国药集团
SINOPHARM

國藥控股股份有限公司
SINOPHARM GROUP CO. LTD.*

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

(Stock Code: 01099)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "**Board**") of Sinopharm Group Co. Ltd. (the "**Company**" or "**Sinopharm**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") prepared under the Hong Kong Financial Reporting Standards ("**HKFRSs**") for the year ended 31 December 2023 (the "**Reporting Period**").

CHAIRMAN'S STATEMENT

Looking back on the past year, China's economy has overcome multiple difficulties and challenges, generally achieved a good trend of recovery, made solid progress in high-quality development, and made solid steps towards building a socialist modern country in an all-round way.

The policy of "Linkage Reform among Medical Treatment, Medical Insurance and Pharmaceutical Distribution" continued to be implemented, and the entire pharmaceutical distribution industry was also at a critical stage of rapid transformation. The competition landscape has been adjusted and reshaped, and integration of innovative technologies such as artificial intelligence have been accelerated. The challenges faced by the industry were unprecedented, and the opportunities were once in a blue moon.

* *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.".*

Taking initiative and following the momentum, right timing to rush forward. The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and the crucial year of forming a connecting link between the preceding and the following to implement the "14th Five-Year Plan". In this year, Sinopharm Group followed the Company's strategy and industry regulatory requirements, persisted in striving for progress while maintaining stability, and maintained a steady and high-quality development trend in a complex environment. In 2023, the Group's operating income continued to increase, the business structure was constantly optimized, and the position and influence in the industry were continuously enhanced. In 2023, the Group ranked 24th among Fortune 500 Chinese listed companies, and continued to play a leading role in the industry in the new journey of high-quality development. This year, in full compliance with the national regulatory requirements, we continued to push forward the work requirements of "deepening and upgrading the reform of state-owned enterprises" and "improving the quality of listed companies controlled by central enterprises", actively improved the level of corporate governance, and comprehensively focused on strengthening core functions and enhancing the core competitiveness. During the Reporting Period, the Company was awarded the excellent rating of State-owned Enterprises Reform "Double-Hundred Action" by the State-owned Assets Supervision and Administration Commission of the State Council, and won "The 14th Tianma Award for Investor Relations of Hong Kong Listed Companies" and "The 25th Golden Bull Award for Hong Kong Listed Companies", which demonstrated the high recognition of corporate governance efficiency and leading edge by various social sectors.

Promoting green transformation and innovative development. The Group actively responded to the national strategy, demonstrated the responsibility of central enterprises, constantly explored and practiced in the field of sustainable development, took scientific and technological innovation as a brand-new growth driver, played the role of the core hub of the pharmaceutical distribution infrastructure, and was fully committed to improving the accessibility to high-quality pharmaceutical services and products. Meanwhile, the Group also further promoted the sustainable development strategy, continued to explore the organic integration of business development and low-carbon transformation, made great efforts to promote the construction of a greener and low-carbon pharmaceutical logistics network, and strove to contribute to the building of a harmonious society and the realisation of green development. As of the end of 2023, the Company's rating of MSCI has been maintained as "A" for two consecutive years, and the score of S&P DJSI has also been continuously improved, ranking among the top in the industry. In the year of 2023, the Company was also listed in the Fortune China ESG Influence List, the "Central Enterprises ESG • Pioneer 100 Index" List and the "Hang Seng SCHK China Central SOEs ESG Leaders Index". The Company's sustainable development strategy has been recognized by all sectors of society.

Take endless pursuit as aim and persistent innovation as way. The innovation and iteration of information technology, medical digitalization and artificial intelligence accelerated the transformation and innovation of the service model of the pharmaceutical distribution industry, and also brought broader development space and opportunities for the industry. During the year, we kept pace with the times, focused on our main responsibilities and business and compliance operation, deepened technological transformation and service innovation, focused on integrated operation and specialized development, promoted layout optimization and structural adjustment of business, and continuously explored new development opportunities and growth points. In 2023, the Group took solid and powerful steps towards transformation: the achievements in the medical device manufacturing industry were visible, and a milestone step was taken in the high-end medical imaging equipment manufacturing business, realizing the landing of a localized domestic brand in the medical endoscopy market; digital transformation has been promoted in an orderly manner, the effectiveness of data governance has begun to appear, and a number of cases have been awarded the "2023 Innovative Cases of Digital Transformation in the National Pharmaceutical Industry", which provided a digital intelligence engine and support for the enterprise's high-quality development. The innovation of services has been accelerated in implementation, the advantages of integration have continued to emerge, and the revenue from the three-party logistics, SPD business and medical services has been continuously improved. The diversified development of various businesses and the transformation and innovation of models have brought brand-new dynamics energy to the development of enterprises, enhanced the stickiness between the Group and the upstream and downstream partners in the industrial chain while contributing revenue growth to the Group, and comprehensively promoted the innovative development of the industrial value chain.

A skilled player plans a move ahead, a wise planner reaches further. The year of 2023 is the twentieth anniversary of the establishment of Sinopharm Group. Since its establishment, the Group has always adhered to the initial intention of "All for Health, Health for All", and has done solid work and made deep cultivation and efforts in the field of pharmaceutical and medical device distribution and comprehensive services, constantly providing high-quality products and services for the health and well-being of the public. From the initial turnover of less than RMB10 billion to the scale of nearly RMB600 billion now, the Group has continuously achieved leap-forward development, and the cornerstone of medium and long-term development has been continuously stabilized. Under the complicated and changeable market environment and industry policies, the Group has always maintained its leading position in the industry and solidly promoted the high-quality development.

In the future, guided by the newly revised "14th Five-Year Plan" and supported by "scientific and technological innovation", the Group will clarify the brand-new development orientation of "efficient organizer of pharmaceutical supply chain" and "comprehensive service solution provider in the industrial chain", focus on the "intellectualization, integration, platformization and internationalization", comprehensively build the comprehensive service capacity of supply chain in line with the national development strategy, and accelerate the construction of the "National Pharmaceutical and Medical Device Network" with obvious advantages. Meanwhile, the Group will accelerate the cultivation of strategic emerging industries, increase the investment and merger of device manufacturing, promote the in-deep integration of "Industry-Academia-Research-Application", build an independent industrial support platform, promote the diversified development of intelligent supply chain, medical services and other businesses, and comprehensively consolidate the new growth momentum of the Group's medium and long-term development.

Perserving without cease, taking promising future. In 2024, the Group will firmly grasp the primary task of high-quality development, persist in striving for progress while maintaining stability, continuously deepen reform and scientific and technological innovation, explore the formation of new quality productive forces, stimulate the vitality of the Company's development, and constantly open up the new prospects for the high-quality development of the Company. Meanwhile, we will always implement the philosophy of sustainable development, actively contribute to the society, empower the upstream and downstream of the industry with better medical and health products and services, continue to lead the development direction of the pharmaceutical distribution industry in the new era, and promote the green transformation and development of the pharmaceutical distribution industry with high efficiency.

Standing at a new starting point of development, we look forward to working with you, striving to repay the shareholders and colleagues from all sectors of society who have been paying attention to us for a long time with steady performance returns. Let's forge ahead together and create greater glories!

