, confirming the key tasks and work arrangements for further deepening the medical reform, among which, the construction of a multi-level medical security system, the reform of payment methods, the reform of medical service prices, the volume-based procurement of drugs and consumables, the comprehensive supervision in the pharmaceutical field, etc. will remain the focus of the future reform.

## Business Review

During the Reporting Period, under the leadership of the Board and the management, the Group fully focused on the primary task of high-quality development of businesses and accelerated the integrated operation of businesses and the innovative transformation of supply chain services while ensuring the orderly recovery of production and operation after the end of the COVID-19 pandemic. In the first half of the year, the Group continued to strengthen and optimize the core business, the overall business operation was stable, the benefits of scale was accelerated, and the leading position of the Group in the industry continued to be a solid foundation for realising the annual development strategy.

During the Reporting Period, the Group recorded the revenue of RMB300,950.28 million, representing a year-on-year increase of 15.10%. The Group recorded a net profit of RMB6,893.23 million for the current period, representing a year-on-year increase of 10.67%. The profit attributable to owners of the parent was RMB4,104.44 million, representing a year-on-year increase of 11.12%. Both the profit for the current period and the profit attributable to owners of the parent achieved double-digit growth, and the growth rates of indicators continued to exceed the industry average.

At the same time, according to the business development planning of the Group during the "14th Five-Year Plan" period, the operating revenue of the three main business segments all achieved double-digit growth during the Reporting Period, and the market share increased steadily. As of the end of the Reporting Period, the revenue from the pharmaceutical distribution business was RMB225,432.95 million, representing a year-on-year increase of 14.71%, and the growth rate was significantly higher than that in previous years; the revenue from the pharmaceutical distribution segment accounted for 72.37% of the Group's total revenue, representing a decrease of 0.32 percentage point compared with the same period of the previous year, but the decline slowed down significantly; the revenue from the medical device business was RMB62,953.59 million, representing a year-on-year increase of 17.27%, and accounting for 20.21% of the Group's total revenue, representing an increase of 0.35 percentage point compared with the same period of the previous year; the revenue from the retail pharmacy business was RMB17,696.51 million, representing a year-on-year increase of 15.86%, and accounting for 5.68% of the Group's total revenue, representing an increase of 0.03 percentage point compared with the same period of the previous year.

## Management Discussion and Analysis

The Group focused on the optimisation of profitability and business quality while promoting the continuous improvement of operational efficiency. During the Reporting Period, the selling and administrative expenses ratio and the financial expenses ratio of the Group decreased compared with the same period of the previous year, and the scale effect appeared steadily. As of the end of the Reporting Period, the selling and administrative expenses ratio of the Group was 4.12%, representing a year-on-year decrease of 0.25 percentage point, among which the selling expenses ratio was 2.80%, representing a year-on-year decrease of 0.17 percentage point, and the administrative expenses ratio was 1.32%, representing a year-on-year decrease of 0.08 percentage point. The financial expenses ratio in the first half of the year was 0.47%, representing a decrease of 0.14 percentage point compared with the same period of the previous year. The turnover days receivable were optimised by 9 days compared with the same period of the previous year, and the operating cycle was optimised by 7 days compared with the same period of the previous year.

In the first half of this year, the Group insisted on innovation-driven, actively implemented its development strategy during the “14th Five-Year Plan”, and integrated resources, and coordinated innovation on the basis of continuously deepening the network layout, achieving a double harvest of economic and social responsibilities. According to the latest market ranking in 2023, the Group ranked 24th in the “Fortune China Top 500 Listed Companies”, and 22nd in the Top 100 Brand Value List of Listed Chinese Companies with a brand value of RMB193.5 billion. In terms of corporate governance, the Company strove to improve the efficiency of ESG governance, which has been widely recognised by the industry and the capital market. As of the end of June 2023, the Group was not only successfully shortlisted for the “Fortune 2023 China ESG Influence List” and the “List of Top 100 ESG Listed Companies in China”, but also successfully shortlisted for the “Hang Seng Southbound Trading China Central Enterprises ESG Leading Index” newly published by Hang Seng Index.

### **Pharmaceutical distribution: Rapid recovery of pharmaceutical and medical device distribution and increase in the proportion of marketing transformation**

In April 2023, the results of the volume-based procurement (VBP) of the eighth batch of drugs were announced, involving 39 varieties and 106 product specifications, with an average price reduction of 56%, which has been successively implemented in various places since July this year. According to the statistical data of the National Healthcare Security Administration, more than 330 large varieties had been included in the VBP of eight batches of drugs. By the end of 2023, the number of VBP drugs by each province at the national and provincial levels will increase to 450, and chemical drugs, biological drugs and Chinese patent medicines will be covered. The VBP rules have become more reasonable and balanced after being optimised several times. The relevant requirements of the government to ensure the supply guarantee of VBP of products will further highlight the network coverage advantage of the national distribution leading enterprises.

## Management Discussion and Analysis

In the post-COVID-19 pandemic era, the pharmaceutical distribution segment has achieved rapid growth with the further normalisation of medical services and the continuous improvement of the concentration of industry. As of the end of the Reporting Period, the revenue from pharmaceutical distribution was RMB225,432.95 million, representing a year-on-year increase of 14.71%. The operating profit margin of the pharmaceutical distribution business was 2.96%, which was basically the same as that of the same period of the previous year. At the same time, the Group focused on core and key regions to further enhance the share of its business in relevant markets. During the Reporting Period, the pharmaceutical distribution business achieved rapid growth in northwest, northeast and north China and other regions, the revenue growth rates of Qinghai, Shanghai, Jiangxi, Heilongjiang and other provinces and municipalities directly under the central government included exceeding 20% compared with the same period of the previous year.

The rapid transformation of the industry structure continued to promote the service transformation and model innovation of the pharmaceutical supply chain. During the Reporting Period, the Group, on the basis of circulation and distribution business, continued to strengthen the business interconnection with strategic customers, actively promoted the marketing transformation of third-and fourth-tier companies, strengthened its service advantages and integration capabilities, and constructed a one-stop supply chain service system. The Group actively focused on general distribution, general agent varieties, constructed a nationwide integrated professional marketing network in the fields of cancer, infection and respiratory diseases, and is committed to providing end-to-end and nationwide integrated product and service solutions. As of the end of the Reporting Period, the Group's marketing revenue increased by more than 20% compared with the same period of the previous year, and the advantages of specialisation and systemisation of marketing services continued to emerge.

### **Medical device: Stable growth in response to the VBP and service innovation and manufacturing synergy**

During the Reporting Period, as the recovery rhythm of outpatient service and operation volume at the hospital was further accelerated in the post-COVID-19 pandemic era, the rigid demand signified an obvious rebound trend, and the supply and use of consumables and reagents on conventional hospital side increased compared with the same period of the previous year. At the same time, the influence of VBP on the device distribution industry was further revealed. Since 2020, the National Healthcare Security Administration has commenced the VBP of three batches of high-value medical consumables in total, with an average decline of more than 80%. The fourth batch of consumables VBP, mainly including intraocular lens and orthopedic trauma consumables, was expected to be carried out in the second half of 2023. Facing the market factors such as the intensified competition environment in the industry and the accelerated expansion of VBP, the gross profit margin of device distribution business has declined as a whole.

## Management Discussion and Analysis

During the Reporting Period, as the response to the COVID-19 pandemic changed from “prevention” to “treatment”, the growth rate and revenue ratio of pandemic prevention consumables and reagents decreased significantly compared with the same period of the previous year. The Group actively followed the policy direction of updating and upgrading of medical devices and seized the trend change of “expansion of quality medical resources and balanced regional layout” to effectively strengthen the integrated management of internal centralised procurement and supply chain and continuously improve the business scale and network coverage. As of the end of the Reporting Period, the Group’s revenue from the medical device business was RMB62,953.59 million, representing an increase of 17.27% compared with the same period of the previous year, and still maintained a high-speed growth trend. The operating profit margin of medical device business was 3.14%, representing a decrease of 0.78 percentage point compared with the same period of the previous year.

In terms of the varieties of devices, the application of policy tools such as financial subsidy and special refinancing interest subsidy accelerated the filling of shortcomings of medical resources such as ICU, and the successive arrival of hospital construction completion tide promoted the sales growth rate and proportion of medical device products of the Group to increase significantly in the first half of the year. In addition, with the relaxation of the prevention and control policy of COVID-19 pandemic and the recovery of outpatient service and operation, the repair and maintenance service in medical device segment of the Group also increased significantly compared with the same period of the previous year, becoming a new business highlight.

At the same time, following the new trend of service transformation in the field of device distribution, the Group continued to strengthen the construction of professional service system, built the comprehensive service capability of the medical device segment, promoted the business synergy and technology empowerment, expanded intelligent supply chain services, and vigorously promoted the rapid development of intelligent supply chain projects such as centralised distribution and SPD management of medical consumables. As of the end of June 2023, the centralised distribution and SPD projects provided by the Group had covered 28 provinces. During the Reporting Period, There were 50 new SPD projects, 79 new single hospital centralised distribution projects, and 3 new regional hospital consortia/medical communities centralised distribution projects. During the Reporting Period, the number of winning bids of the Group continued to rank among the top in the industry in the newly-added SPD projects of medical institutions above Grade II. In addition, a number of SPD projects carried out by the Group have successively become “demonstration cases of pharmaceutical supply chain innovation” selected by the Pharmaceutical Supply Chain Branch of the China Association of Pharmaceutical Commerce, which once again confirmed the competitive advantages and barriers of the Group’s device supply chain services. The Group helped medical institutions to develop with high quality through innovative service modes such as digitalisation, visualisation and intelligence, promoting the continuous growth of the proportion of service income of medical device segment.

During the Reporting Period, following the transformation trend of the high-end medical devices being replaced by the medical devices made in China, the Group’s subsidiary CNMDC and GE Healthcare (China) signed an investment agreement to jointly invest to establish a professional medical device company, which is positioned in the production and manufacturing of domestic imaging equipment industrial platform, thus accelerating the progress of industrial layout. At the same time, Sinopharm Xinguang, established last year, was shortlisted for “List of National Science and Technology SMEs” issued by the Ministry of Science and Technology. During the Reporting Period, the Group commenced the registration and declaration of 4K fluorescent endoscope and 4K fluorescent defogging endoscope, further enhancing the coverage and service capability of the Group in the whole life cycle of medical device, and laying a solid foundation for the Group to strengthen the upstream and downstream linkage and cooperation of the supply chain and expand the growth potential of new businesses.

# Management Discussion and Analysis

## **Retail pharmacy: Retail policies bringing intensified competition and strategies leading coordination between wholesale and retail**

In the first half of 2023, with the successive introduction of policies such as inclusion of designated retail pharmacies into social security fund for pooling reimbursement management and employee medical insurance outpatient integral coverage, prescription outflow ushered in a breakthrough this year, and the medium-and long-term trend of separation of medical services and pharmaceutical sales brought great changes to the retail business pattern, which made the scale of retail pharmacy industry continue to grow, increased the concentration of retail pharmacy industry and further accelerated the growth of leading enterprises in retail pharmacy industry. Changes on the policy side continued to affect the category composition and profit level of retail industry, and also brought diversified profit growth points to the “medical, medicine, patient, insurance” and non-pharmaceutical markets. The active participation of capital market and cross-border e-commerce has intensified the new market competition situation and brought new challenges and transformation opportunities to the retail industry.

