

China National Accord Medicines Corporation Ltd.

Summary of Semi-Annual Report 2019

I. Important Notice

The summary of semi-annual report is excerpted from the full text of the semi-annual report. For the details, investors should carefully read the full text of the semi-annual report published on Juchao Information website (www.cninfo.com.cn) and Shenzhen Stock Exchange Website etc., appointed by CSRC.

Objection statement of directors, supervisors and senior executives

Name	Position	Content and reason
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Statement

Other directors attending the Meeting for annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
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Prompt of modified auditing opinion

☐ Applicable ☒ Not applicable

Profit distribution pre-plan of common stock or capitalizing of common reserves pre-plan deliberated by the Board in the reporting period

☐ Applicable ☒ Not applicable

The Company plans not to carry out cash dividend and bonus distribution and capitalizing of common reserves

Profit distribution pre-plan of preferred stock deliberated and approved by the Board in the reporting period

☐ Applicable ☒ Not applicable

II. Basic information of the company

1. Company profile

Short form of the stock	Sinopharm Accord, Accord B	Stock code	000028, 200028
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Chen Changbing	Wang Zhaoyu	
Office add.	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	Accord Pharm. Bldg., No. 15, Ba Gua Si Road, Futian District, Shenzhen, Guangdong Province	
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2. Main financial data and index

Whether it has retroactive adjustment or re-statement on previous accounting data

☐ Yes ☒ No

	Current Period	Same period of last year	Increase/decrease in this report y-o-y
Operating income (RMB)	25,228,147,377.43	20,778,425,602.22	21.42%
Net profit attributable to shareholders of the listed company (RMB)	650,833,360.40	641,727,034.93	1.42%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	639,700,447.95	623,296,339.34	2.63%
Net cash flow arising from operating activities (RMB)	1,163,757,581.35	225,357,709.20	416.40%
Basic earnings per share (RMB/Share)	1.52	1.50	1.33%
Diluted earnings per share (RMB/Share)	1.52	1.50	1.33%
Weighted average ROE	5.44%	6.62%	Decline 1.18 percentage points
	End of current period	End of last period	Increase/decrease in this report-end over that of last period-end
Total assets (RMB)	33,539,598,682.94	28,930,300,519.97	15.93%
Net assets attributable to shareholder of listed company (RMB)	12,140,439,917.48	11,618,432,603.28	4.49%

3. Number of shareholders and share-holding

In Share

Total common shareholders at period-end		19,108		Total preference shareholders with voting rights recovered at end of reporting period (if applicable)		0	
Top ten shareholders							
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Shares pledged/frozen		
					State of share	Amount	
Sinopharm Group Co., Ltd	State-owned corporate	56.06%	239,999,991	55,057,700			
Hong Kong Securities Clearing	Overseas corporate	4.33%	18,521,557				

Company Ltd						
HTHK/CMG FSGUFP-CM G FIRST STATE CHINA GROWTH FD	Overseas corporate	2.68%	11,469,644			
China National Pharmaceutic al Foreign Trade Corp.	State-owned corporate	1.24%	5,323,043	5,323,043		
Fidelity Investment Management (Hong Kong) Limited - Client's fund	Overseas corporate	1.07%	4,582,909			
China United Property Insurance Company Limited – Traditional Insurance Products	Domestic non state-owned corporate	1.01%	4,313,024			
# Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund	Domestic non state-owned corporate	0.96%	4,118,716			
Central Huijin Investment Ltd.	State-owned corporate	0.89%	3,804,400			
Basic endowment insurance fund- portfolio 1003	Domestic non state-owned corporate	0.77%	3,294,334			
BBH BOS S/A FIDELITY	Overseas corporate	0.76%	3,246,061			

FD - CHINA FOCUS FD						
Explanation on associated relationship among the aforesaid shareholders	Sinopharm Group Co., Ltd. and China National Pharmaceutical Foreign Trade Corporation have the same actual controller, which is China National Pharmaceutical Group Corporation. It is unknown that there exists no associated relationship or belongs to the consistent actionist among the other tradable shareholders regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.					
Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held (if applicable)	Beijing Haoqing Fortune Investment Management Co., Ltd. – Haoqing Value Stable No.8 Investment Fund holds shares of the Company through margin trading and negotiable securities account that is 4,118,716 shares in total.					

4. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

Changes of actual controller in reporting period had no change in reporting period.

5. Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

☐ Applicable ☒ Not applicable

The Company had no shareholders with preferred stock held in the reporting.

6. Corporate bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due

No

III. Discussion and analysis by the Management Team

1. Introduction of operation in the reporting period

Whether the Company needs to comply with the disclosure requirements of the particular industry

Yes

Retailing industry

In the first half of 2019, the growth rate of China's pharmaceutical market slowed down, and the growth of major terminals continued to differentiate, the growth rate of primary medical care and retail terminals was higher than that of hospital terminals. In the first half year, the industrial policy continued to deepen the medical reform with the core thoughts of "adjusting the structure, strengthening the grassroots and strict supervision", and the pace of

reform in the medical field was accelerated; the "4+7" collection and linkage was rapidly advanced, the national medical insurance standardization work was officially launched, the payment method reform pilot has been advanced, and the market regulation was becoming stricter.

Under the new situation, Sinopharm Accord conformed to the industry and policy trends, maintained strategic strength, sought transformation and innovation and development, and continuously promoted the strategic measures and technological transformation with wholesale and retail integration as the core, focused on four business directions, and created a "new" Guoda. Under the guidance and support of the company's board of directors, with the joint efforts of more than 25,000 employees, we focused on the increase in share and the scale expansion, the company's scale and growth rate in the first half of the year was better than the overall level of the industry, and achieved steady and rapid growth in performance.

(i) Performance completion

In first half of 2019, Sinopharm Accord achieved a revenue from operation amounted as 25.228 billion Yuan with a y-o-y growth 21.42%; net profit attributable to shareholders of parent company comes to 651 million Yuan with 1.42% up on a y-o-y basis. The distribution business has operation revenue of 19.477 billion Yuan with y-o-y growth of 22.66%; net profit attributable to shareholders of parent company has 382 million Yuan with y-o-y growth of 15.41%. Guoda Drugstore achieved a revenue from operation amounted to 6.108 billion Yuan with a y-o-y growth of 18.75% and net profit attributable to shareholders of parent company amounted as 150 million Yuan, a 7.81% up on a y-o-y basis.

(ii) The main work

1. Stabilize growth - performance improvement and scale expansion

The company actively grasped industry opportunities, optimized investment M&A decision-making efficiency, accelerated industry resource integration and store network layout, and ensured scale development. As of the first half of the year, the company had a total of 107 subsidiaries, and the number of retail outlets of Guoda Drugstore was 4,593, with a net increase of 318 stores. During the reporting period, the company invested in the establishment of the Sinopharm Guoda Drugstore Bayannao'er Co., Ltd., Inner Mongolia Guoda Pharmaceuticals Co., Ltd., and Sinopharm Guoda Drugstore Yongxingtang Chain (Chaoyang) Co., Ltd.

2. Promote strategy - integration of wholesale and retail, and technology empowerment

The company researched and grasped environmental changes, deepened the development plan for the next five years, and carried out strategic rolling revisions. With the core measures of "technology empowerment, service upgrading, integration of wholesale and retail, and industry and finance dual drive", we provided full-service solutions for the upstream and downstream industry chain through customer value driving and upgrades of supply chain model, and transformed the pharmaceutical distributors into the solution providers and service providers so as to create a leading international medicine health service platform.

The company integrated resources to promote the synergy of wholesale and retail. In the first half of the year, the distribution launched the logistics planning of wholesale and retail integration, and the sales of wholesale and retail synergies increased by 54% on a year-on-year basis, and the part outside of Guangdong and Guangxi provinces increased by 64% on a year-on-year basis; Guoda Drugstore got supports from WBA global strategic

cooperation manufacturers' resources, and improved the Catalogue of Integration of Wholesales and Retail, at the same time, promoted the construction of provincial platforms, at present, the provincial platform in Inner Mongolia has been completed, and the provincial platform project in Shenyang has passed the project approval.

Centering on the "digital transformation", the company launched IT planning, promoted intelligent logistics and intelligent supply chain optimization, and energized the business development in multiple dimensions.