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Renminbi thousand unless otherwise stated)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
Revenue	*4*	**596,569,565**	552,147,550
Cost of sales	*8*	**(548,057,887)**	(504,713,490)
Gross profit		**48,511,678**	47,434,060
Other income	*5*	**582,010**	676,163
Selling and distribution expenses	*8*	**(17,471,692)**	(16,719,561)
Administrative expenses	*8*	**(8,678,071)**	(8,183,559)
Expected credit losses on financial and contract assets	*6*	**(666,966)**	(666,467)
Losses on derecognition of financial assets measured at amortised cost and fair value through other comprehensive income	*13*	**(2,067,764)**	(1,936,170)
Operating profit		**20,209,195**	20,604,466
Other gains – net	*7*	**661,284**	122,198
Other expenses	*7*	**(35,317)**	(39,920)
Finance income		**743,366**	542,767
Finance costs		**(3,173,740)**	(3,732,759)
Finance costs – net	*10*	**(2,430,374)**	(3,189,992)
Share of profits and losses of:			
Associates		**1,111,568**	1,064,155
Joint ventures		**(4,219)**	2,912
		1,107,349	1,067,067
Profit before tax		**19,512,137**	18,563,819
Income tax expense	*11*	**(4,502,309)**	(4,218,377)
Profit for the year		**15,009,828**	14,345,442

	Notes	**2023**	2022
Attributable to:			
Owners of the parent		**9,053,760**	8,525,655
Non-controlling interests		**5,956,068**	5,819,787
		15,009,828	14,345,442
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic and diluted	*12*	**2.90**	2.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi thousand unless otherwise stated)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
Profit for the year		**15,009,828**	14,345,442
Other comprehensive loss:			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of post-employment benefit obligations	*11*	**(8,996)**	(10,478)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	*11*	**6,864**	(13,694)
Income tax effect	*11*	**(1,716)**	3,388
Fair value changes on financial asset, net of tax		**5,148**	(10,306)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(3,848)**	(20,784)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,388**	11,513
Share of other comprehensive income of associates		**607**	3,226
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**2,995**	14,739
Other comprehensive loss for the year, net of tax		**(853)**	(6,045)
Total comprehensive income for the year		**15,008,975**	14,339,397
Attributable to:			
– Owners of the parent		**9,053,491**	8,524,434
– Non-controlling interests		**5,955,484**	5,814,963
		15,008,975	14,339,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Renminbi thousand unless otherwise stated)

AS AT 31 DECEMBER 2023

	Notes	**2023**	2022
ASSETS			
Non-current assets			
Right-of-use assets		**7,416,423**	7,030,398
Investment properties		**501,466**	538,338
Property, plant and equipment		**12,481,234**	12,616,766
Intangible assets		**10,196,149**	10,170,919
Investments in joint ventures		**22,812**	20,233
Investments in associates		**9,687,954**	8,967,418
Equity investments designated at fair value through other comprehensive income		**55,264**	57,381
Financial assets at fair value through profit or loss		**784,656**	795,428
Finance lease receivables		**5,854**	5,862
Deferred tax assets		**1,963,679**	1,979,743
Other non-current assets		**3,444,253**	3,186,266
Total non-current assets		**46,559,744**	45,368,752
Current assets			
Inventories		**60,027,648**	60,925,831
Trade and notes receivable	*13*	**184,432,543**	169,753,132
Contract assets		**1,354,519**	1,447,162
Prepayments, other receivables and other assets		**16,196,932**	20,016,358
Financial assets at fair value through profit or loss		**547**	498
Finance lease receivables		**3,297**	3,778
Pledged deposits, restricted cash and bank deposits with an initial term of over three months		**11,011,076**	12,037,999
Cash and cash equivalents		**63,808,538**	55,221,624
Total current assets		**336,835,100**	319,406,382
Total assets		**383,394,844**	364,775,134

	Notes	**2023**	2022
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,120,656**	3,120,656
Treasury shares		**(3,838)**	(3,838)
Other reserves		**22,055,339**	22,038,063
Retained earnings		**49,410,060**	42,913,678
		74,582,217	68,068,559
Non-controlling interests		**45,736,528**	42,000,631
Total equity		**120,318,745**	110,069,190
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**13,834,037**	11,750,433
Lease liabilities		**3,420,841**	3,206,560
Deferred tax liabilities		**788,379**	936,744
Post-employment benefit obligations		**366,512**	380,713
Contract liabilities		**80,230**	96,418
Other non-current liabilities		**3,095,463**	3,372,119
Total non-current liabilities		**21,585,462**	19,742,987
Current liabilities			
Interest-bearing bank and other borrowings		**54,730,449**	52,997,246
Lease liabilities		**1,796,525**	1,635,947
Trade and notes payable	14	**146,632,453**	137,085,061
Contract liabilities		**6,398,902**	10,396,326
Accruals and other payables		**29,901,366**	30,889,733
Dividends payable		**256,374**	255,386
Tax payable		**1,774,568**	1,703,258
Total current liabilities		**241,490,637**	234,962,957
Total liabilities		**263,076,099**	254,705,944
Total equity and liabilities		**383,394,844**	364,775,134

NOTES:

(All amounts in Renminbi thousand unless otherwise stated)

1 GENERAL INFORMATION

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

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

The address of the Company's registered office is 1st and 11th to 15th Floors, No.385 East Longhua Road, Huangpu District, Shanghai, the PRC.

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

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

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 22 March 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

(a) Compliance with HKFRS and disclosure requirement of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments).

(c) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
- Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

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

(d) New and amended standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published but are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

- Classification of Liabilities as Current or Non-current – Amendments to HKAS 1
- Non-current liabilities with covenants – Amendments to HKAS 1
- Lease liability in sale and leaseback – Amendments to HKFRS 16
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28

The Group anticipate that the application of all these new and amendments to HKFRSs and HKASs will have no material impact on classification and measurement and still evaluating the expected impact on the disclosures set out in the consolidated financial statements in the foreseeable future.

3 SEGMENT INFORMATION

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

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

(ii) Medical device distribution – distribution of medical devices, and installation and maintenance services;

(iii) Retail pharmacy – operation of chain pharmacy stores;

(iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy segment does not meet the quantitative thresholds required by HKFRS 8 Operating Segments, management has concluded that this segment should be reported, as it is considered to be as a potential growth segment and is expected to materially contribute to group revenue in the future.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of right-of-use assets, investment properties, property, plant and equipment, intangible assets, investments in associates and joint ventures, inventories, receivables and operating cash.

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

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

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

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

(i) For the year ended 31 December 2023 and 2022

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

	Pharmaceutical distribution *RMB'000*	Medical devices distribution *RMB'000*	Retail pharmacy *RMB'000*	Other business *RMB'000*	Eliminations *RMB'000*	Group *RMB'000*
Year ended 31 December 2022						
Segment results						
External segment revenue	391,779,322	119,606,321	32,402,986	8,358,921	–	552,147,550
Inter-segment revenue	14,824,211	1,245,158	576,350	1,850,203	(18,495,922)	–
Revenue	406,603,533	120,851,479	32,979,336	10,209,124	(18,495,922)	552,147,550
Operating profit	12,937,862	5,082,860	816,622	1,783,247	(16,125)	20,604,466
Other gains, net	113,681	3,087	(342)	5,772	–	122,198
Other expenses	(6,527)	5,558	–	(38,951)	–	(39,920)
Share of profits and losses of associates and joint ventures	28,313	(5,191)	2,058	1,041,887	–	1,067,067
	13,073,329	5,086,314	818,338	2,791,955	(16,125)	21,753,811
Finance costs, net						(3,189,992)
Profit before tax						18,563,819
Income tax expense						(4,218,377)
Profit for the year						14,345,442
Other segment items included in the statement of profit or loss						
Expected credit losses of financial and contract assets	321,484	302,844	41,144	995	–	666,467
(Reversal of provision)/provision for prepayment	(11,463)	(4,388)	14	(29)	–	(15,866)
Write-down of inventories, net	5,773	5,432	9,971	232	–	21,408
Provision for impairment of property, plant and equipment	2,019	–	–	–	–	2,019
Provision for impairment of intangible assets	40,270	99	15,417	–	–	55,786
Depreciation of property, plant and equipment	1,154,290	316,839	241,979	31,290	–	1,744,398
Depreciation of investment properties	14,717	22,211	1,158	2,658	–	40,744
Depreciation of right-of-use assets	683,890	282,504	967,361	55,461	–	1,989,216
Amortisation of intangible assets	343,194	–	47,324	143	–	390,661
Capital expenditures	1,452,420	667,084	255,812	107,119	–	2,482,435