During the Reporting Period, facing the rapid transformation of the retail pharmacy market, the Group continued to focus on the change of C-side demand, and created a full-scenario, full-cycle and full-channel business model that integrates online and offline, and continued to promote the rapid development of retail business. As of the end of the Reporting Period, the Group’s revenue from the retail pharmacy business was RMB17,696.51 million, representing a year-on-year increase of 15.86%, and the operating profit margin of the retail business was 1.83%, representing an increase of 0.90 percentage point compared with the same period of the previous year. According to the “Top 100 Chinese Pharmacies Value List” in 2023, the revenue from Drug Stores of the Group’s retail pharmacy segment ranked first in the industry.

In order to further follow the trend of national separation of medical services and pharmaceutical sales, accelerate the construction of a comprehensive medical health service platform and provide comprehensive service solutions covering “medical, medicine, patient, insurance”, the Group actively strengthened the coverage of retail channel network, gathered retail core resources to consolidate the scale advantages, and continuously improved the accessibility and ability of services directly facing C-side customers during the Reporting Period. As of the end of the Reporting Period, the total number of retail stores was 11,352, representing a net increase of 599 in total compared with the end of 2022, among which there were 9,867 Guoda Drug Stores, representing a net increase of 554 compared with the end of 2022, 1,485 professional pharmacies, representing a net increase of 45 compared with the end of 2022, 1,027 dual-channel pharmacies, representing a net increase 144 compared with the end of 2022, and 2,937 pooling medical insurance outpatient pharmacies, representing a net increase of 1,082 compared with the end of 2022.

In addition, the Group’s retail business actively promoted the application of new technologies, new tools and new models, and expanded the scale of online business. The Group, while relying on the hospital prescription traffic access, continuously deepened cooperation with third-party platforms, optimised the online and offline integrated operation mode, gradually strengthened the introduction of public domain traffic resources and private domain traffic mining, strengthened the overall planning and coordination of distribution and retail resources, and created a unique differentiated prescription circulation mode of Sinopharm Group. During the Reporting Period, the project of Sinopharm Station, which was established during the COVID-19 pandemic, was further improved, and the interconnection between the prescription circulation platform and pharmacies was continuously optimised. In combination with the construction of the information system platform, the terminal distribution and service experience for C-side customers were continuously improved, and the multi-channel synergetic service capability has been significantly enhanced.

# Management Discussion and Analysis

## **Transformation and innovation: Improving quality and efficiency using integrated operation and consolidation and steady progression of logistics**

In the complicated and changeable market environment, the Group has accelerated the concentration and integration of national resources, and steadily promoted the specialised operation and integrated operation of various formats. As of the end of the Reporting Period, the centralised management transformation of the headquarters of the Group was progressing steadily, and the construction of the shared service platform was carried out in an orderly manner. The Group actively improved the management efficiency, strengthened the collaborative and rapid response among front, middle and back offices and continuously streamlined the business management processes while striving to strengthen the compliance supervision to control operational risks.

At the same time, the construction of the cross-regional logistics integration of the Group was fully carried out during the Reporting Period. Through the vertical management system of the Logistics Division, the Group strove to strengthen the coordinated integration of national logistics resources, established two platforms focusing on logistics operation and asset management, continuously improved the logistics efficiency and third-party service capabilities, effectively strengthened the real-time management and control of logistics operations, and built a brand-new competitive advantage in the logistics segment. During the Reporting Period, the Group has started the integrated operation and governance of core logistics hubs in Beijing, Guangzhou and Shanghai. The Group continuously improved the real-time perception and tracking capabilities, optimised the resource matching and synergy, and supported the brand-new service model and demand under the trend of national integrated transformation of pharmaceutical and medical advice distribution through innovative technologies such as equipment interconnection and system integration, As of the end of the Reporting Period, the Group's service income from third-party logistics increased by more than 25% compared with the same period of the previous year.

## **Future Plans**

Looking forward to the second half of 2023, the Group will actively follow the changes in industry policies, technologies and market landscape, fully implement the strategy of service transformation and innovation-driven development, continue to promote the progress of digital transformation, and accelerate the cultivation and incubation of innovative businesses. At the same time, the Group will further improve the operation efficiency and compliance supervision, build efficient management systems and mechanisms, continue to lead the development and reform of the industry in the process of continuously consolidating the Group's core competitive advantages, and steadily transform itself into "an efficient pharmaceutical supply chain organiser and an industry comprehensive service solution provider".

In terms of the pharmaceutical distribution segment, the Group will further focus on the medical insurance negotiation and the agency right of drugs of VBP, consolidate the advantages of key regions, deepen the terminal network coverage and continuously increase the market share. Through the efficient integration of upstream and downstream resources in the system, the Group will co-ordinate business resources to provide all customers with customised and one-stop derivative service models with higher dimensions, effectively strengthen the cooperation depth with strategic customers, and continuously improve the service capacity of up-and-down coordination by exploring ways to adapt to differentiated marketing strategies and segmented marketing service models, so as to realise the value enhancement of the supply chain.

## Management Discussion and Analysis

In terms of the medical device segment, the Group will actively respond to the expansion of VBP and the new policy requirements such as “DRGs/DIP”, undertake the distribution projects of VBP of consumables, continuously promote the channel optimisation and enhance the professional service capabilities of third parties such as incidental services, decontamination and maintenance services, and after-sales maintenance services. At the same time, the Group will steadily promote the intelligent supply chain service project and the regional centralised distribution scheme, promote the product research and development and commercialisation process of the device manufacturing units in an orderly manner, accelerate the construction of a service system covering the whole life cycle of medical device, and continue to promote the high-quality development of the medical device segment by virtue of its brand reputation and leading advantages.

In terms of the retail pharmacy segment, the Group will proactively face the transformation of the industry landscape, strengthen the strategic guidance, strive to promote the improvement of the management and control ability and operation quality of the headquarters, dig the advantages of integrated online and offline services, and accelerate the construction of a comprehensive medical and health service platform for C-side. At the same time, the Group will seize the opportunity of industry transformation, coordinate wholesale and retail business resources, strive to optimise and expand the network layout of retail stores through external mergers and acquisitions and endogenous growth, accelerate the expansion of the number of professional pharmacies such as dual-channel pharmacies, and pooling medical insurance outpatient pharmacies, and actively enhance the market share and profitability of retail pharmacy by relying on the synergy between professional pharmacies and traditional pharmacies.

In terms of the field of business innovation, the Group will continue to promote the transformation and innovation of businesses. The Group will accelerate the application of digital intelligence achievements and the building of digital capacity by further strengthening the integration of industry-academy-research with the scientific research institutes and scientific and technological enterprises inside and outside the Group, accelerate the process of manufacturing R&D with the support of scientific and technological innovation, and actively play the leading and supporting role of scientific and technological innovation in its high-quality development.

In terms of business control, the Group will steadily and rapidly promote the progress of digital transformation, and constantly improve and establish an efficient data governance system, accumulate high-value data assets, continuously improve the business response and governance efficiency and enhance the data analysis and application capabilities by closely focusing on the needs of main business and innovative business scenarios. In addition, in view of the business characteristics in the post-COVID-19 pandemic era, the Group will focus on the recovery of accounts receivable with a maturity of more than one year, inventory risk and liquidity control, credit exposure and other potential risks, coordinate development and safety, continuously improve the level of compliance supervision, and prevent and control business operation risks.

Looking forward to the future, the Group will, based on the steady growth of the main business, strive to improve the profitability and operational efficiency through the innovation of business governance model, and enhance the service value and business stickiness through the transformation of supply chain services, so as to accelerate the transformation and upgrading of the Group to the world-leading medical and health supply chain comprehensive service provider.

# Management Discussion and Analysis

## Financial Summary

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

During the Reporting Period, the Group recorded revenue of RMB300,950.28 million, representing an increase of RMB39,478.56 million or 15.10% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a net profit of RMB6,893.23 million, representing an increase of RMB664.61 million or 10.67% as compared with the corresponding period of last year; profit attributable to owners of the parent amounted to RMB4,104.44 million, representing an increase of RMB410.70 million or 11.12% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB1.32, representing an increase of 11.86% as compared with the corresponding period of last year.

*Unit: in millions of RMB unless otherwise stated*

	<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022	Change
<b>Operating result</b>			
Revenue	<b>300,950.28</b>	261,471.72	39,478.56
Earnings before interest and tax	<b>10,283.86</b>	9,587.98	695.88
Profit attributable to owners of the parent	<b>4,104.44</b>	3,693.74	410.70
<b>Profitability</b>			
Gross margin	<b>7.73%</b>	8.28%	decrease by 0.55 percentage point
Operating margin	<b>3.18%</b>	3.46%	decrease by 0.28 percentage point
Net profit margin	<b>2.29%</b>	2.38%	decrease by 0.09 percentage point
Earnings per share – Basic (RMB)	<b>1.32</b>	1.18	0.14

# Management Discussion and Analysis

Unit: in millions of RMB unless otherwise stated

	Six months ended 30 June 2023	Six months ended 30 June 2022	Change
<b>Key operational indicators</b>			
Trade receivables turnover ratio (days)	125	134	(9)
Inventory turnover ratio (days)	41	41	0
Trade payables turnover ratio (days)	95	97	(2)
Current ratio (times)	1.32	1.31	0.01

Unit: in millions of RMB unless otherwise stated

	30 June 2023	31 December 2022	Change
<b>Asset position</b>			
Total assets	417,691.50	364,775.13	52,916.37
Equity attributable to owners of the parent	69,604.53	68,068.56	1,535.97
Gearing ratio	72.92%	69.83%	increase by 3.09 percentage points
Cash and cash equivalents	34,377.13	55,221.62	(20,844.49)

## Revenue

During the Reporting Period, the Group recorded revenue of RMB300,950.28 million, representing an increase of 15.10% as compared with RMB261,471.72 million for the six months ended 30 June 2022. 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 revenue from pharmaceutical distribution of the Group was RMB225,432.95 million, representing an increase of 14.71% as compared with RMB196,523.94 million for the six months ended 30 June 2022 and accounting for 72.37% 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 the volume-based procurement.
- Medical device segment:** During the Reporting Period, the revenue from medical device of the Group was RMB62,953.59 million, representing an increase of 17.27% as compared with RMB53,684.24 million for the six months ended 30 June 2022 and accounting for 20.21% of the total revenue of the Group. Such increase was primarily due to the business expansion of the Group's medical device business.