3. Consolidate foundation - management upgrade, risk control guarantee

The company straightened out the governance relationship of subsidiaries, regulated the management of its subsidiaries, and enhanced its overall governance capabilities. The company optimized the organizational structure, created a diversified incentive mechanism, improved the talent development system, strengthened leadership, stimulated organizational vitality and innovation, and promoted organizational management transformation. The headquarters gave play to resource allocation and control functions, strengthened professional capabilities, improved service awareness, implemented risk prevention and control, and escorted the business development. We promoted key projects such as controls of claims and inventory balances, loss-making enterprise governance, and innovation first, and improved quality and efficiency for healthy development.

4. Promote transformation – service driven, model innovation

Distribution business: The company maintained strategic strength, actively responded to changes in market policies, and consolidated the integrated operational foundation, the four major businesses developed rapidly and built new competitive advantages. In the first half of the year, traditional business grew by 22% on a year-on-year basis, retail direct sales increased by 30% on a year-on-year basis, equipment consumables increased by 52% on a year-on-year basis, retail medical treatment increased by 80% on a year-on-year basis, and primary care increased by 34% on a year-on-year basis.

(1) The company actively responded to environmental changes, strengthened communication with the government, responded to the government's demand for medical reform, actively participated in and provided professional advice to enhance the company's influence. In terms of GPO policy, Guangzhou Company completed bargaining reports for seven batches of products, and the bargaining list coverage rate reached 91%, at the same time, it actively took countermeasures against new GPO areas such as Meizhou, Heyuan, Shanwei and Maoming. In the implementation of "4+7" quantity procurement, with the professional service capability and network coverage advantage, Shenzhen Company has obtained distribution rights of 22 varieties, accounting for 84%; Guangzhou Company has obtained distribution rights of 24 varieties, accounting for 96%.

(2) Retail direct sales business: combined with the characteristics of retail terminals, continued to promote customer expansion, regional sinking, and actively promoted the integration of wholesale and retail and the platform construction. In terms of sales growth, in the first half of 2019, the retail direct sales business achieved rapid growth, among them, retail pharmacy customer sales increased by 40% on a year-on-year basis, and small-scale private medical sales increased by 29% on a year-on-year basis. Actively integrated Guoda chain and private single-store and small chain resources, and promoted the construction of the core network of the terminal network member store + the hospital circumjacent store through the "network self-built + cooperative development" dual-track mode, and continued to expand the construction of the third terminal medical network. In terms of B2B platform construction and service innovation, the company built OTC resource platforms, realized

online payment of B2B platform, upgraded member management functions, optimized APP module construction, focused on end customer needs, and created special services.

(3) Retail medical treatment business: Continued to promote the distribution of professional pharmacies in Guangdong and Guangxi, and sales have increased significantly. In the first half of the year, the sales revenue of professional pharmacies in the first half of the year increased by 80%, and 13 new pharmacies were opened. Currently, the distribution points in 20 cities of Guangdong and 12 cities of Guangxi have been completed. As of June, there were 29 hospital circumjacent pharmacies with sales growth of 122% on a year-on-year basis, and 25 DTP pharmacies with sales growth of 60% on a year-on-year basis. While advancing the layout of professional pharmacies, we have continuously obtained various types of medical insurance qualifications: in the first half of 2019, Shenzhen Pharmacy and Hexie Road Pharmacy became the major and serious disease supplementary medical insurance drug retail pharmacies of Shenzhen; Huizhou Pharmacy obtained the qualification of serious disease medical insurance of Huizhou, while Zhuhai Pharmacy has obtained the qualification of additional supplementary medical insurance project.

(4) Equipment consumables business: With the gradual advancement of medical reform policies, the medical device industry supervision has become increasingly strict, and the management advantages of distribution for the device business have emerged. In the first half of 2019, the sales of equipment business increased by more than 50%. In the sales of equipment, combined with the needs of hospitals, continuously improved the viscosity of hospital customers through platform construction and deep personalized service, formed a variety of SPD project customized solutions, and promoted through the creation of SPD model hospital; explored medical supplies counter sales and consignment sales model, and promoted the hospital bidding process; the sales of SPD projects in the first half of the year increased by 181% on a year-on-year basis.

In addition, it actively acquired the qualifications for wholesales and retails of medical devices, developed retail medical device models, and improved retail business processes and retail system platforms, in addition, expanded 4D business around the supply chain service upgrades, the businesses of new type of business company (including equipment consumables, equipment management, disinfection center, etc.) have been gradually carried out in an orderly manner.