(ii) As at 31 December 2023 and 2022

	Pharmaceutical distribution *RMB'000*	Medical devices distribution *RMB'000*	Retail pharmacy *RMB'000*	Other business *RMB'000*	Eliminations *RMB'000*	Group *RMB'000*
As at 31 December 2023						
Segment assets and liabilities						
Segment assets	**271,659,810**	**91,462,286**	**17,868,344**	**23,952,788**	**(23,512,063)**	**381,431,165**
Segment assets include:						
Investments in associates and joint ventures	**239,303**	**75,892**	**36,286**	**9,359,285**	**–**	**9,710,766**
Unallocated assets – Deferred tax assets						**1,963,679**
Total assets						**383,394,844**
Segment liabilities	**133,888,384**	**64,269,780**	**13,514,976**	**6,054,854**	**(24,004,760)**	**193,723,234**
Unallocated liabilities – Deferred tax liabilities and borrowings						**69,352,865**
Total liabilities						**263,076,099**
As at 31 December 2022						
Segment assets and liabilities						
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.

Information about major customers

No revenue from a singular customer in the Reporting Period amounted to over 10% of the total revenue of the Group.

4 REVENUE

	2023	2022
Revenue from contracts with customers		
Sales of goods (at a point in time)	**592,469,026**	548,706,677
Logistics service income (over time)	**1,518,134**	1,446,497
Marketing and service income (over time)	**2,004,939**	1,333,279
Import agency income (at a point in time)	**61,339**	82,284
Others (at a point in time)	**317,152**	310,506
Revenue from other sources		
Operating lease income	**198,975**	268,307
	596,569,565	552,147,550

Revenue of RMB10,396,326,000 (2022: RMB6,085,953,000) relating to carried-forward contract liabilities at the beginning of the year was recognised in the current year.

5 OTHER INCOME

	2023	2022
Government grants	**582,010**	676,163

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

6 EXPECTED CREDIT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2023	2022
Expected credit losses of financial and contract assets, net:		
Trade and notes receivable	**628,615**	393,902
Contract assets	**(14,075)**	37,981
Other receivables	**27,074**	196,725
Other non-current assets	**25,463**	37,899
Finance lease receivables	**(111)**	(40)
	666,966	666,467

7 OTHER GAINS, NET/OTHER EXPENSES

	2023	2022
Other gains, net		
Write-back of certain liabilities	**98,923**	97,806
Gain/(loss) on disposal of subsidiaries	**27,736**	(36,376)
Gain on disposal of investment in associates and a joint venture	**20,517**	30,479
Gain on disposal of investment properties, property, plant and equipment and intangible assets	**235,925**	17,217
Gain on disposal of right-of-use assets	**228,648**	22,265
Foreign exchange loss, net	**(9,975)**	(2,388)
Donation	**(42,410)**	(62,085)
Dividend income from:		
Equity investments at fair value through other comprehensive income	**3,017**	535
Equity investments at fair value through profit or loss	**37,028**	12,516
Fair value gains on financial assets at fair value through profit or loss	**62,933**	13,184
Disposal of financial assets at fair value through profit or loss	**(1,665)**	125
Others, net	**607**	28,920
	661,284	122,198
Other Expenses		
Provision for impairment of property, plant and equipment	**(3,801)**	–
Provision for impairment of intangible assets	**(51,098)**	(55,786)
Reversal for impairment of prepayment	**19,582**	15,866
	(35,317)	(39,920)

8 EXPENSES BY NATURE

	2023	2022
Raw materials and trading merchandise consumed	**546,728,833**	502,612,168
Employee benefit expenses *(Note 9)*	**15,186,630**	14,714,377
Write-down of inventories, net	**70,267**	21,408
Lease payments not included in the measurement of lease liabilities	**541,823**	666,358
Depreciation of property, plant and equipment	**1,758,136**	1,744,398
Depreciation of investment properties	**97,310**	40,744
Depreciation of right-of-use assets	**2,158,872**	1,989,216
Amortisation of intangible assets	**415,930**	390,661
Auditor's remuneration		
– audit services	**30,287**	48,846
– non-audit services	**403**	2,322
Advisory and consulting fees	**382,836**	401,976
Transportation expenses	**2,062,574**	2,268,813
Travel expenses	**260,613**	229,597
Market development and business promotion expenses	**3,523,739**	3,240,758
Utilities	**313,906**	292,982
Others	**675,491**	951,986
Total cost of sales, selling and distribution expenses, and administrative expenses	**574,207,650**	529,616,610

Notes:

The impairment of goodwill amounted to RMB27,018,000 (2022: RMB38,980,000) was included in "Other expenses" (Note 7) in the consolidated statement of profit or loss.

9 EMPLOYEE BENEFIT EXPENSES

	2023	2022
Salaries, wages, allowances and bonuses *(i)*	**11,980,393**	11,528,515
Contributions to pension plans *(ii)*	**1,364,455**	1,270,492
Post-employment benefits	**(6,724)**	6,217
Housing benefits *(iii)*	**565,015**	531,682
Other benefits *(iv)*	**1,283,491**	1,377,471
	15,186,630	14,714,377

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 of total RMB16,540,000 (31 December 2022: RMB32,572,000) were payable to the fund pension plan of China National Pharmaceutical Group at the year ended 31 December 2023.

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

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

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

10 FINANCE INCOME AND COSTS

	2023	2022
Interest expense:		
– Interest-bearing bank and other borrowings	**2,759,537**	3,331,514
– Net interest on net defined benefit liability	**10,898**	11,047
– Lease liabilities	**206,203**	199,303
Gross interest expense	**2,976,638**	3,541,864
Bank charges	**217,153**	212,433
Less: Capitalised interest expense	**(20,051)**	(21,538)
Finance costs	**3,173,740**	3,732,759
Finance income:		
– Interest income on deposits in banks and other financial institutions	**(560,471)**	(468,209)
– Interest income on long-term deposits	**(182,895)**	(74,558)
	(743,366)	(542,767)
Net finance costs	**2,430,374**	3,189,992

11 TAXATION

	2023	2022
Current income tax	**4,650,544**	4,497,740
Deferred income tax	**(144,477)**	(261,458)
Adjustments in respect of current tax of previous periods	**(3,758)**	(17,905)
	4,502,309	4,218,377

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

	2023	2022
Profit before tax	**19,512,137**	18,563,819
Tax calculated at the applicable tax rate	**4,878,034**	4,640,955
Impact of lower tax rates enacted by local authorities	**(346,985)**	(355,064)
Expenses not deductible for tax purposes	**137,415**	196,118
Income not subject to tax	**(245,892)**	(276,488)
Tax losses not recognised	**111,918**	39,207
Tax losses utilised from previous periods	**(22,213)**	(5,983)
Impact of change in the applicable income tax rate on deferred tax	**(6,210)**	(2,463)
Adjustments in respect of current tax of previous periods	**(3,758)**	(17,905)
Income tax expense	**4,502,309**	4,218,377

Note:

(i) During 2023, enterprises established in the PRC are normally subject to enterprise income tax ("**EIT**") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

(ii) Two of the Group's subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% (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 is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2022/2023. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

		2023			2022	
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax credit	After tax
Equity investments at fair value through other comprehensive income	**6,864**	**(1,716)**	**5,148**	(13,694)	3,388	(10,306)
Remeasurement of post-employment benefit obligations	**(15,255)**	**6,259**	**(8,996)**	(14,125)	3,647	(10,478)
Total	**(8,391)**	**4,543**	**(3,848)**	(27,819)	7,035	(20,784)

12 EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2022: 3,120,656,000) in issue excluding treasury shares at the end of the Reporting Period.