## Management Discussion and Analysis

- **Retail pharmacy segment:** During the Reporting Period, the revenue from retail pharmacy of the Group was RMB17,696.51 million, representing an increase of 15.86% as compared with RMB15,274.10 million for the six months ended 30 June 2022 and accounting for 5.68% of the total revenue of the Group. Such increase was primarily due to the growth in retail pharmacy market and the expansion of the network of the Group's retail pharmacies.
- **Other business segment:** During the Reporting Period, the revenue from other business of the Group was RMB5,409.10 million, representing an increase of 11.33% as compared with RMB4,858.72 million for the six months ended 30 June 2022, primarily due to the increase in revenue from logistics and marketing businesses.

### Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB277,679.60 million, representing an increase of 15.79% as compared with RMB239,814.23 million for the six months ended 30 June 2022, which was comparable with the growth rate of the sales revenue.

### Gross Profit

During the Reporting Period, the gross profit of the Group was RMB23,270.68 million, representing an increase of 7.45% as compared with RMB21,657.49 million for the six months ended 30 June 2022.

The gross profit margin of the Group for the six months ended 30 June 2023 was 7.73%, and the gross profit margin for the corresponding period in 2022 was 8.28%.

### Other Income

During the Reporting Period, the other income of the Group was RMB252.21 million, representing an increase of 7.93% as compared with RMB233.68 million for the six months ended 30 June 2022, primarily due to the increase in subsidies obtained by the Group from the central and local governments.

### Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB8,433.81 million, representing an increase of 8.44% as compared with RMB7,777.63 million for the six months ended 30 June 2022. Such increase in selling and distribution expenses was primarily attributable to the increase in operation scale, the expansion of business and the expansion of the network coverage through, among others, establishing new companies.

# Management Discussion and Analysis

## Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB3,967.75 million, representing an increase of 8.43% from RMB3,659.43 million for the corresponding period in 2022.

The proportion of the administrative expenses of the Group to the total revenue of the Group decreased from 1.40% for the six months ended 30 June 2022 to 1.32% for the Reporting Period.

## Operating Profit

As a result of the above-mentioned factors, during the Reporting Period, the operating profit of the Group was RMB9,581.38 million, representing an increase of 5.79% from RMB9,057.01 million for the six months ended 30 June 2022.

## Other Gains, Net

During the Reporting Period, the other gains, net of the Group was RMB129.95 million, representing an increase of RMB101.68 million as compared with RMB28.27 million for the six months ended 30 June 2022. Such increase was mainly due to the subsidiary receiving a large amount of demolition compensation.

## Other Expenses

The other expenses of the Group for the Reporting Period were RMB1.75 million, whereas the reversal of other expenses of the Group for the six months ended 30 June 2022 were RMB9.83 million.

## Finance Costs, Net

During the Reporting Period, the finance costs, net of the Group were RMB1,417.83 million, representing a decrease of RMB166.48 million as compared with RMB1,584.31 million for the six months ended 30 June 2022.

## Share of Profits and Losses of Associates

During the Reporting Period, the Group's share of profits and losses of associates was RMB571.30 million, representing an increase of 16.39% as compared with RMB490.85 million for the six months ended 30 June 2022.

# 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 RMB2.98 million, representing an increase of 46.80% as compared with RMB2.03 million for the six months ended 30 June 2022.

## Income Tax Expense

During the Reporting Period, the income tax expense of the Group was RMB1,972.80 million, representing an increase of 11.14% as compared with RMB1,775.05 million for the six months ended 30 June 2022, primarily because the increase in the profit before tax of the Group resulted in the corresponding increase in income tax expense. The Group's effective income tax rate increased from 22.18% for the six months ended 30 June 2022 to 22.25% for the six months ended 30 June 2023.

## Profit for the Reporting Period

As a result of the above-mentioned factors, the profit for the Reporting Period of the Group was RMB6,893.23 million, representing an increase of 10.67% from RMB6,228.62 million for the six months ended 30 June 2022. The Group's net profit margin for the Reporting Period and for the corresponding period of 2022 was 2.29% and 2.38%, respectively.

## Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB4,104.44 million, representing an increase of 11.12% or RMB410.70 million from RMB3,693.74 million for the six months ended 30 June 2022.

## Profit Attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests was RMB2,788.79 million, representing an increase of 10.02% from RMB2,534.87 million for the six months ended 30 June 2022.

## Liquidity and Capital Sources

### Working capital

As at the end of the Reporting Period, the Group's cash and cash equivalents amounted to RMB34,377.13 million (31 December 2022: RMB55,221.62 million), primarily comprising cash, bank savings and cash generated from operating activities during the current period.

# Management Discussion and Analysis

## Cash Flow

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

### Net cash used in operating activities

The Group's cash outflow from operations primarily derives from payments for the purchase of material and services in its pharmaceutical distribution, retail pharmacy, medical device and other business segments. During the Reporting Period, the Group's net cash used in operating activities amounted to RMB43,326.42 million. The net cash used in operating activities of the Group was RMB34,293.39 million for the six months ended 30 June 2022. Such increase was primarily attributable 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 RMB1,180.48 million. The net cash generated from investment activities for the six months ended 30 June 2022 was RMB391.03 million. Such increase was primarily due to the changes in 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 RMB21,295.99 million, representing a decrease of RMB1,217.57 million as compared with RMB22,513.56 million for the six months ended 30 June 2022. Such decrease was primarily due to the increase in bond repayments during the Reporting Period.

## Capital Expenditure

The Group's capital expenditures were primarily utilised for the development and expansion of distribution channels, upgrading of its logistic delivery systems and new store decoration and equipment purchase. The Group's capital expenditures for the Reporting Period amounted to RMB988.15 million, representing an increase of RMB123.76 million as compared with RMB864.39 million for the six months ended 30 June 2022, mainly due to the increase in the expenditure on the purchase of property, plant and equipment.

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

# Management Discussion and Analysis

## Capital Structure

### Fiscal resources and fiscal policies

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve financial risks and reduce finance costs. The businesses of the Group were exposed to a variety of financial risks: market risk (including foreign currency risks, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

The Group had successfully issued super short-term financing bonds in an aggregate amount of RMB6.8 billion in the first half of 2023 for the purposes of expanding financing channels and reducing finance costs to repay bank loans as well as to replenish working capital.

The Group's borrowings are mainly denominated in RMB.

As at 30 June 2023, 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**"), CHF, GBP and JPY.

### Indebtedness

As at 30 June 2023, the Group had aggregated banking facilities of RMB299,933.51 million (31 December 2022: RMB274,967.78 million), of which RMB140,388.89 million (31 December 2022: RMB142,732.70 million) were not yet utilised and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. As at 30 June 2023, among the Group's total borrowings, RMB74,669.24 million (31 December 2022: RMB52,997.25 million) will be due within one year and RMB15,225.79 million (31 December 2022: RMB11,750.43 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 at 30 June 2023, the Group's gearing ratio was 72.92% (31 December 2022: 69.83%), which was calculated based on the total liabilities divided by the total assets as at 30 June 2023.

# Management Discussion and Analysis

## 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 at 30 June 2023, part of the Group's borrowings and bills payable were secured by trade and bills receivables with book value of RMB3,495.56 million (31 December 2022: RMB2,366.86 million), bank deposits of RMB10,655.22 million (31 December 2022: RMB12,038.00 million), properties, plant and equipment with book value of RMB32.65 million (31 December 2022: RMB20.38 million).

## Going Concern

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

## Contingent liabilities and material litigations

As at 30 June 2023, 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.

# Management Discussion and Analysis

## Human Resources

As at 30 June 2023, the Group had a total of 113,362 employees (as at 30 June 2022: 112,859). In order to meet the development needs and support and promote the realisation of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimised management mechanism in accordance with the requirements of specialised operation and integrated management, so as to actively advance the organisational reform and accelerate the cultivation and recruitment of the talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency, has conducted periodic performance reviews on its employees and adjusted their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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

The Group has followed the performance-oriented principle, attended to balance; adopted a diversified structure, made dynamic adjustments; created values, made incremental distributions; shared benefits and risks with our employees; based on the principle of aligning with market benchmarks and international standards, adopted a combination of short-term and medium- and long-term incentives and designed a compensation structure comprising “basic remuneration, performance-based remuneration, and medium and long-term incentives”. The basic salary is the basic fixed annual income; the performance-based salary is the immediate variable income paid upon assessments conducted based on the achievement of the annual performance targets; 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 interim condensed consolidated financial information.

# Biographies of Directors, Supervisors and Senior Management

## Directors

**Mr. Yu Qingming**, aged 59, is the chairman, executive Director and the secretary of Party Committee of the Company. Mr. Yu has over 36 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 the Party School of the Central Committee of C.P.C majoring in economic management with a master degree. From July 1987 to February 1997, Mr. Yu successively worked at Beijing Pharmaceutical Station of CNPGC (at that time known as China Pharmaceutical Corporation), 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 a 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 secretary of Party Committee, chairman and executive Director of the Company. Mr. Yu currently serves as a director and the general manager of Sinopharm Investment. Mr. Yu is currently also a representative of the 14th 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 chairman of Medical Device Manager 50 Forum (MD50) etc. He is appointed as part-time professor in various universities such as East China University of Science and Technology and Shanghai University of Medicine & Health Sciences.

**Mr. Liu Yong**, aged 54, is an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu has over 31 years of working experience, over 28 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a doctoral degree in social and administrative pharmacy from China Pharmaceutical University. 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 also an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu is currently a representative of the 16th People's Congress of Shanghai, and also serves as the vice chairman of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600420) ("**Shyndec Pharmaceutical**"), and served as a director of Sinopharm Investment, Sinopharm (CNMC LTD) (a company listed on the Shanghai Stock Exchange, stock code: 600511), and Sinopharm Accord (a company listed on the Shenzhen Stock Exchange, A share stock code: 000028 and B share stock code: 200028) and takes senior management positions in a number of subsidiaries.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Chen Qiyu**, aged 51, is a non-executive Director and vice chairman of the Company. Mr. Chen has nearly 30 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and an executive master's degree in business administration from China Europe International Business School in September 2005. Mr. Chen has joined Fosun Pharma Group (namely Fosun Pharma and its holding subsidiaries/units) 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), non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange, stock code: 02696), and non-executive director of Gland Pharma Limited (a company listed on Bombay Stock Exchange and National Stock Exchange of India, stock code: GLAND) ("**GLAND**"). Mr. Chen has joined the Company since January 2003, and 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 served as the co-chairman of New Frontier Health Corporation (a company delisted from the NYSE in January 2022) and a director of Beijing Sanyuan Food Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600429). Mr. Chen concurrently served as the deputy chairman of Sinopharm Investment. Mr. Chen is currently the chairman of China Medical Pharmaceutical Material Association, vice chairman of China Pharmaceutical Innovation and Research Development Association, honorary chairman and chief supervisor of Shanghai Biopharmaceuticals Industry Association, the standing member of the 14th Shanghai Committee of the Chinese People's Political Consultative Conference and part-time vice chairman of Shanghai Federation of Industry and Commerce (General Chamber of Commerce).