Guoda Drugstore: Promote the company's brand upgrade, optimize the management foundation, strengthen the professional pharmacy service capabilities, and create new models.

(1) According to the company's strategic planning and deployment, implement the new brand strategy, successively complete the "Guoda" upgrades and "Guozhi" brand integration plan, expand the brand upgrade ideas, form a number of landing plans, and continue to promote brand upgrades in the second half of the year.

(2) The "New Concept" pilot pharmacy jointly launched by Guoda Drugstore and Walgreens Boots Alliance opened on January 20th at Shangnan Road, Pudong New District of Shanghai. Up to now, sales have increased by 34.8% on a year-on-year basis, and the number of transactions has increased by 31.5% on a year-on-year basis. The pilot pharmacy has integrated and implemented a new business operation model with advanced design and operation management concept of Walgreens Pharmacy and Boots Pharmacy. Introduced varieties and cooperated with a number of global brand suppliers, set parameters vital signs detector, and the touch advertising machine provided physical intelligent detection and online drug purchasing services; launched "cloud hospital" project,

so that customers can experience internet medical services such as remote consultation, electronic kitchen, chronic disease management, self-test medication, and appointment registration.

(3) Professionalization of pharmaceutical service capabilities. Strengthened professional competence, and carried out training courses for licensed pharmacists; opened Elearning platform to promote online learning; carried out the "Guoda Drugstore Service Improvement" project; explored a sustainable and replicable basic service management system.

(4) Built an Internet + medical e-commerce model. Improved the value-added service system, optimized the self-operated OTO platforms such as WeChat Mall and APP, created a pharmacy + Internet O2O model, enhanced the front-end customer experience, and launched the e-commerce national customer service. In the first half of the year, the number of effective members nationwide was 11.436 million, an increase of 8% over the same period last year.

5. Strengthen party building - party building is strong foundation, don't forget the initial heart

Guided by the party's political construction, strengthened the theme education of "not forgetting the initial heart, keeping the mission in mind" and the special action of "party building is strong foundation", focused on the company's development strategy and central tasks, focused on the consolidation of basic organization, basic team, and group organization construction.

6. Cultivate internal strength - cultural practice, and sedimentary accretion of brand

Carried out various cultural activities, gathered heart and strength together, promoted corporate culture propaganda and practice, focused on brand building, gave play to brand value, and cultivated the driving force of enterprise development. Sinopharm Accord Corporate Culture Communication Project won the Best Learning Project Award in the China Talent Development Elite Award (2018-2019). At the same time, Sinopharm Accord also won the 16th "Shenzhen Famous Brand" and the excellent enterprise in Guangdong Province, and also won the most social responsibility award of Gelonghui's 2019 A-share listed companies.

2. Matters relevant to financial report

(1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the accounting period of last year

√Applicable □ Not applicable

On December 7, 2018, the Ministry of Finance issued the revised "Accounting Standards for Business Enterprise No. 21 - Leases", enterprises listed both domestically and overseas at the same time and enterprises listed overseas and using IFRS or ASBE to prepare financial statements have implemented it since January 1, 2019; other enterprises that implement enterprise accounting standards shall come into force on January 1, 2021. As the parent company of the Company, Sinopharm Group Co., Ltd. ("Sinopharm") is listed overseas (H shares), in order to unify the accounting policy of the parent company Sinopharm, the Company has implemented the new leasing standards on January 1, 2019. According to the new and old standards conversion requirements, the enterprise shall adjust the retained earnings at the beginning of the period and the amount of other related items in the

financial statements according to the cumulative impact number of the implementation of the standard for the first time, and the information for the comparable period shall not be adjusted. This accounting policy change has increased the company's total assets and total liabilities, and the asset-liability ratio on January 1, 2019 was about 2.51 percentage points higher than it on December 31, 2018. This accounting policy change is not expected to have a significant impact on the company's owner's equity or net profit.

(2) Particulars about retroactive restatement on major correction for accounting errors in reporting period

☐ Applicable ☒ Not applicable

There is no particular about retroactive restatement on major correction for accounting errors in reporting period

(3) Particulars about the change of consolidation range compared with the accounting report of last year

☒ Applicable ☐ Not applicable

Particulars about the change of consolidation range see Financial Report Note-VIII.

China National Accord Medicines Corporation Ltd.

Legal representative: Lin Zhaoxiong

24 August 2019