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023	2022
Earnings		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation *('000)*	**9,053,760**	8,525,655
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *('000)*	**3,120,656**	3,120,656
Treasury Shares *('000)*	**(3,838)**	(3,838)
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation *('000)*	**3,116,818**	3,116,818
Basic and diluted earnings per share *(RMB per share)*	**2.90**	2.73

13 TRADE AND NOTES RECEIVABLE

	2023	2022
Trade receivables	**169,002,890**	155,578,573
Notes receivable held both to collect cash flows and to sell	**12,442,865**	11,179,245
Notes receivable	**6,682,962**	6,069,314
	188,128,717	172,827,132
Less: Expected credit losses	**(3,696,174)**	(3,074,000)
	184,432,543	169,753,132

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

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

	2023	2022
Within 1 year	**158,669,524**	147,857,116
1 to 2 years	**5,921,366**	4,045,001
Over 2 years	**807,374**	682,725
	165,398,264	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 credit losses for trade and notes receivable. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing except for individually provided, where applicable.

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

	2023	2022
At beginning of year	**3,074,000**	2,695,902
Expected credit losses, net	**628,615**	393,902
Other decrease for the year	**–**	38
Disposal of subsidiaries	**(46)**	(11,633)
Amount written off as uncollectible	**(6,395)**	(4,209)
At end of year	**3,696,174**	3,074,000

As at 31 December 2023, notes receivable of RMB310,572,000 (2022: RMB121,964,000) and trade receivables of RMB928,314,000 (2022: RMB1,972,621,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2023, notes receivable of RMB230,655,000 (2022: RMB270,427,000) and trade receivables of RMB357,077,000 were pledged as collateral for the Group's notes payable.

As at 31 December 2023, outstanding trade receivables of RMB58,159,689,000 (2022: RMB59,585,086,000) were derecognised under the trade receivables factoring programs without recourse. The aging of these derecognised trade receivables was basically within one year. As at 31 December 2023, the collection of such trade receivables on behalf of banks amounting to RMB6,424,793,000 (2022: RMB6,047,315,000) and the collection of such trade receivables on behalf of related parties amounting to RMB1,690,185,000 (2022: RMB1,484,315,000) was recorded in other payables. During the year of 2023, the losses on derecognition of trade and notes receivable was RMB2,067,764,000 (2022: RMB1,936,170,000).

14 TRADE AND NOTES PAYABLE

	2023	2022
Trade payables	**108,952,818**	99,451,067
Notes payable	**37,679,635**	37,633,994
	146,632,453	137,085,061

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

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

	2023	2022
Within 3 months	**101,351,442**	98,405,927
Between 3 to 6 months	**26,186,117**	20,372,122
Between 6 months to 1 year	**12,368,569**	9,066,377
Between 1 to 2 years	**4,351,596**	7,104,143
Over 2 years	**2,374,729**	2,136,492
	146,632,453	137,085,061

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

	2023	2022
RMB	**146,536,449**	137,081,555
USD	**87,263**	–
EUR	**1,235**	221
NZD	**7,506**	–
JPY	**–**	3,285
	146,632,453	137,085,061

15 DIVIDENDS

A final dividend for the year ended 31 December 2022 of RMB0.82 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, amounting to RMB2,558,938,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 15 June 2023.

A final dividend for the year ended 31 December 2023 of RMB0.87 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, totalling approximately RMB2,714,971,000, is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 22 March 2024. These financial statements have not reflected this proposed dividend.

	2023	2022
Proposed final dividend – RMB0.87 (2022: RMB0.82) per ordinary share	**2,714,971**	2,558,938

MANAGEMENT DISCUSSION AND ANALYSIS

Review on Industrial Environment

Macro-economy witnessed growth momentum, and economic development recovered steadily

During the year of 2023, China's economy rebounded and improved, social and economic activities recovered steadily, and high-quality development was solidly promoted. China's economic growth rate ranked top among the major economies in the world. According to the data released by the National Bureau of Statistics of China, China's annual gross domestic product (GDP) for 2023 was RMB126.06 trillion, while China's economic growth in the same period exceeded RMB6 trillion, representing a year-on-year increase of 5.2%, and the growth rate was 2.2 percentage points higher than that in 2022. China's economy showed a steady recovery and rebound with an upward trend.

A smooth transition after the pandemic was achieved and the compliance supervision promoted transformation

During the Reporting Period, with the gradual subsiding of the COVID-19 pandemic, medical and health services returned to normal, and the entire pharmaceutical and healthcare industry returned to a stable and positive development trend. For the whole year of 2023, the total income of the basic medical insurance fund (including maternity insurance) was RMB2.71 trillion, and the total expenditure of the basic medical insurance fund (including maternity insurance) was RMB2.20 trillion, with the overall operation of the basic medical insurance fund running smoothly. With the gradual aging of the population and the implementation of policies such as "encouraging childbearing", the demand for medical services in society is increasing, accelerating the release of the growth potential of China's medical industry. In the second half of 2023, the National Health Commission and other nine ministries and commissions deployed and carried out a one-year centralized rectification work in the national medical field, which had a far-reaching impact on the landscape of the entire pharmaceutical and healthcare industry. While improving the industry governance system, the transformation and upgrading of the entire medical service industry was promoted to a compliant and professional model, and the scale advantages of leading enterprises accelerated to appear, further consolidating the foundation for the medium-and long-term healthy development of the pharmaceutical industry.

In addition, with the gradual deepening of the reform of medical insurance, the concentration of the pharmaceutical distribution industry has steadily increased and the service model of distribution enterprises continued to transform and innovate. Digital technologies such as artificial intelligence, big data and cloud computing are widely used and innovative service models such as intelligent medical care, remote diagnosis and personalized medical services are iteratively developed. The digitalization, networking and intellectualization of medical and health services have been rapidly improved, the sense of access and accessibility of medical services have been continuously enhanced and the differences in service capabilities and service efficiency became more apparent. The brand-new development trend continuously promoted the high-quality transformation of China's health industry, providing a solid guarantee for comprehensively promoting the construction of a "Healthy China".

Review on Business Highlights

The year of 2023 was the year of economic recovery and development after a smooth transition in the wake of the COVID-19 pandemic, and it was also the twentieth anniversary of the establishment of Sinopharm Group. The new trend of accelerating the transformation and deepening supervision of China's pharmaceutical and healthcare industry has put forward higher requirements and challenges for the high-quality and compliant development of the Group's business. Under the firm leadership of the Board and the management, Sinopharm Group actively responded to the national strategy, accelerated the implementation of various tasks of "deepening reform" and continuously consolidated the foundation of sustainable growth of businesses.

During the Reporting Period, the Group made a mid-term revision of the development strategy of the "14th Five-Year Plan", clarifying the development strategy of transformation and innovation, actively supporting the development of innovative businesses such as medical services and industrial manufacturing, continuously promoting the overall high-quality growth of the business, and facilitating diversified optimization of the business structure. In 2023, the Group's operating income was RMB596,569.57 million, representing a year-on-year increase of 8.05%, the increase in the market share was accelerated, the scale advantage continued to emerge, and the leading position in the industry was stable.

During the Reporting Period, the medical device distribution and retail pharmacy segments continued the past trend of the sound growth, and the pharmaceutical distribution business also recovered rapidly after the COVID-19 pandemic. As at the end of 2023, the percentage of the revenue from the Group's pharmaceutical distribution segment increased by 0.19 percentage point on a year-on-year basis to 71.44%. The percentage of the revenue from the Group's medical device distribution segment recorded a slight decrease of 0.09 percentage point on a year-on-year basis to 21.09%. The percentage of the revenue from the retail pharmacy segment remained the same as that of the same period of last year, reaching 5.78%. Due to the rapid growth of the pharmaceutical distribution segment during the Reporting Period and the adjustment and optimization of the business structure driven by the regulatory trend, during the Reporting Period, the gross profit margin achieved by the Group decreased by 0.46 percentage point on a year-on-year basis compared with 2022 to 8.13%. However, benefiting from the better cost control level and revitalising existing assets, the growth rate of the Group's net profit and net profit attributable to the parent company was higher than the growth rate of the gross profit, and the net profit for the whole year amounted to RMB15,009.83 million, representing a year-on-year increase of 4.63%, and the net profit attributable to the parent company amounted to RMB9,053.76 million, representing a year-on-year increase of 6.19%.