**Mr. Hu Jianwei**, aged 49, 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. Mr. Hu has served as a member of Party Committee and 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 since he joined the Group in December 2018.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Deng Jindong**, aged 59, is a non-executive Director of the Company. He has over 35 years of working experience, over 30 years of which is financial management experience. Mr. Deng obtained 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-practising PRC certified public accountant. Mr. Deng previously worked at Economic Information Network Data Co., Ltd. and Taikang Life Insurance Co., Ltd. Mr. Deng joined CNPGC since October 2002, and successively served as the head of the finance department and the chief accountant, and has served as the vice general manager of CNPGC since May 2017. Mr. Deng is currently also the chairman of Sinopharm Investment.

**Mr. Wang Kan**, aged 38, is a non-executive Director of the Company. Mr. Wang obtained a master's degree of science in pharmacognosy from the School of Pharmaceutical Sciences of Peking University Health Science Center in July 2009. Mr. Wang successively worked at the planning development and industrial management department of China National Pharmaceutical Industry Corporation Ltd. and the investment management department and securities department of China National Biotec Group Co., Ltd. respectively from August 2009 to November 2014. Mr. Wang has worked for CNPGC since November 2014 and held positions of the officer assistant and the deputy officer of the investment management department. He has been serving as the officer of the investment management department and the deputy officer of policy study office of CNPGC since August 2021. Mr. Wang has been a non-executive Director of the Company since December 2022. At present, Mr. Wang also serves as the director of China National Biotec Group Co., Ltd., China Traditional Chinese Medicine Holdings Co. Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00570), China National Traditional Chinese Medical Co., Ltd., Chongqing Taiji Industry (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600129) and Fresenius Kabi Huarui Pharmaceutical Co., Ltd.

**Mr. Wang Peng**, aged 40, is a non-executive Director of the Company. Mr. Wang is a certified public accountant, an international certified internal auditor and a certified management accountant in the United States. Mr. Wang obtained a master's degree of economics in international trade from Tianjin University of Finance and Economics in June 2008 and obtained a master's degree of business administration from Guanghua School of Management in Peking University in June 2022. Mr. Wang worked at Tianjin Branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP, Tianjin Branch of Standard Chartered Bank (China) Limited and Vcanland Holdings Group Company Limited (永泰紅礪控股集團有限公司) respectively from July 2008 to October 2015. Mr. Wang successively served as the financial manager of Vcanbio Cell & Gene Engineering Co., Ltd. since October 2015 and the financial director of the company from August 2017 to April 2022. Mr. Wang has been serving as the officer of the finance department of CNPGC since May 2022. Mr. Wang served as a Supervisor of the Company from December 2022 to September 2023, and has been serving as a non-executive Director of the Company since September 2023. Mr. Wang has served as a director of Shyndec Pharmaceutical since November 2022 and a director of Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司) since April 2023.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Wen Deyong**, aged 52, 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 executive director and the chief executive officer (CEO) of Fosun Pharma, and non-executive director of Henlius. 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 a director of Sinopharm Investment and Sinopharm (CNMC LTD), and a supervisor of Sinopharm Accord. Mr. Wen was also a 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 58, is a non-executive Director of the Company. Mr. Li has over 35 years of working experience in the pharmaceutical industry, over 30 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li is a professor-level senior engineer. Mr. Li obtained a PhD degree of transportation planning and management from Wuhan University of Technology, and then obtained 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. 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 Commercialisation and Consumer Products Management Committee of Fosun Pharmaceutical, 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 48, 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 Shanghai Fosun High Technology (Group) Company Limited 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 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. Chen Fangruo**, aged 58, is an independent non-executive Director of the Company. Mr. Chen obtained a Master's Degree from the Moore School of Electrical Engineering, University of Pennsylvania in 1987. 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 is currently a "Guangqi" fund sponsored professor, the Dean of Antai College of Economics and Management, the Dean of the Industry Research Institute, the Dean of the BOC Institute of Technology & Finance and the Dean of the Shenzhen 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 serves as the independent director of Yunnan Jianzhijia Health-Chain Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 605266).

## Biographies of Directors, Supervisors and Senior Management

**Mr. Li Peiyu**, aged 60, is an independent non-executive Director of the Company. Mr. Li obtained a PhD of management in Management Science and Engineering from School of Economics and Management, Tsinghua University and 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 30 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 director of alternative investment department of China Investment Corporation, inspector of the research office of the State Council, chairman of China Reinsurance (Group) Corporation, and managing director of Beijing Zhongyu Green Investment Management Co., Ltd., 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 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) from January 2022 to February 2023. Mr. Li has served as the independent non-executive Director of the Company since September 2020.

**Mr. Wu Tak Lung**, aged 58, 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 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) and Zhongguancun Science-Tech Leasing Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1601). In the last three years, Mr. Wu was an independent non-executive director of China Machinery Engineering Corporation, Minth Group Limited and Sinomax Group Limited. Mr. Wu previously served as an independent non-executive director of Beijing Media Corporation Limited ("Beijing Media"). Details in relation to the criticism of the current and retired directors of Beijing Media by the Hong Kong Stock Exchange are set out in the announcements of the Hong Kong Stock Exchange and the Company dated 10 February 2022 and 14 February 2022, respectively. 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, a senior 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Yu Weifeng**, aged 52, is an independent non-executive Director of the Company. Mr. Yu is a lawyer with more than 27 years of working experience as a practicing lawyer. Mr. Yu obtained a bachelor's degree in laws from Fudan University in June 1995 and then obtained a master's degree in business administration from China Europe International 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 Llinks 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 Shenergy Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600642) and Shanghai M&G Stationery Inc. (a company listed on the Shanghai Stock Exchange, stock code: 603899). Mr. Yu served as an independent director of Deppon Logistics Co., Ltd. and an external director of Jiahua Chemicals Inc. and Shanghai Life Science & Technology Co., Ltd. Mr. Yu has served as an independent non-executive Director of the Company since September 2020. Currently, Mr. Yu is also the chairman of Foreign-related Legal Services Committee of the All China Lawyers Association, president of Shanghai Arbitration Association, a member of Shanghai Arbitration Commission, and an arbitrator of Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) and other arbitration institution and a mediator of Shanghai Commercial Mediation Center.

**Mr. Shi Shenghao**, aged 55, is an independent non-executive Director of the Company. Mr. Shi graduated from Capital Normal University with a bachelor's degree and obtained an EMBA degree from China Europe International Business School. Mr. Shi has more than 30 years of experience in the medical and health industry. He has served as a senior executive and general manager in Greater China for a number of multinational medical companies, and has extensive experience in industry operation and mergers and acquisitions. Mr. Shi is currently the managing partner of Riverhead Capital Investment Management Co., Ltd. Mr. Shi was the managing director of Sinopharm Capital Shanghai Co., Ltd. (國藥資本上海有限公司). He successively served as the marketing and sales director of GE Healthcare, the general manager in Greater China of American Medtronic China Co., Ltd. (美敦力中國有限責任公司), the general manager for diabetes healthcare business in Greater China of Bayer Group and the general manager in Greater China of Dentsply Sirona. Mr. Shi has served as the independent non-executive Director of the Company since June 2023.

# Biographies of Directors, Supervisors and Senior Management

## Supervisors

**Ms. Guan Xiaohui**, aged 52, 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 has joined Fosun Pharma Group since 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 a non-executive Director of the Company from March 2019 to March 2021 and also once served as a supervisor of Sinopharm Accord. Ms. Guan has served as the Supervisor and the chief Supervisor of the Company since June 2021, and currently also serves as the vice president of Fosun International, a non-executive director of Henlius and a supervisor of Sinopharm Industrial Investment Co., Ltd. Ms. Guan served as a non-executive director of GLAND from October 2020 to August 2022.

**Mr. Liu Zhengdong**, aged 53, is a Supervisor of the Company. Mr. Liu is a lawyer who has more than 29 years of working experience as a practising lawyer. Mr. Liu obtained a master's degree in laws from East China University of Political Science and Law. 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 an 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 16th People's Congress of Shanghai, 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. Guo Jinhong**, aged 50, is a Supervisor of the Company. Mr. Guo is a senior auditor. Mr. Guo received a master's degree in monetary and banking professional economics from Shanxi Institute of Finance and Economics in July 1999. Mr. Guo worked in the Audit Office from July 1999 to March 2019, and served as the general manager of the audit department of Huajin Holdings Group Co., Ltd. (華錦控股集團有限公司) and the general manager of the audit supervisory department of China Railway Construction Capital Holding Co., Ltd. from March 2019 to February 2022. Mr. Guo joined CNPGC in February 2022 and served as the deputy director of the audit department of CNPGC and has served as the director of the audit department of CNPGC since June 2023. Mr. Guo has served as a Supervisor of the Company since September 2023.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Liu Hongbing**, aged 52, is an employee representative Supervisor of the Company. Mr. Liu served in the army force from 1987 to 2019, and engaged in propaganda work and theory and policy study. From January 2020 to March 2021, Mr. Liu acted as the head of the board office, the head of the publicity department of the Party Committee and the head of press office, and concurrently served as the deputy head of policy study office of CNPGC. Mr. Liu has served as the employee representative Supervisor of the Company since 17 June 2022 and is currently a member of the Party Committee and the secretary of discipline inspection commission of the Company.

**Ms. Lu Haiqing**, aged 49, 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 29 years of working experience, among which experience obtained from February 2000 to June 2006 were all audit experience. 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 audit manager of the audit department of Bosideng Corporation Limited (波司登股份有限公司). Ms. Lu successively served as an auditor manager and the deputy head of the audit department of the Company from July 2006 to March 2022. She has served as the deputy general manager of the audit center of the Company since April 2022 and an employee representative Supervisor of the Company since September 2020. Ms. Lu currently also takes up senior management 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 45, is a vice president of the Company. Mr. Li has more than 20 years of operation and management experience in the medical devices industry. Mr. Li obtained a master's degree in electronic information from Beijing Jiaotong University. Mr. Li is a senior engineer. Mr. Li worked at CNPGC and General Electric (China) Co., Ltd.. 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 Group as a vice president of the Company in November 2018.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Jiang Xiuchang**, aged 59, is a vice president of the Company. Mr. Jiang has over 36 years of working experience, over 25 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 and chief compliance officer 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. Cai Maisong**, aged 53, is a vice president of the Company. Mr. Cai has over 30 years of working experience. Mr. Cai received a bachelor's degree of pharmacy from Peking University Health Science Center in July 1992, and later received a master's 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 has been serving as a vice president of the Company since he joined in the Group in January 2018. Mr. Cai currently takes senior management positions in a number of subsidiaries of the Company.

**Ms. Li Xiaojuan**, aged 47, is the chief financial officer of the Company. Ms. Li has over 21 years of working experience. Ms. Li obtained 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.

## Biographies of Directors, Supervisors and Senior Management

**Mr. Chen Zhanyu**, aged 52, is a vice president of the Company. Mr. Chen obtained his master's degree in business administration from Northwest University and obtained his master's degree in accounting from the Chinese University of Hong Kong. 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 and served as the senior management of several subsidiaries of Fosun Pharma from June 2011 to March 2021. Since joining the Group 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. Wu Yijian**, aged 53, is the secretary to the Board of the Company and the company secretary. Mr. Wu graduated from Shanghai Medical University with a bachelor's degree in preventive medicine in July 1993, and subsequently obtained his master's degree in business administration from Tsinghua University and his joint master's degree in professional accounting for senior accountant from the Chinese University of Hong Kong and Shanghai National Accounting Institute. 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 Group from June 2004 to January 2019, served as a vice general manager of the investment department and president assistant of Fosun Pharma, and concurrently took senior management positions of several subsidiaries of Fosun Pharma. Mr. Wu was a non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018. He has served as the secretary to the Board of the Company since 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.

## Other Information

### Changes of Directors and Supervisors

- (1) On 18 May 2023, Mr. Zhuo Fuming resigned as an independent non-executive Director of the Company, a member of the audit committee and a member of the nomination committee due to attainment of the term of service of independent non-executive Directors as stipulated in the Rules of Procedure of Board of Directors of the Company, which took effect from 15 June 2023.
- (2) On 15 June 2023, Mr. Shi Shenghao was appointed as an independent non-executive Director at the general meeting of the Company. Mr. Shi Shenghao also served as a member of the audit committee and a member of the nomination committee from the date of his election as an independent non-executive Director, as well as a member of the strategy and investment committee since 25 August 2023.
- (3) On 15 September 2023, Mr. Wang Peng was appointed as a non-executive Director at the general meeting of the Company. On the same day, Mr. Wang Peng retired as a shareholder representative Supervisor.
- (4) On 15 September 2023, Mr. Guo Jinhong was appointed as a shareholder representative Supervisor at the general meeting of the Company.
- (5) On 15 September 2023, Mr. Ma Ping resigned as a non-executive Director and a member of the strategy and investment committee upon the approval of appointment of Directors of the sixth session of the Board at the general meeting 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 2023, 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 SFO) 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, 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](http://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 2023, 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 2023.

Save as disclosed above, as at 30 June 2023, 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 2023, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Class of shares	Nature of interest	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNPGC	Domestic shares	Beneficial owner	207,289,498	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun International	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	Long position
		Interest of controlled corporation				
Citigroup Inc.	H shares	Interest of controlled corporation	2,898,015	0.09	0.22	Long position
			2,259,415	0.07	0.17	Short position
		Approved lending agent (Note 9)	77,335,857	2.48	5.76	Long position
BlackRock, Inc.	H shares	Interest of controlled corporation	98,233,843	3.15	7.32	Long position
		(Note 10)	1,080,000	0.03	0.08	Short position
FMR LLC	H shares	Interest of controlled corporation (Note 11)	161,020,074	5.16	12.00	Long position
Lazard Asset Management LLC	H shares	Investment manager (Note 12)	93,990,820	3.01	7.00	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](http://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 35.82% 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 0.22% 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 73.67% 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 80,233,872 H Shares of the Company in an aggregate in long position (including 77,335,857 H Shares available for lending) and 2,259,415 H Shares in short position.
- (10) BlackRock, Inc. is interested in long positions of 98,233,843 H shares of the Company and short positions of 1,080,000 H shares of the Company.
- (11) FMR LLC is interested in an aggregate of long positions of 161,020,074 H shares of the Company.
- (12) Lazard Asset Management LLC is interested in an aggregate of long positions of 93,990,820 H shares of the Company.
- (13) 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 2023. 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 2023. 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 2023.

## Other Information

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2023, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Purchase, Sale or Redemption of Listed Securities of the Company

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

### Dividends

Pursuant to the relevant resolution passed at the 2022 annual general meeting of the Company convened on 15 June 2023, the Company paid the final dividend for the year ended 31 December 2022 to the shareholders of the Company on 14 August 2023, totaling approximately RMB2,558,938,000.

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

### 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. Li Peiyu and Mr. Shi Shenghao, 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 2023 and agreed on the accounting treatment adopted by the Company.

### Compliance with the CG Code Set out in Appendix 14 to the Listing Rules

The Company has adopted all the code provisions contained in the CG Code as the Company's code on corporate governance. During the Reporting Period, the Company had complied with the code provisions set out in the CG Code.

## Other Information

### 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>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

# Report on Review of Interim Financial Information



PricewaterhouseCoopers  
22/F, Prince's Building,  
Central, Hong Kong

羅兵咸永道會計師事務所  
香港中環太子大廈廿二樓

Tel電話: +852 2289 8888  
Fax傳真: +852 2810 9888  
pwc.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 41 to 88, which comprises the interim condensed consolidated statement of financial position of Sinopharm Group Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected 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 and to report our conclusion 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 of the Group is not prepared, in all material respects, in accordance with HKAS 34.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

25 August 2023

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>REVENUE</b>	6	<b>300,950,280</b>	261,471,723
Cost of sales	10	<b>(277,679,599)</b>	(239,814,229)
<b>Gross profit</b>		<b>23,270,681</b>	21,657,494
Other income	7	<b>252,209</b>	233,683
Selling and distribution expenses	10	<b>(8,433,808)</b>	(7,777,626)
Administrative expenses	10	<b>(3,967,751)</b>	(3,659,428)
Impairment losses on financial and contract assets	8	<b>(1,289,559)</b>	(987,599)
Losses on derecognition of financial assets measured at amortised cost		<b>(250,389)</b>	(409,515)
<b>Operating profit</b>		<b>9,581,383</b>	9,057,009
Other gains, net	9	<b>129,950</b>	28,268
Other expenses	9	<b>(1,749)</b>	9,825
Finance income		<b>350,304</b>	319,126
Finance costs		<b>(1,768,134)</b>	(1,903,436)
Finance costs, net	12	<b>(1,417,830)</b>	(1,584,310)
Share of profits and losses of:			
Associates		<b>571,300</b>	490,851
Joint ventures		<b>2,977</b>	2,029
		<b>574,277</b>	492,880
<b>Profit before tax</b>		<b>8,866,031</b>	8,003,672
Income tax expense	13	<b>(1,972,800)</b>	(1,775,054)
<b>PROFIT FOR THE PERIOD</b>		<b>6,893,231</b>	6,228,618
<b>Attributable to:</b>			
Owners of the parent		<b>4,104,439</b>	3,693,744
Non-controlling interests		<b>2,788,792</b>	2,534,874
		<b>6,893,231</b>	6,228,618
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)</b>			
– Basic and diluted	14	<b>1.32</b>	1.18

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>6,893,231</b>	6,228,618
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurements of post-employment benefit obligations, net of tax	(8,115)	(1,652)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	1,013	3,640
Income tax effect	(253)	(910)
Fair value gains on financial asset, net of tax	760	2,730
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods, net of tax	(7,355)	1,078
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	5,460	5,420
Share of other comprehensive (loss)/income of associates	(2,393)	3,197
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax	3,067	8,617
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(4,288)</b>	9,695
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>6,888,943</b>	6,238,313
<b>Attributable to:</b>		
Owners of the parent	4,098,995	3,700,679
Non-controlling interests	2,789,948	2,537,634
	<b>6,888,943</b>	6,238,313

# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Right-of-use assets	16	7,214,722	7,030,398
Investment properties	16	517,526	538,338
Property, plant and equipment	16	12,440,645	12,616,766
Intangible assets	16	10,138,701	10,170,919
Investments in joint ventures		23,148	20,233
Investments in associates	17	9,218,088	8,967,418
Equity investments designated at fair value through other comprehensive income		55,733	57,381
Financial assets at fair value through profit or loss		792,072	795,428
Finance lease receivables		2,773	5,862
Deferred tax assets	22	2,107,966	1,979,743
Other non-current assets		3,025,143	3,186,266
<b>Total non-current assets</b>		<b>45,536,517</b>	45,368,752
<b>CURRENT ASSETS</b>			
Inventories		66,922,924	60,925,831
Trade and bills receivables	18	240,051,725	169,753,132
Contract assets		1,425,090	1,447,162
Prepayments, other receivables and other assets		18,721,911	20,016,358
Financial assets at fair value through profit or loss		422	498
Finance lease receivables		564	3,778
Pledged deposits and restricted cash		10,655,222	12,037,999
Cash and cash equivalents		34,377,126	55,221,624
<b>Total current assets</b>		<b>372,154,984</b>	319,406,382
<b>Total assets</b>		<b>417,691,501</b>	364,775,134
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	19	3,120,656	3,120,656
Treasury shares		(3,838)	(3,838)
Reserves		66,487,709	64,951,741
		<b>69,604,527</b>	68,068,559

# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
<b>Non-controlling interests</b>		<b>43,506,070</b>	42,000,631
<b>Total equity</b>		<b>113,110,597</b>	110,069,190
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	20	<b>15,225,791</b>	11,750,433
Lease liabilities	21	<b>3,308,254</b>	3,206,560
Deferred tax liabilities	22	<b>877,788</b>	936,744
Post-employment benefit obligations	23	<b>382,011</b>	380,713
Contract liabilities		<b>62,135</b>	96,418
Other non-current liabilities	24	<b>3,418,292</b>	3,372,119
Total non-current liabilities		<b>23,274,271</b>	19,742,987
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	25	<b>156,639,226</b>	137,085,061
Contract liabilities		<b>8,885,090</b>	10,396,326
Accruals and other payables		<b>35,160,737</b>	30,889,733
Dividends payable		<b>3,028,129</b>	255,386
Tax payable		<b>1,293,049</b>	1,703,258
Interest-bearing bank and other borrowings	20	<b>74,669,240</b>	52,997,246
Lease liabilities	21	<b>1,631,162</b>	1,635,947
Total current liabilities		<b>281,306,633</b>	234,962,957
<b>Total liabilities</b>		<b>304,580,904</b>	254,705,944
<b>Total equity and liabilities</b>		<b>417,691,501</b>	364,775,134