Pharmaceutical Distribution: distribution business recovered rapidly, and marketing services developed synergistically

During the year of 2023, the centralized procurement of the eighth and ninth batches of drugs organized by the State, involving 39 kinds of drugs and 41 varieties, were successively completed. As at the end of 2023, the National Healthcare Security Administration had organized nine batches of centralized procurement of drugs organized by the State, including 374 kinds of drugs, with an average price reduction of over 50%. The centralized volume-based procurement ("**VBP**") of drugs has been normalized and institutionalized, the terminal prices of drugs have dropped in an orderly manner, the supply chain and intermediate links have been significantly optimized, and the distribution efficiency has been continuously improved, promoting the transformation and upgrading of the pharmaceutical distribution service.

During the Reporting Period, the pharmaceutical distribution business of the Group recovered rapidly after the impact of the COVID-19 pandemic was eliminated, and the revenue from the pharmaceutical distribution business amounted to RMB441,050.70 million, representing a year-on-year increase of 8.47%. The Group actively sought new market segments and growth potential, accelerated the expansion of the vast primary-level market outside hospitals, continuously enhanced the network coverage, and steadily increased the proportion of direct sales business to primary medical institutions and retail pharmacies. As at the end of the Reporting Period, while achieving steady growth in key regions and markets such as Beijing, Shanghai, Jiangsu, Zhejiang, our businesses in broad north-west markets such as Gansu and Ningxia have developed rapidly, consolidating the leading edge of the industry.

Meanwhile, the Group focused on supporting the development of innovative services. The Group continuously strengthened the compliance supervision of marketing services and constantly improved the supply chain comprehensive service capability of innovative drugs and original research products by building a large-scale, compliant and professional marketing integration service system. Relying on the synergistic advantage and stickiness of distribution network, the Group efficiently integrated business resources, formulated professional and personalized marketing and promotion plans, gradually built a professional marketing system in the fields of severe and chronic diseases such as tumor and infection and expanded brand-new service scenarios and ecology. On the operation management basis, the Group's revenue from the pharmaceutical marketing business increased by more than 30% on a year-on-year basis during the Reporting Period, continuing the previous high-speed growth trend.

Medical Device Distribution: Service advantage continued to reveal and industrial manufacturing took solid progress

As at the end of 2023, the number of national centralized procurement projects for medical consumables (including reagents) has been expanded to four in an orderly manner. During the Reporting Period, the Group's medical device distribution segment actively adapted to the changes in the speed-up and expansion of VBP, and eliminated the impact of the base data of anti-pandemic supplies generated during the same period of last year. Meanwhile, the Group continued to promote high-quality business development by optimizing product structure and deepening the network coverage of the medical device distribution business. During the Reporting Period, the revenue from the medical device distribution business amounted to RMB130,212.94 million, representing a year-on-year growth of 7.75%. The application of policy tools, such as special bonds and special refinancing interest subsidy, accelerated the filling of shortcomings and weaknesses of medical resources. The rigid demand for medical services has led to a rebound in the quantity of outpatient services and surgeries on the hospital side after the pandemic, and the percentage of the revenue from medical consumables and medical equipment of the hospital recorded a year-on-year increase.

On the basis of the main business of distribution, the Group focused on extending supply chain services, and actively undertook 10 types of projects, such as management of equipment and assets and maintenance services, SPD services and medical testing projects by relying on its strong source coordination capability. As at the end of 2023, the Group has carried out device professional services in nearly 30 provinces, with the number of projects increased by 124 new SPD projects, 158 new single hospital centralised distribution projects and 4 new regional hospital consortium and medical community centralised distribution projects as compared to the end of 2022. With the rapid expansion of coverage of downstream medical institutions, the specialization and digitalization of services has also been continuously improved. During the Reporting Period, the number of new service patents and software copyrights reached 31 and 40, respectively, fully demonstrating the strategic supporting role of device supply chain services.

During the Reporting Period, the Group made a new breakthrough in R&D projects in the device manufacturing industry, and the commercialization arrangement was promoted in an orderly manner. At the beginning of 2023, Sinopharm formally signed a joint venture agreement with GE Healthcare, and at the end of November of the same year, the brand "SINO IMAGING" was officially released, marking the Group's official start of the manufacturing business of high-end medical imaging equipment. The 4K endoscope camera system independently developed by Sinopharm Xinguang (國藥新光) has obtained the marketing license, and the product has realized the full chain 4K data flow control from collection, transmission, processing and display, and has reached the international leading level in optical path design and production technique. Following the trend of "domestic substitution", the Group actively promoted the independance, safety, efficiency and controllability of the medical device supply chain, strove to enhance the independent scientific and technological attributes of high-quality medical device products, and strengthened the manufacturing and application of localized and domestic brands in the field of professional medical services, continuously laying a solid foundation for the Group to build a ecology of the entire medical device industry chain services.

Retail Pharmacy: Echoed the policy and optimized strategy, clarified the positioning and strengthened the ability

In the year of 2023, the impact of the COVID-19 pandemic was gradually eliminated, and the category structure of the retail business returned to normal. With the implementation of reform policies such as the reform of personal medical insurance accounts and the outpatient retail unification (門診統籌), the trend of patients returning to the hospital and primary medical institutions has appeared in a short period of time, and the overall growth rate of the retail pharmacy industry has slowed down. At the same time, the "dual- channel" policy has been promoted in various places in an orderly manner. The rising demand for special drugs for severe and chronic diseases in retail channel continuously promoted the outflow of prescriptions, which became a brand-new driving force for the growth of specialized pharmacies with strong pharmacy service capabilities.

During the Reporting Period, the Group further revised and improved the "14th Five-Year Plan" development strategy of the retail pharmacy business, and further promoted the implementation of core strategies such as "wholesale-retail integration" and "pharmaceutical-device synergic development" to strengthen the improvement of operating efficiency and profitability of the retail pharmacy business under the premise of ensuring steady sales growth. As of the end of 2023, the revenue from the retail pharmacy segment amounted to RMB35,689.38 million, representing a year-on-year increase of 8.22%. The revenue from professional pharmacies increased by over 20% on a year-on-year basis, which was consistently higher than the industry average growth level; the revenue from Guoda Drug Stores increased by approximately 1.3% on a year-on-year basis, and the profitable efficiency has improved significantly, with a year-on-year increase of 50.66% in the net profit. The retail pharmacy segment continued to maintain its leading competitive advantage in the industry.

The Group continuously strengthened the network layout and regional coverage of the retail business, focusing on improving the coverage of business blank areas and medical institutions, and forming a scale advantage by integrating retail core resources, so as to promote the healthy and sustainable development of retail diagnosis and treatment business with professional management, and finally improve the service capabilities directly facing C side. As of the end of the Reporting Period, the total number of retail pharmacy stores of the Group was 12,109, representing a net increase of 1,356 in total compared with the end of 2022, among which there were 10,516 Guoda Drug Stores, representing a net increase of 1,203 compared with the end of 2022, and 1,593 professional pharmacies, representing a net increase of 153 compared with the end of 2022, covering 30 provinces, municipalities and autonomous regions and 305 prefecture-level administrative regions in China, and the core competitiveness of the retail pharmacy business has been continuously enhanced.