**Yu Qingming**  
Director

**Wu Tak Lung**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Notes	Attributable to owners of the parent					Total equity RMB'000
		Share capital RMB'000	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2023 (audited)		3,120,656	(3,838)	64,951,741	68,068,559	42,000,631	110,069,190
Total comprehensive income for the period		-	-	4,098,995	4,098,995	2,789,948	6,888,943
Effect of transactions with non-controlling interests	26	-	-	56	56	(33,213)	(33,157)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	34,602	34,602
Acquisition of subsidiaries		-	-	-	-	70,657	70,657
Disposal of a subsidiary		-	-	-	-	(8,000)	(8,000)
Dividends paid to non-controlling interests		-	-	-	-	(1,343,189)	(1,343,189)
Dividend declared	15	-	-	(2,558,938)	(2,558,938)	-	(2,558,938)
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	646	646	(43)	603
Others		-	-	(4,791)	(4,791)	(5,323)	(10,114)
At 30 June 2023 (unaudited)		3,120,656	(3,838)	66,487,709	69,604,527	43,506,070	113,110,597
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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		<b>8,866,031</b>	8,003,672
Adjustments for:			
– Share of profits and losses of associates	17	<b>(571,300)</b>	(490,851)
– Share of profits and losses of joint ventures		<b>(2,977)</b>	(2,029)
– Asset impairment		<b>1,318,423</b>	989,383
– Depreciation of property, plant and equipment and investment properties	16	<b>821,951</b>	861,697
– Amortisation of intangible assets	16	<b>252,286</b>	178,615
– Depreciation of right-of-use assets	16	<b>1,025,569</b>	960,373
– Gain on disposal of investment properties, property, plant and equipment and intangible assets	9	<b>(89,888)</b>	(4,719)
– Gain on disposal of right-of-use assets	9	<b>(50,268)</b>	(7,901)
– Write-back of certain liabilities	9	<b>(14,925)</b>	(12,659)
– Loss on derecognition of financial assets measured at amortised cost		<b>273,405</b>	361,181
– Finance cost		<b>1,616,930</b>	1,758,441
– Gain on disposal of a subsidiary	9	<b>(509)</b>	–
– Gain on disposal of portion of equity investment in associates	9	<b>(4,500)</b>	(7,421)
– Fair value loss/(gain) on financial assets at fair value through profit or loss	9	<b>76</b>	(7,745)
– Dividend from financial assets at fair value through other comprehensive income	9	<b>(606)</b>	(535)
		<b>13,439,698</b>	12,579,502
– Inventories		<b>(6,085,117)</b>	(5,548,371)
– Trade and bills receivables		<b>(71,583,311)</b>	(40,036,475)
– Contract assets		<b>30,975</b>	(76,800)
– Prepayments, other receivables and other assets		<b>933,455</b>	(2,268,087)
– Trade and bills payables		<b>19,187,306</b>	4,070,996
– Contract liabilities		<b>(1,491,207)</b>	417,699
– Accruals, other payables and other liabilities		<b>4,811,396</b>	(1,040,594)
Cash used in operations		<b>(40,756,805)</b>	(31,902,130)
Income tax paid		<b>(2,569,619)</b>	(2,391,255)
Net cash flows used in operating activities		<b>(43,326,424)</b>	(34,293,385)

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from disposal of intangible assets		14,955	3,371
Proceeds from disposal of right-of-use assets		8,375	6,016
Proceeds from disposal of property, plant and equipment		50,091	41,736
Proceeds from disposal of investment properties		287	635
Proceeds from disposal of financial assets			
at fair value through profit or loss		1,356	11,400
Proceeds from disposal of an associate		28,638	10,421
Interest received from long-term deposits		38,669	39,841
Disposal of subsidiaries, net of cash disposed		15,553	–
Dividends received from associates		59,225	99,432
Dividends received from joint ventures		21	–
Dividends received from financial assets			
at fair value through other comprehensive income		606	535
Prepayments of right-of-use assets		–	(32,133)
Purchase of property, plant and equipment		(719,374)	(870,081)
Purchase of intangible assets		(137,472)	(20,486)
Purchase of investment properties		(326)	–
Withdrawal of long-term deposits		92,167	126,947
Consideration paid for prior year acquisition of subsidiaries		(47,400)	(163,067)
Acquisition of subsidiaries, net of cash acquired	27	21,481	–
Acquisition of associates		(10,550)	(4,750)
Investment in a joint venture		–	(66)
Decrease in restricted cash		1,764,176	1,141,274
Net cash flows from investing activities		1,180,478	391,025

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings from banks		52,717,551	47,795,068
Proceeds from borrowings from related parties		9,290,998	6,658,796
Repayments of borrowings from banks		(30,017,163)	(26,060,366)
Repayments of borrowings from related parties		(4,923,963)	(6,713,555)
Repayments of bonds		(9,000,000)	(2,000,000)
Proceeds from issue of bonds		6,800,000	6,300,000
Capital injections from non-controlling shareholders of Subsidiaries		34,602	146,778
Dividends paid to non-controlling shareholders of Subsidiaries		(1,129,384)	(809,177)
Transactions with non-controlling interests of subsidiaries		(33,157)	(13,740)
Interest paid		(1,419,760)	(1,847,908)
Principal portion of lease payments		(1,023,736)	(942,339)
Net cash flows from financing activities		21,295,988	22,513,557
<b>Net decrease in cash and cash equivalents</b>		<b>(20,849,958)</b>	<b>(11,388,803)</b>
Cash and cash equivalents at beginning of year		55,221,624	43,529,428
Effect of foreign exchange rate changes, net		5,460	5,419
<b>Cash and cash equivalents at end of period</b>		<b>34,377,126</b>	<b>32,146,044</b>

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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 2023

## 2. Basis of preparation and changes in accounting policies

### (1) Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with HKASs 34 Interim Financial Reporting and the Rules Governing the Listing of Securities on the Stock Exchange. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2022, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

### (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 2022, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

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

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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 2022.

## 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 2022.

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 2023

## 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 2023 (unaudited)					
Interest-bearing bank and other borrowings	75,733,964	6,445,398	9,885,692	-	92,065,054
Trade and other payables	188,525,248	-	-	-	188,525,248
Dividends payable	3,028,129	-	-	-	3,028,129
Lease liabilities	1,654,421	1,548,680	1,962,907	697,573	5,863,581
Other non-current liabilities	-	70,831	-	-	70,831
	<b>268,941,762</b>	<b>8,064,909</b>	<b>11,848,599</b>	<b>697,573</b>	<b>289,552,843</b>
As at 31 December 2022 (audited)					
Interest-bearing bank and other borrowings	53,184,801	11,187,533	654,766	-	65,027,100
Trade and other payables	163,362,796	-	-	-	163,362,796
Dividends payable	255,386	-	-	-	255,386
Lease liabilities	1,635,947	1,476,136	1,838,721	689,647	5,640,451
Other non-current liabilities	-	50,260	-	-	50,260
	218,438,930	12,713,929	2,493,487	689,647	234,335,993

Note: The calculation of expected interest to be paid is based on borrowings as at 30 June 2023 and 31 December 2022 and the interest rates as at 30 June 2023 and 31 December 2022.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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:

- Quoted prices unadjusted in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The table below presents the Group's assets and liabilities that are measured at fair value at 30 June 2023 and 31 December 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2023 (unaudited)				
Equity investments designated at fair value through other comprehensive income	33,584	1,263	20,886	55,733
Financial assets at fair value through profit or loss	498	3,700	788,296	792,494
Bills receivables held both to collect cash flows and to sell	-	7,319,738	-	7,319,738
	<b>34,082</b>	<b>7,324,701</b>	<b>809,182</b>	<b>8,167,965</b>
As at 31 December 2022 (audited)				
Equity investments designated at fair value through other comprehensive income	35,232	1,263	20,886	57,381
Financial assets at fair value through profit or loss	498	3,700	791,728	795,926
Bills receivables held both to collect cash flows and to sell	-	11,179,244	-	11,179,244
	35,730	11,184,207	812,614	12,032,551

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 2023

## 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 Group's financial instruments measured at amortised cost, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Borrowings from banks and other financial institutions (Note 20)	12,227,442	7,752,736	11,865,779	7,786,796
Bonds (Note 20)	2,998,349	3,997,697	3,081,033	3,997,697

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2023 were assessed to be insignificant.

## 5. Segment Information

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

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

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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 investment properties, property, plant and equipment, intangible assets, right-of-use assets, investments in associates and joint ventures, inventories, receivables and operating cash.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings, deferred tax liabilities and other liabilities that are incurred for financing rather than operating purpose.

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

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

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

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 5. Segment Information (continued)

### Segment revenue and results

#### (1) For the six months ended 30 June 2023 and 2022

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

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 5. Segment Information (continued)

### Segment revenue and results (continued)

#### (1) For the six months ended 30 June 2023 and 2022 (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 2022 (unaudited)						
<b>Segment results</b>						
External segment revenue	189,464,721	53,024,725	15,000,740	3,981,537	-	261,471,723
Inter-segment revenue	7,059,221	659,510	273,356	877,186	(8,869,273)	-
<b>Revenue</b>	<b>196,523,942</b>	<b>53,684,235</b>	<b>15,274,096</b>	<b>4,858,723</b>	<b>(8,869,273)</b>	<b>261,471,723</b>
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
	<b>6,048,886</b>	<b>2,117,189</b>	<b>141,968</b>	<b>1,247,335</b>	<b>32,604</b>	<b>9,587,982</b>
Finance costs, net						(1,584,310)
Profit before tax						8,003,672
Income tax expense						(1,775,054)
Profit for the period						<b>6,228,618</b>
<b>Other segment items included in the consolidated statement of profit or loss</b>						
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
<b>Capital expenditures</b>	<b>547,054</b>	<b>206,012</b>	<b>84,808</b>	<b>26,517</b>	<b>-</b>	<b>864,391</b>

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 5. Segment Information (continued)

### Segment assets and liabilities

#### (2) At 30 June 2023 and 31 December 2022

	Pharmaceutical distribution RMB'000	Medical device RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Total RMB'000
As at 30 June 2023 (unaudited)						
<b>Segment assets and liabilities</b>						
Segment assets	299,599,299	97,116,020	17,733,569	21,919,126	(20,784,479)	415,583,535
Segment assets include:						
Investments in associates and joint ventures	227,798	55,109	26,388	8,931,941	-	9,241,236
Unallocated assets – Deferred tax assets						2,107,966
Total assets						417,691,501
Segment liabilities	144,694,493	70,494,935	13,651,128	5,919,385	(20,951,856)	213,808,085
Unallocated liabilities – Deferred tax liabilities and borrowings						90,772,819
Total liabilities						304,580,904
As at 31 December 2022 (audited)						
<b>Segment assets and liabilities</b>						
Segment assets	259,104,636	85,760,800	16,335,878	20,677,359	(19,083,282)	362,795,391
Segment assets include:						
Investments in associates and joint ventures	291,640	100,688	25,153	8,570,170	-	8,987,651
Unallocated assets – Deferred tax assets						1,979,743
Total assets						364,775,134
Segment liabilities	122,666,554	67,358,860	13,265,540	5,370,788	(19,640,221)	189,021,521
Unallocated liabilities – Deferred tax liabilities and borrowings						65,684,423
Total liabilities						254,705,944

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 2023

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	299,020,951	259,954,668
Revenue from logistics service	690,888	608,825
Franchise fee and other service fee from medicine chain stores	641,643	413,579
Consulting services	137,379	140,609
Import agency income	29,961	24,930
Others	330,484	229,616
<i>Revenue from other sources</i>		
Operating lease income	98,974	99,496
	<b>300,950,280</b>	261,471,723

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 6. Revenue (continued)

### Revenue from contracts with customers

#### Disaggregated revenue information

Segments	For the six months ended 30 June 2023 (Unaudited)				Total RMB'000
	Pharmaceutical distribution RMB'000	Medical device RMB'000	Retail pharmacy RMB'000	Other business RMB'000	
<b>Type of goods or services</b>					
Sale of goods	215,518,418	62,279,906	16,949,190	4,273,437	299,020,951
Others	1,031,835	365,938	412,927	19,655	1,830,355
Total revenue from contracts with customers	216,550,253	62,645,844	17,362,117	4,293,092	300,851,306
<b>Geographical market</b>					
China	216,550,253	62,645,844	17,362,117	4,293,092	300,851,306