During the Reporting Period, with the strong brand reputation and sound internal control system, the Group continuously optimized the structure of varieties, undertook the prescription outflow of prescription circulation centers and Internet hospitals in various provinces and cities, and consolidated the competitive advantages of the professional pharmacy service. Following the policy reform of the retail industry, the Group encouraged the regional companies to strengthen communication with regulatory authorities, enhance the ability to acquire qualifications of "dual-channel" and outpatient unified retail pharmacies, and undertake the demand for prescription outflow brought about by the reform policy. Through internal and external trainings and talent cultivation, the Group actively improved the allocation ratio and professional skills of licensed pharmacists, and comprehensively improved the service ability for and stickiness of C-side customers. As at the end of the Reporting Period, the total number of "dual-channel" qualified stores of the Group increased by about 28% compared with the end of 2022 to 1,127, among which there were 397 Guoda Drug Stores and 730 professional pharmacies, representing a net increase of 244 during the Reporting Period, and the network layout of "dual-channel" qualified stores was further improved.

Scientific and Technological Innovation: digital transformation improved efficiency, enhanced synergy facilitated growth

According to the "14th Five-Year Plan" development strategy revised in the mid-term, during the Reporting Period, the Group comprehensively promoted the transformation planning of national logistics infrastructure, made great efforts to build an integrated logistics operation system to realize the intensive management of warehousing resources, enhanced the coordination ability of logistics resources within the Group, strengthened the visualization and intellectualization level of logistics network, and effectively promoted the separation of management and control of the logistics and business flow. Through the reorganization and establishment of a national logistics management platform, the Group has further established logistics operation management and logistics asset management and implemented the construction of inter-provincial hubs, provincial and prefecture-level logistics centers and transfer stations, gradually expanded the coverage of integrated logistics management, building a full-format, side-to-side comprehensive logistics network and service system covering the pharmaceutical and medical device supply chain in an orderly manner.

According to the overall blueprint design of digital transformation, the Group actively accelerated the construction of digital transformation projects of various businesses covering pharmaceutical and medical device distribution, retail pharmacy and logistics services. During the Reporting Period, the Group has successfully completed the upgrading and transformation of the backbone networks of all provincial companies, and built a digital application technology basic platform with independent control and proprietary intellectual property rights, as well as an extensible development interface and integrated application portal, laying the foundation for orderly optimization of operating efficiency on the premise of ensuring the security of data assets.

Facing the fluctuation of macro-environment, during the Reporting Period, the Group focused on cost control and efficiency improvement, anchored revenue operating indicators such as net profit margin, cash flow and return on equity, and continuously improved the quality of business growth. The Group actively promoted the transformation of organizational operation model. Through centralized management and digital transformation, the Group carried out the business integration of provincial platforms in an orderly manner, promoted the departmental management of branches and subsidiaries, promoted the exploration and construction of financial sharing centers and human resource sharing centers, accelerated the transformation of integrated operation, continuously improved the expense management capability, tapped potential for efficiency improvement, and forged new core competitive advantages. As at the end of the Reporting Period, all the major expense ratio indicators of the Group had declined, among which, the selling and administration expense ratio was 4.38%, representing a year-on-year decrease of 0.13 percentage point, and the annual finance expense ratio (excluding factoring) was 0.41%, representing a year-on-year decrease of 0.17 percentage point. As at the end of the Reporting Period, the receivables turnover days of the Group were shortened by 4 days on a year-on-year basis, and the net (inflow) of the annual operating cash flow indicator amounted to RMB17,173.03 million, representing a year-on-year decrease of RMB3,790.75 million, and the gearing ratio was 68.62%, representing a year-on-year decrease of 1.21 percentage points compared with the same period of last year. The return on equity also maintained stable at approximately 13%.

Future Prospects

Looking forward to the future, with the in-depth implementation of the "Healthy China" strategy, the implementation of expansion of policies including the VBP and national medical insurance negotiation will further accelerate the formation of a unified national market and continuously promote the industrial concentration. The State's support for the health industry and innovative pharmaceutical and medical devices as well as the aging population and the growing demand for health consumption of residents will also be conducive to facilitating the medium- and long-term stable development of the entire medical and health industry.

In the short term, the recovery of medical industry still needs to overcome the impact brought by the COVID-19 pandemic and faces the challenge of a reduction in the profitability of transitional business due to the reform of medical insurance as well as the new situation and requirements of structural transformation and the development of new quality productive forces. Therefore, the Group will further optimize resource matching, accelerate the layout of strategic emerging industries and promote the extension of upstream and downstream industrial chains on the basis of consolidating the main responsibility and business. By building new core competitiveness, the Group will promote the diversified development of business structure and respond to the risk of external environment uncertainty with its own steady development.

Transformation and Innovation: Foster strategic emerging industries through innovation, and consolidate potential through diversified development

Accelerating the service transformation is an important strategy and top-level design of the Group. The Group will actively follow the regulatory requirements of the industry, promote the change of business model and build a professional marketing service system. Based on the three main businesses, the Group will further strengthen the organic linkage of hospital security, special pharmaceutical service, patient support and innovative payment, form a comprehensive supply chain ecosystem covering "medical, medicine, patient, insurance", give full play to the coverage and service advantages of terminal networks, build a comprehensive marketing system covering multiple categories and varieties of pharmaceuticals and medical devices and actively lead the transformation and expansion of industry service models.

The Group will accelerate the cultivation of strategic emerging industries such as device manufacturing and industrial research and development, promote the integration of "industry-academia-research-application", leverage on resource endowment of Sinopharm Group to speed up the replication and promotion of newly cultivated businesses, lead the innovation of business models and science and technology, promote the integration and coordinated development of multiple business, and build new profit growth points and competitive advantages.

In terms of logistics services, the Group will make full use of the national multi-warehouse resources to match the logistics transformation, empower the national business development, deeply tap the market share of the three-party logistics, and form a synergistic advantage across regions and businesses. Meanwhile, the Group will continue to accelerate the intelligentization of logistics facilities, build a digital management and control platform for asset projects, and vigorously explore the application of energy-saving and emission reduction technologies, so as to promote the green and low-carbon transformation and development of logistics projects.

Pharmaceutical and Medical Device Distribution: build a leading "pharmaceutical and medical device network", extend services and improve stickiness

The Group will give full play to the synergistic advantages of pharmaceutical-medical device synergic development with the channel integration and product struction optimization as major promotion focus, and improve and perfect the network layout. The Group will actively focus on the customers of secondary and tertiary medical institutions, vigorously expand new customers such as urban hospital consortia and county-level medical communities, deepen the coverage of terminal networks at the primary level through the "channel sinking" project, continuously expand the market share through endogenous growth, and further improve the comprehensive service capacity of the pharmaceutical logistics network.

Meanwhile, the Group will vigorously strengthen the cultivation of professional service capabilities, build an intelligent service system of the supply chain, and continue to carry out value-added service projects. On the basis of undertaking the delivery service of the varieties of pharmaceuticals and medical devices of VBP and the direct delivery demand of production enterprises, the Group will optimize the business structure, aim at the varieties and services with high clinical value and high gross profit, accelerate the exploration of the innovation and extension of service models, and promote the continuous improvement of income scale and business stickiness.

Retail Pharmacy: focus on policies and enhance services, improve network layout and promote transformation

The Group will further strengthen the implementation of the strategy, leverage the optimization of network layout of chain pharmacies through the endogenous growth and outreach mergers and acquisitions to fully meet the diversified service demands of patients through the differentiated layout of social pharmacies and professional pharmacies. The Group will follow the trend of the reform of medical insurance, actively connect with the policies such as "dual-channel" and "outpatient retail unification", continuously improve professional pharmacy service and the medical insurance service undertaking capability at C-side, enhance the profitability and operating quality, and maintain the steady growth of the retail business.