Segments	For the six months ended 30 June 2022 (Unaudited)				Total RMB'000
	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Other business RMB'000	
<b>Type of goods or services</b>					
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
<b>Geographical market</b>					
China	189,464,721	53,024,725	14,901,244	3,981,537	261,372,227

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 7. Other income

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants	252,209	233,683

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

## 8. Impairment losses on financial and contract assets

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Impairment of financial and contract assets, net:</b>		
Trade and bills receivables	1,288,922	929,548
Contract assets	(6,369)	6,046
Other receivables	11,281	44,332
Other non-current assets	(4,275)	7,673
	1,289,559	987,599

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 9. Other gains, net/Other expenses

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Other gains, net</b>		
Write-back of certain liabilities	14,925	12,659
Gain on disposal of equity investment in an associate	4,500	7,421
Gain on disposal of investment properties, property, plant and equipment, intangible assets and right-of-use assets	140,156	12,620
Gain on disposal of subsidiaries	509	–
Foreign exchange loss, net	(477)	(4,483)
Donation	(1,364)	(16,593)
Dividend from equity investments at fair value through other comprehensive income	606	535
Fair value gain on equity investments at fair value through profit or loss, net	(76)	7,745
Others, net	(28,829)	8,364
	<b>129,950</b>	<b>28,268</b>
<b>Other expenses</b>		
(Provision) for other non-current assets	(1,372)	–
(Provision)/reversal of impairment of prepayment	(377)	9,825
	<b>(1,749)</b>	<b>9,825</b>

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 10. Expenses by nature

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Raw materials and trading merchandise consumed	276,639,328	238,741,353
Changes in inventories of finished goods and work in progress	1,396	16,733
Employee benefit expenses (Note 11)	7,151,387	6,768,702
Provision for impairment of inventories	27,046	11,609
Lease payments not included in the measurement of lease liabilities	324,175	329,616
Depreciation of property, plant and equipment (Note 16)	799,606	842,897
Depreciation of investment properties (Note 16)	22,345	18,800
Depreciation of right-of-use assets (Note 16)	1,025,569	960,373
Amortisation of intangible assets (Note 16)	252,286	178,615
Auditor's remuneration	15,000	25,000
Advisory and consulting fees	164,601	126,101
Transportation expenses	1,198,434	1,046,514
Travel expenses	125,380	92,493
Market development and business promotion expenses	1,591,375	1,392,984
Utilities	125,380	109,647
Others	617,850	589,846
Total cost of sales, selling and distribution expenses, and administrative expenses	290,081,158	251,251,283

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 11. Employee benefit expenses

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, wages, allowances and bonus (i)	5,567,290	5,287,051
Contributions to pension plans (ii)	682,394	598,322
Post-employment benefits (Note 23)	1,871	1,895
Housing benefits (iii)	279,519	251,294
Other benefits (iv)	620,313	630,140
	<b>7,151,387</b>	6,768,702

Notes:

- (i) Bonus was determined based on the performance of the Group as well as employees' performance and contribution to the Group.
- (ii) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 8%(2022: 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% (2022: 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 RMB30,201,000 (31 December 2022: RMB32,572,000) were payable to the fund pension plan of China National Pharmaceutical Group at 30 June 2023.
- There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. The Group operates retirement benefit plan as detailed in Note 23.
- (iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% (2022: 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 2023

## 12. Finance income and costs

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest expense:		
– Bank and other borrowings	1,208,906	1,427,442
– Discount of bills receivable	354,232	287,495
– Net interests on net defined benefit liability (Note 23)	5,575	5,665
– Lease liabilities (Note 21)	99,048	93,193
Gross interest expense	1,667,761	1,813,795
Bank charges	106,960	99,489
Less: capitalised interest expense	(6,587)	(9,848)
Finance costs	1,768,134	1,903,436
Finance income:		
– Interest income on deposits in bank or other financial institutions	(311,635)	(279,285)
– Interest income on long-term deposits	(38,669)	(39,841)
Net finance costs	1,417,830	1,584,310

## 13. Taxation

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	2,159,410	2,025,047
Deferred income tax (Note 22)	(186,610)	(249,993)
	1,972,800	1,775,054

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 13. Taxation (continued)

During the six months ended 30 June 2023, 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% (2022: 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 (2022: 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 and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2022: 3,120,656,000) in issue excluding treasury shares at the end of the reporting period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 30 June 2022.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 14. Earnings per share (continued)

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation	4,104,439	3,693,744
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period ('000)	3,120,656	3,120,656
Treasury shares ('000)	(3,838)	(3,838)
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation ('000)	3,116,818	3,116,818
Basic and diluted earnings per share (RMB per share)	1.32	1.18

## 15. Dividends

The final dividend for year 2022 of RMB0.82 per share (tax inclusive), amounting to RMB2,558,938 thousand in total, was approved by the shareholders at the annual general meeting of the Company held on 15 June 2023 ("2022 AGM"). Pursuant to the relevant resolution passed at 2022 AGM, the final dividend for year 2022 was paid on 14 August 2023 to the shareholders whose names appeared on the register of members of the Company on 26 June 2023.

No interim dividend was proposed for the six-month period ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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 2023 (unaudited)				
Net carrying amount as at 1 January 2023	538,338	12,616,766	10,170,919	7,030,398
Additions	326	752,926	109,110	1,431,524
Acquisition of subsidiaries (Note 27)	–	18,589	97,914	16,010
Transfers	79,802	(111,047)	31,245	–
Disposals	(78,595)	(36,133)	(14,966)	(237,393)
Disposals of subsidiaries	–	(850)	(3,235)	(248)
Depreciation or amortisation (Note 10)	(22,345)	(799,606)	(252,286)	(1,025,569)
<b>Net carrying amount as at 30 June 2023</b>	<b>517,526</b>	<b>12,440,645</b>	<b>10,138,701</b>	<b>7,214,722</b>
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)
<b>Net carrying amount as at 30 June 2022</b>	<b>559,114</b>	<b>12,303,558</b>	<b>10,291,733</b>	<b>7,077,179</b>

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. Value-in-use calculation uses 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 2023

## 17. Investments in associates

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At 1 January	8,967,418	8,387,677
Additions	10,550	4,750
Share of results	571,300	490,851
Unrealised (loss)/gain on transactions with an associate	(2,955)	44,333
Share of other comprehensive income	(2,393)	3,197
Share of changes in equity other than comprehensive income and distributions received from associates	603	24
Dividends declared by associates attributable to the Group	(306,936)	(93,988)
Disposal of investment in an associate	(19,499)	(3,000)
At 30 June	9,218,088	8,833,844

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 2023(i)	31 December 2022	
Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	Mainland China	13.88%	15.89%	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 2023 and the year ended 31 December 2022.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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:

	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>
Current assets	<b>11,109,931</b>
Non-current assets	<b>7,848,981</b>
Current liabilities	<b>(3,666,438)</b>
Non-current liabilities	<b>(1,316,051)</b>
Non-controlling interests	<b>1,935,301</b>
<b>Net assets</b>	<b>15,911,724</b>
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	<b>13.88%</b>
Carrying amount of the investment	<b>2,208,547</b>
Revenue	<b>6,444,526</b>
Profit for the period	<b>514,521</b>
Total comprehensive income for the year	<b>514,448</b>
Dividend declared	<b>134,117</b>

## 18. Trade and bills receivables

	<b>30 June</b> <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables	<b>232,775,490</b>	155,578,573
Bills receivables	<b>11,651,923</b>	17,248,559
Less: Provision for impairment	<b>(4,375,688)</b>	(3,074,000)
	<b>240,051,725</b>	169,753,132

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

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	<b>218,629,226</b>	147,857,116
1 to 2 years	<b>8,966,035</b>	4,045,001
Over 2 years	<b>870,214</b>	682,725
	<b>228,465,475</b>	152,584,842

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

	<b>Number of shares '000</b>	<b>Domestic shares with par value of RMB1 per share RMB'000</b>	<b>H shares with par value of RMB1 per share RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	<b>3,120,656</b>	<b>1,778,845</b>	<b>1,341,811</b>	<b>3,120,656</b>
At 1 January 2022 (audited) and 30 June 2022 (unaudited)	3,120,656	1,778,845	1,341,811	3,120,656

# Notes to the Interim Condensed Consolidated Financial Information

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## 20. Interest-bearing bank and other borrowings

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>Non-current</b>		
Unsecured bank borrowings	<b>12,025,250</b>	7,751,898
Unsecured borrowings from other financial institutions and related parties	<b>202,192</b>	838
Bonds (notes)	<b>2,998,349</b>	3,997,697
	<b>15,225,791</b>	11,750,433
<b>Current</b>		
Secured bank borrowings	<b>3,012,520</b>	2,115,655
Unsecured bank borrowings	<b>51,237,223</b>	34,613,623
Unsecured borrowings from other financial institutions and related parties	<b>10,951,356</b>	5,668,372
Secured borrowings from other financial institutions and related parties	<b>519,005</b>	488,997
Bonds (notes)	<b>8,949,136</b>	10,110,599
	<b>74,669,240</b>	52,997,246
<b>Total borrowings</b>	<b>89,895,031</b>	64,747,679

Notes:

On 29 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 29 July 2020. The annual interest rate of the corporate bonds is fixed at 3.27%. Interest is paid on an annual basis. Investors have the right to sell back their bonds to the Company at the end of the second year. As at 30 June 2023 the corporate bond were redeemed in the amount of RMB1,713,000,000 and the remaining RMB987,000,000 was classified as 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 2023, the corporate bonds were classified as current liabilities.

# Notes to the Interim Condensed Consolidated Financial Information

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

Notes: (continued)

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 2023, the corporate bonds were classified as non-current liabilities

On 13 February 2023, 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 on 12 August 2023, and the annual interest rate was 2.27%. As at 30 June 2023, the corporate bonds were classified as current liabilities.

On 16 March 2023, 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 on 12 September 2023, and the annual interest rate was 2.21%. As at 30 June 2023, the corporate bonds were classified as current liabilities.