Operation Management: digital transformation and technology driven, improve efficiency and strictly control risks

According to the overall blueprint design of digital transformation, the Group will continue to follow the trend of technological change, actively use cutting-edge technical tools such as digitalization, intellectualization and automation to accelerate the digital transformation and construction of data governance projects, and continuously improve the business operating efficiency and per capita production efficiency of the Group.

Meanwhile, the Group will further strengthen risk management and control, actively introduce short-cycle businesses, optimize and improve customer account period, further focus on the management and control of account receivables and liquidity, comprehensively promote the integrated construction of provincial-level platforms for credit and account receivables management and control, and strengthen the risk supervision of high-risk customers.

Financial Summary

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

During the Reporting Period, the Group recorded a revenue of RMB596,569.57 million, representing an increase of RMB44,422.02 million or 8.05% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a profit of RMB15,009.83 million, representing an increase of RMB664.39 million or 4.63% as compared with the corresponding period of last year. Profit attributable to owners of the parent amounted to RMB9,053.76 million, representing an increase of RMB528.10 million or 6.19% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB2.90, representing an increase of 6.23% as compared with the corresponding period of last year.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB596,569.57 million, representing an increase of 8.05% as compared with RMB552,147.55 million for the twelve months ended 31 December 2022, which was primarily due to the increase in revenue from the Group's pharmaceutical distribution business, retail pharmacy business and medical device distribution business.

- Pharmaceutical distribution segment: during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB441,050.70 million, which accounted for 73.93% of the total revenue of the Group and represented an increase of 8.47% as compared with RMB406,603.53 million for the twelve months ended 31 December 2022. Such increase was mainly due to the increase in the distribution scale and the growth of the acquisition rate of the varieties involved in VBP.

- Medical device distribution segment: during the Reporting Period, the revenue from medical device distribution of the Group was RMB130,212.94 million, which accounted for 21.83% of the total revenue of the Group and represented an increase of 7.75% as compared with RMB120,851.48 million for the twelve months ended 31 December 2022. The increase was primarily due to the expansion of distribution territories, the addition of new products for distribution and the growth of winning customers.

- Retail pharmacy segment: during the Reporting Period, the revenue from retail pharmacy of the Group was RMB35,689.38 million, which accounted for 5.98% of the total revenue of the Group and represented an increase of 8.22% as compared with RMB32,979.34 million for the twelve months ended 31 December 2022. The increase was primarily due to the growth in prescription drug sales and the expansion of the Group's network of retail pharmacies.

- Other business segments: during the Reporting Period, the revenue from other business of the Group was RMB10,385.63 million, representing an increase of 1.73% as compared with RMB10,209.12 million for the twelve months ended 31 December 2022. The increase was primarily due to the growth in marketing and service income.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB548,057.89 million, representing an increase of 8.59% as compared with RMB504,713.49 million for the twelve months ended 31 December 2022. The increase was primarily due to the increase in the revenue of the Group.

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB48,511.68 million, representing an increase of 2.27% as compared with RMB47,434.06 million for the twelve months ended 31 December 2022. The gross profit margin of the Group for the twelve months ended 31 December 2022 and 2023 were 8.59% and 8.13%, respectively.

Other Income

During the Reporting Period, other income of the Group was RMB582.01 million, representing a decrease of 13.92% as compared with RMB676.16 million for the twelve months ended 31 December 2022. The decrease was primarily due to the decrease in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB17,471.69 million, representing an increase of 4.50% as compared with RMB16,719.56 million for the twelve months ended 31 December 2022. The increase in selling and distribution expenses was primarily attributable to the purchase of promotion services from third parties by the Group, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network coverage through set-ups of companies.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB8,678.07 million, representing an increase of 6.04% as compared with RMB8,183.56 million for the twelve months ended 31 December 2022. The increase in administrative expenses was primarily attributable to the increase in administrative costs incurred by the expansion of network scale and business growth of the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB20,209.20 million, representing a decrease of 1.92% from RMB20,604.47 million for the twelve months ended 31 December 2022.

Other Gains – Net

During the Reporting Period, the other net gains of the Group increased to RMB661.28 million from RMB122.20 million for the twelve months ended 31 December 2022. The increase was primarily due to the increase in the gain on disposal of property, plant and equipment and right-of-use assets.

Other Expenses

During the Reporting Period, the other expenses of the Group amounted to RMB35.32 million, representing a decrease of RMB4.60 million as compared with RMB39.92 million for the twelve months ended 31 December 2022, which was due to reversal for impairment of prepayment and the provision for the impairment of intangible assets during the year.

Finance Costs – Net

During the Reporting Period, the finance costs – net of the Group was RMB2,430.37 million, representing a decrease of 23.81% as compared with RMB3,189.99 million for the twelve months ended 31 December 2022. The decrease was primarily due to the decrease of the borrowing interest rates during the year.

Share of Profits of Associates

During the Reporting Period, the Group's share of profits of associates was RMB1,111.57 million, representing an increase of 4.46% as compared with RMB1,064.16 million for the twelve months ended 31 December 2022.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of losses of joint ventures was RMB4.22 million, representing a decrease of 244.88% as compared with the share of profits of joint ventures which was RMB2.91 million for the twelve months ended 31 December 2022.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB4,502.31 million, representing an increase of RMB283.93 million as compared with RMB4,218.38 million for the twelve months ended 31 December 2022. The increase was primarily due to the increase in pre-tax profits of the Group, which led to a corresponding increase in income tax expenses. The Group's actual income tax rate increased to 23.07% during the Reporting Period from 22.72% for the twelve months ended 31 December 2022.

Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2023 was RMB15,009.83 million, representing an increase of 4.63% as compared with RMB14,345.44 million for the twelve months ended 31 December 2022. The profit margin of the Group for the twelve months ended 31 December 2023 and 2022 were 2.52% and 2.60%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB9,053.76 million, representing an increase of 6.19% or RMB528.10 million from RMB8,525.66 million for the twelve months ended 31 December 2022.

Profit Attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests of the Company was RMB5,956.07 million, representing an increase of 2.34% or RMB136.28 million from RMB5,819.79 million for the twelve months ended 31 December 2022.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB294,573.27 million, of which approximately RMB148,120.82 million were not yet utilized. As at 31 December 2023, the Group had cash and cash equivalents of RMB63,808.54 million, which primarily comprised cash and bank savings.

Cash flow

The cash of the Group was primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2023 and 2022, respectively:

	2023	2022
	RMB million	*RMB million*
Net cash generated from operating activities	**17,173.03**	20,963.78
Net cash used in investing activities	**(944.53)**	(3,589.62)
Net cash used in financing activities	**(7,643.97)**	(5,693.48)
Increase in cash and cash equivalents	**8,584.53**	11,680.68
Cash and cash equivalents at the beginning of the year	**55,221.62**	43,529.43
Foreign exchange gain and loss	**2.39**	11.51
Cash and cash equivalents at the end of the year	**63,808.54**	55,221.62

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy, medical device distribution and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB17,173.03 million, representing a decrease of RMB3,790.75 million from RMB20,963.78 million for the twelve months ended 31 December 2022.

Net cash used in investing activities

During the Reporting Period, the net cash used in investing activities of the Group was RMB944.53 million, representing a decrease of RMB2,645.09 million as compared with RMB3,589.62 million for the twelve months ended 31 December 2022.

Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB7,643.97 million. The net cash used in financing activities of the Group for the twelve months ended 31 December 2022 was RMB5,693.48 million, and such increase was mainly due to the repayment of interest-bearing bank borrowings and other borrowings during the period.

Capital Expenditure

The Group's capital expenditures were primarily utilized for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improvement of the level of informatization. The Group's capital expenditures amounted to RMB2,488.43 million and RMB2,482.44 million for the year ended 31 December 2023 and 2022, respectively, which was primarily due to the purchase of property, plant and equipment.