On 16 March 2023, the Company issued 8,000,000 units of bonds at a total par value of RMB800,000,000. After deduction of the expenses of approximately RMB662,400 in relation to the issuance, the total net proceeds were approximately RMB799,337,600. The bonds will mature on 12 December 2023, and the annual interest rate was 2.49%. As at 30 June 2023, 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 2023

## 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	65,720,104	42,886,646	8,949,136	10,110,599
Between 1 to 2 years	3,268,333	7,117,505	2,998,349	3,997,697
Between 2 to 5 years	8,959,109	635,232	–	–
	<b>77,947,546</b>	50,639,383	<b>11,947,485</b>	14,108,296

## 21. Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January (audited)	4,842,507	4,797,916
New leases	1,387,757	1,154,095
Additions as a result of acquisition of subsidiaries (Note 27)	9,730	–
Accretion of interest recognised during the period	99,048	93,193
Payments	(1,122,784)	(1,035,532)
Disposals	(276,842)	(145,348)
Carrying amount at 30 June (unaudited)	<b>4,939,416</b>	4,864,324
Analysed into:		
Current portion	<b>1,631,162</b>	1,499,508
Non-current portion	<b>3,308,254</b>	3,364,816

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

# Notes to the Interim Condensed Consolidated Financial Information

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## 22. Deferred income tax

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Deferred tax assets	<b>2,107,966</b>	1,979,743
Deferred tax liabilities	<b>(877,788)</b>	(936,744)
	<b>1,230,178</b>	1,042,999

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

	<b>For the six months ended 30 June</b>	
	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
At 1 January	<b>1,042,999</b>	764,301
Acquisition of subsidiaries (Note 27)	<b>665</b>	–
Disposal of a subsidiary	<b>(2,380)</b>	–
Credited to the consolidated statement of profit or loss (Note 13)	<b>186,610</b>	249,993
(Charged)/credited to other comprehensive income	<b>2,284</b>	(274)
At 30 June	<b>1,230,178</b>	1,014,020

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current service cost	1,871	1,695
Past service cost	–	200
Interest expense	5,575	5,665
	<b>7,446</b>	7,560

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
	Present value of funded obligations	31,979
Fair value of plan assets	(118,234)	(118,929)
Surplus of funded plans	(86,255)	(85,029)
Present value of unfunded post-employment benefit obligations	468,266	465,742
Liability in the consolidated statement of financial position	<b>382,011</b>	380,713

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At 1 January	380,713	387,697
Charged to consolidated statement of profit or loss	7,446	7,560
Remeasurements of post-employment benefit obligations recognised in the consolidated statement of other comprehensive income	10,652	2,288
Contributions by employers and benefit payments	(16,800)	(19,827)
At 30 June	382,011	377,718

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 2023, fair value of the plan asset was RMB118,234,000 (31 December 2022: RMB118,929,000). As at 30 June 2023, obligations under these defined benefit plans are 24.45% (31 December 2022: 24.70%) covered by the plan assets. No material surplus or deficiency was noted for the above mentioned plan assets.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 24. Other non-current liabilities

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Medical reserve funds		
– general (i)	<b>2,235,980</b>	2,288,815
– for H1N1 vaccines	<b>581,358</b>	581,358
Government grants for construction of logistics centres (ii)	<b>77,361</b>	80,874
Other government grants	<b>306,669</b>	316,555
Payment for purchase of non-controlling interests	<b>–</b>	11,100
Payables for acquisition of subsidiaries	<b>133,526</b>	39,160
Others	<b>83,398</b>	54,257
	<b>3,418,292</b>	3,372,119

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 RMB185,453,000 during the six months ended 30 June 2023 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. RMB238,288,000 was written-off with the government's approval due to the expiry or usage of relevant medicines during the six months ended 30 June 2023 (30 June 2022: RMB321,684,000). 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 2023, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 25. Trade and bills payables

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade payables	<b>123,067,671</b>	99,451,067
Bills payable	<b>33,571,555</b>	37,633,994
	<b>156,639,226</b>	137,085,061

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

The ageing analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Below 3 months	<b>110,803,931</b>	98,405,927
Between 3 and 6 months	<b>26,495,936</b>	20,372,122
Between 6 months and 1 year	<b>13,514,114</b>	9,066,377
Between 1 and 2 years	<b>3,493,694</b>	7,104,143
Over 2 years	<b>2,331,551</b>	2,136,492
	<b>156,639,226</b>	137,085,061

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

During the six months ended 30 June 2023, trade payables of RMB912,407,000 (the six months ended 30 June 2022: RMB211,293,000) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 30 June 2023, the balance of bank borrowings related to this program was RMB1,376,065,000 (31 December 2022: RMB458,739,000).

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 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:

<b>Subsidiaries</b>	<b>Equity interests acquired</b> %	<b>Cash consideration</b> RMB'000
Sinopharm Group Jilin Medical Instrument Co., Ltd.	19.00%	855
Sinopharm Group Jilin Medical Technology Development Co., Ltd.	19.00%	700
Sinopharm Group Liangshan Pharmaceutical Co., Ltd.	5.00%	250
Guoyao Lerentang Health (Shijiazhuang) Co., Ltd.	10.00%	688
Zhongkeqi Hubei Co., Ltd.	12.00%	30,664
		<hr/>
		33,157

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:

	<b>Effect on the total equity</b> RMB'000
Carrying amount of non-controlling interests acquired	33,213
Consideration payable to non-controlling interests	<hr/> 33,157
Excess of consideration paid over the carrying amount acquired	<hr/> (56)

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 26. Transactions with non-controlling interests (continued)

### (b) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the six months ended 30 June 2023

	<b>Effect on the total equity</b>
	RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	(56)
– Disposal of interests in subsidiaries without loss of control	–
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	(56)

## 27. Business combinations not under common control

Acquisitions during the period are as follows:

The Group acquired equity interests from third parties in certain subsidiaries which are mainly engaged in the distribution of medicines and pharmaceutical products and operations of pharmacy business in order to extend the market share of the Group. The subsidiaries acquired by the Group during the year are as follows:

<b>Subsidiaries acquired from third parties</b>	<b>Month of acquisition</b>	<b>Acquired interests</b>	<b>Accumulated interests</b>
Sinopharm Weikang Medical Technology (Shanghai) Co.,Ltd.	February,2023	60%	60%
Sinopharm Medical Supply Chain Services (Fuzhou) Co., Ltd.	January,2023	50%	60%

The effect of the above acquisitions is summarised as follows:

	RMB'000
Purchase consideration	
– Contingent consideration (i)	95,664
– Cash consideration paid	42,560
Total purchase consideration	138,224

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 27. Business combinations not under common control (continued)

The details of the assets and liabilities acquired and cash flows relating to these acquisitions are summarised as follows:

	<b>Fair values at acquisition date</b>
	RMB'000
Cash and cash equivalents	61,304
Property, plant and equipment (Note 16)	18,589
Intangible assets (Note 16)	65,676
– Sales network	64,223
– Others	1,453
Right-of-use assets (Note 16)	16,010
Deferred tax assets (Note 22)	665
Inventories	54,708
Other non-current assets	4,806
Trade and other receivables	393,735
Trade and other payables	(390,803)
Lease liabilities (Note 21)	(9,730)
Interest-bearing bank and other borrowings	(35,608)
Other non-current liabilities	(2,709)
<b>Total identifiable net assets at fair value</b>	<b>176,643</b>
<b>Less: non-controlling interests (ii)</b>	<b>(70,657)</b>
<b>Goodwill (Note 16)</b>	<b>32,238</b>
<b>Total purchase consideration</b>	<b>138,224</b>
<b>Less: contingent consideration (i)</b>	<b>(95,664)</b>
	<b>42,560</b>
<b>Less: non-cash settled consideration</b>	<b>(2,737)</b>
<b>Cash consideration paid during the period</b>	<b>39,823</b>
Cash and cash equivalents in subsidiaries acquired	(61,304)
Cash inflow on acquisition	(21,481)

The goodwill is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries acquired not under common control combination.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 27. Business combinations not under common control (continued)

Notes:

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB104,560,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB95,664,000. As at 30 June 2023, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

The Group has elected to recognise non-controlling interests measured at the proportionate share of acquired net identified assets excluding goodwill.

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 30 June 2023 are summarised as follows:

	<b>From acquisition dates to 30 June 2023</b>
	RMB'000
	(Unaudited)
Revenue	529,484
Net profit	19,002

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 28. Commitments

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Property, plant and equipment: contracted but not provided for	<b>50,784</b>	86,420
Fund investment: contracted but not provided for	<b>75,000</b>	75,000

## 29. 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 2023

## 29. 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Sales of goods</b>		
Associates	577,319	486,892
Companies controlled by CNPGC	1,044,977	1,217,373
Associates of CNPGC	297	1,649
Subsidiaries of Fosun Pharmaceutical	191,638	219,554
Subsidiary of Natong Group	2,705	13,109
<b>Purchases of goods</b>		
Associates	2,540,528	2,028,730
Companies controlled by CNPGC	3,664,345	2,883,193
Associates of CNPGC	941,783	784,976
Subsidiaries of Fosun Pharmaceutical	3,959,627	2,247,130
Subsidiary of Natong Group	213,591	269,896
<b>Borrowings</b>		
Addition		
Associates	48,976	55,912
Companies controlled by CNPGC	9,242,022	6,602,884
<b>Repayment</b>		
Ultimate holding company	–	1,500,000
Associates	24,355	364,335
Companies controlled by CNPGC	4,883,937	4,710,576
<b>Interest fee paid for other financial services</b>		
Ultimate holding company	–	53,363
Associates	1,618	5,292
Companies controlled by CNPGC	71,570	60,712
<b>Bills receivable discount</b>		
Companies controlled by CNPGC	674,011	1,147,824
<b>Trade receivable factoring</b>		
Associates	979,449	550,653
Companies controlled by CNPGC	3,013,020	3,632,289

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 29. Significant related party transactions (continued)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Cash in other financial institution</b>		
Companies controlled by CNPGC	1,250,733	2,342,575
<b>Trade and bills receivables due from</b>		
Subsidiary of Natong Group	407	1,533
Associates	198,525	202,179
Companies controlled by CNPGC	1,838,113	1,406,052
Associates of CNPGC	281	138
Subsidiaries of Fosun Pharmaceutical	135,326	84,899
<b>Other receivables due from</b>		
Subsidiary of Natong Group	426	1,920
Associates	52,879	54,793
Companies controlled by CNPGC	37,461	56,902
Associates of CNPGC	7	465
Subsidiaries of Fosun Pharmaceutical	12,422	3,220
<b>Prepayments to</b>		
Subsidiary of Natong Group	182	1,789
Associates	5,864	15,332
Companies controlled by CNPGC	216,966	425,856
Associates of CNPGC	4,729	13,156
Subsidiaries of Fosun Pharmaceutical	51,546	69,850
<b>Trade and bills payables due to</b>		
Subsidiary of Natong Group	294,241	258,207
Associates	1,294,975	1,273,840
Companies controlled by CNPGC	1,573,418	1,678,660
Associates of CNPGC	153,317	91,029
Subsidiaries of Fosun Pharmaceutical	1,644,960	1,216,560

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

## 29. Significant related party transactions (continued)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Other payables due to</b>		
Subsidiary of Natong Group	642	622
Ultimate holding company	4,094	4,094
Associates	670,469	616,365
Companies controlled by CNPGC	872,208	487,071
Associates of CNPGC	756	875
Subsidiaries of Fosun Pharmaceutical	729	1,251
<b>Contract liabilities</b>		
Subsidiary of Natong Group	–	52
Associates	428	1,820
Companies controlled by CNPGC	113,727	109,575
Associates of CNPGC	2	8
Subsidiaries of Fosun Pharmaceutical	1,803	795
<b>Borrowing due to</b>		
Associates	60,108	34,758
Companies controlled by CNPGC	10,062,046	5,705,581
<b>Other non-current liabilities</b>		
Ultimate holding company	1,480,415	1,278,805
Companies controlled by CNPGC	38,847	39,519

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 2023

## 30. Material subsequent events

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

## 31. 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 25 August 2023.