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

Capital Structure

Fiscal resources and fiscal policies

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. The Group's business faced a variety of fiscal risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management addresses the unpredictability of financial markets and minimises potential adverse effects on the Group's financial performance. The Group didn't use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates and interest rates.

During the Reporting Period, the Group has successfully issued super short-term commercial papers of RMB13.0 billion, for the purpose of broadening the financing channels, reducing financing costs, so as to repay bank borrowings and replenish the working capital.

The Group's borrowings are mainly denominated in RMB.

As at 31 December 2023, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in United States Dollars ("**USD**") and Hong Kong Dollars ("**HKD**"), and small amount denominated in Euro ("**EUR**"), Great Britain Pound ("**GBP**"), Swiss Franc ("**CHF**") and Japanese Yen ("**JPY**").

Indebtedness

As at 31 December 2023, the Group had aggregated banking facilities of RMB294,573.27 million (31 December 2022: RMB274,967.78 million), of which RMB148,120.82 million (31 December 2022: RMB142,732.70 million) were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2023, RMB54,730.45 million (31 December 2022: RMB52,997.25 million) will be due within one year and RMB13,834.04 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 its bank loans with its lenders. As at 31 December 2023, interest-bearing bank borrowings and other financial institutions borrowings were carried at floating interest rates with a weighted average effective annual interest rate of 2.82% for the year ended 31 December 2023 (for the year ended 31 December 2022: 2.94%).

Gearing ratio

As at 31 December 2023, the Group's gearing ratio was 68.62% (31 December 2022: 69.83%), which was calculated based on the total liabilities divided by total assets as at 31 December 2023.

Credit Risk

The Group will focus on the recovery of account receivables with a maturity of more than one year, inventory risk and liquidity control, credit exposure and other potential risks, coordinate development and safety, continuously improve the level of compliance supervision, and prevent and control business operation risks. Meanwhile, the Group will continue to review the credit risk of trade receivables and fully consider changes in business structure and customer structure, changes in the macroeconomic environment and specific industry factors. At the same time, the Group will also continue to review the Group's customer credit risk characteristic portfolios to ensure that the division of credit risk characteristic portfolios can fully reflect the risk characteristics of different types of customers, and the Group will assess the accounting estimates such as historical observed default rates and forward-looking adjustments in a more prudent manner to ensure that the provision matrix of the Group's expected credit loss can fully reflect the impairment provisions for trade receivables. As at 31 December 2023, the trade and bills receivables of the Group in aggregate amounted to RMB184,433 million (31 December 2022: RMB169,753 million) and its aging analysis is set out in note 13 to the consolidated financial statements.

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

Foreign Exchange Risks

The Group's operations are mainly located in the PRC and most of its transactions are denominated and settled in RMB. However, the Group is exposed to foreign exchange risks to some extend on certain cash and cash equivalents, prepayments and other receivables, trade payables and accrued expenses and other payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group has no corresponding hedging arrangements.

Pledge of Assets

As at 31 December 2023, part of the Group's borrowings and notes payable were secured by trade and notes receivable with book value of RMB1,826.62 million (31 December 2022: RMB2,366.86 million), bank deposits of RMB11,011.08 million (31 December 2022: RMB12,038.00 million), and property, plant and equipment with book value of RMB8.30 million (31 December 2022: RMB20.38 million).

Major Acquisitions and Disposals

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

Significant Investment

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

Going Concern

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

Contingent Liabilities and Material Litigations

As at 31 December 2023, the Group neither had any material contingent liability, nor had any material litigation.

Human Resources

As at 31 December 2023, the Group had a total of 115,959 employees (as at 31 December 2022: 114,766 employees). In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of the talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group also conducts periodic performance reviews on its employees and adjusts their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

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

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to determine Directors' remuneration incentive policies, and designed a compensation structure comprising "basic remuneration, performance-based remuneration, and medium and long-term incentives". The basic remuneration is the basic fixed annual income; the performance-based remuneration is the immediate floating income based on the completion of the annual performance goals, which is paid after evaluation; the "medium and long-term incentive" is the share incentive scheme, which is contingent on the excellent performance in the medium and long term, designed to bind interests and share benefits and risks with shareholders. During the Reporting Period, the details of employee benefit expenses of the Group is set out in the Note 9 to the consolidated financial statements.

DIVIDEND POLICY

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

(i) the Company's financial results;

(ii) the Company's shareholders' interests;

(iii) general business conditions and strategies;

(iv) the Company's capital needs;

(v) contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;

(vi) taxation considerations;

(vii) possible effects on the Company's credit worthiness;

(viii) statutory and regulatory restrictions; and

(ix) any other factors the Board may deem relevant.

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

DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 22 March 2024 to propose to distribute a final dividend of RMB0.87 per share (tax inclusive) for the year ended 31 December 2023 (the "**Final Dividend**"), totalling approximately RMB2,714,971,000. If the proposal of profit distribution is approved by shareholders at the 2023 annual general meeting to be held on Thursday, 13 June 2024 (the "**AGM**"), the Final Dividend will be distributed to the shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024 no later than 13 August 2024.

According to the Articles of Association of the Company, the Final Dividends will be denominated and declared in Renminbi. Final Dividend on domestic shares of the Company and for investors investing in the H shares of the Company through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect (the "**Southbound Trading**") (the "**Southbound Trading Shareholders**") will be paid in Renminbi, and the Final Dividend for other holders of H shares of the Company will be paid in Hong Kong dollars. The amount of the Final Dividend payable in Hong Kong dollars shall be calculated based on the average exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to 13 June 2024 (being the date of declaration of the Final Dividend).

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

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

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

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the "**Notice**") issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld by the Company from the Final Dividend payable to the individual H-share shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice. If individual H Share shareholders consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, after receiving the dividends, they may proceed with the subsequent tax related treatment in person or through proxy with competent tax authorities of the Company in accordance with requirements under the tax treaties.

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

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

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

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 7 June 2024 to Thursday, 13 June 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend the AGM and to vote at the meeting, all instruments of transfer of the holders of H-shares of the Company must be lodged at the H-shares registrar of the Company at Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 6 June 2024. Shareholders whose names appear on the register of members of the Company on Friday, 7 June 2024 shall be entitled to attend the AGM.

In order to ascertain Shareholders'entitlement to receive the proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 19 June 2024 to Monday, 24 June 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the Final Dividend, all instruments of transfer of the holders of H-shares of the Company must be lodged at the H-shares registrar of the Company at Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 18 June 2024. Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024 shall be entitled to receive the Final Dividend.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, none of the Company and its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company currently consists of four directors: including three independent non-executive directors being Mr. Wu Tak Lung, Mr. Li Peiyu and Mr. Shi Shenghao and one non-executive director being Mr. Li Dongjiu. Mr. Wu Tak Lung currently serves as the chairman of the audit committee. The primary responsibilities of the Company's audit committee are to inspect, review and supervise the Company's financial information, reporting process for financial information and risk management and internal control system. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

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

The Board has adopted the Model Code as the code of practice for directors and supervisors in respect of their trading in the listed securities of the Company. After making specific enquires with the directors and supervisors, all of them confirmed that they had complied with the requirements for securities trading of directors and supervisors set out in the Model Code during the Reporting Period.

DISCLOSURE OF INFORMATION

The 2023 annual report of the Company will be duly dispatched to the shareholders of the Company, and published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://ir.sinopharmgroup.com.cn).

By order of the Board of
Sinopharm Group Co. Ltd.
Yu Qingming
Chairman

Shanghai, the PRC
22 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Yu Qingming and Mr. Liu Yong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Deng Jindong, Mr. Wang Kan, Mr. Wang Peng, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and the independent non-executive directors of the Company are Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao.