

China National Accord Medicines Corporation Ltd.

Summary of Semi-Annual Report 2020

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.

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
Lian Wanyong	Director	Official business	Li Dongjiu

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

Cause of retroactive adjustment or restatement

Enterprises combined under the same control

	Current Period	Same period of last year		Increase/decrease in this report y-o-y
		Before adjustment	After adjustment	After adjustment
Operating revenue (RMB)	27,169,940,188.52	25,228,147,377.43	25,599,198,815.30	6.14%
Net profit attributable to shareholders of the listed Company (RMB)(note 1)	643,451,580.59	650,833,360.40	649,154,414.55	-0.88%
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB)	627,017,019.45	639,700,447.95	639,700,447.95	-1.98%
Net cash flow arising from operating activities (RMB)	1,438,204,043.35	1,163,757,581.35	1,139,154,120.89	26.25%
Basic earnings per share (RMB/Share) (note 1)	1.50	1.52	1.52	-1.32%
Diluted earnings per share (RMB/Share)	1.50	1.52	1.52	-1.32%
Weighted average ROE (note 1)	4.91%	5.44%	5.38%	Decline 0.47 percentage points
	End of current period	End of last period		Increase/decrease in this report-end over that of last period-end (+,-)
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	37,669,850,203.30	33,539,598,682.94	34,028,843,214.20	10.70%
Net assets attributable to shareholder of listed Company (RMB)	13,199,983,119.01	12,140,439,917.48	12,911,140,435.88	2.24%

Note: The Group acquired 75.00% equity of Pudong New Area of Shanghai Pharmaceutical Medicine Ltd. under the same control in the current year. When preparing the comparative statement of the 2020 semi-annual consolidated statement, it is deemed that the parties involved in the merger already exist in the current state when the ultimate controlling party begins to exercise control, and adjust the previous comparative statement.

Note 1: Net profit attributable to shareholders of listed companies decreased by 0.88% from the same period of last year, mainly due to the impact of the novel coronavirus pneumonia epidemic, the sales growth of the Group slowed down. At the same time, changes in industry policies have also led to a narrowing of profit margins, as a result, the basic earnings per share earnings fell by 1.32%, and the weighted average return on equity fell by 0.47%.

3. Number of shareholders and share-holding

In Share			
Total common shareholders at period-end	34,260	Total preference shareholders with voting rights recovered at end of	0

				reporting period (if applicable)		
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	5,505,770		
Hong Kong Securities Clearing Company Ltd.	Overseas corporate	2.72%	11,635,950			
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD	Overseas corporate	2.68%	11,469,644			
Shanghai Gaoyi Asset Management Partnership (Limited Partnership)-Gaoyi Linshan No. 1 Yuanwang Fund	Domestic non state-owned corporate	2.34%	10,000,000			
National Social Security Fund 118 Portfolio	Domestic non state-owned corporate	1.82%	7,774,799			
China National Pharmaceutical Foreign Trade Corp.	State-owned corporate	1.24%	5,323,043			
Central Huijin Investment Ltd.	State-owned corporate	0.89%	3,804,400			
Fidelity Investment Management (Hong Kong) Limited - Client’s fund	Overseas corporate	0.79%	3,391,337			
BBH BOS S/A FIDELITY	Overseas	0.78%	3,358,761			

FD - CHINA FOCUS FD	corporate					
National Social Security Fund 103 Portfolio	Domestic non state-owned corporate	0.65%	2,799,865			
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.				

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

In the first half of 2020, in the face of the sudden novel coronavirus pneumonia epidemic, all employees of Sinopharm Accord fully implemented the original intention and mission of the pharmaceutical central enterprise and gave full play to the role of the national team and main force of the pharmaceutical central enterprise. Affected by the novel coronavirus epidemic, on the one hand, public medical institutions were directly affected during the epidemic, mainly reflected in the general decrease in outpatients, the sharp decline in hospitalization and surgery, the sharp decline in hospital operating income, and the sharp decline in the purchase of drugs and

instruments; on the one hand, the epidemic brought about changes in consumer habits, people reduced the frequency of going out, and the flow of people reduced, the sales volume of prescription drugs in hospitals and pharmacies decreased significantly. At the same time, citizens have generally tried e-commerce online business, and online retail pharmaceutical sales have shown a rapid growth trend. Under the overall operating pressure, in the first half of 2020, the company completed a total of 27.17 billion yuan in operating revenue, a year-on-year increase of 6.14%; realized operating profit of 1.014 billion yuan, a year-on-year increase of 5.94%; net profit attributable to shareholders of listed companies was 643 million yuan, a year-on-year decrease of 0.88%.

Among them, the distribution business of Sinopharm Accord cumulatively completed operating revenue of 18.982 billion yuan, a decrease of 2.54% on a year-on-year basis, and realized a net profit of 405 million yuan, an increase of 0.38% on a year-on-year basis.

Guoda Drugstore cumulatively completed a total of 8.613 billion yuan in operating revenue, a year-on-year increase of 32.94%, and realized a net profit of 248 million yuan, a year-on-year increase of 33.96%. Guoda Drugstore's cumulative net profit attributable to the parent company was 180 million yuan, a year-on-year increase of 21.96%.

The company's accumulated investment income in associates was 134 million yuan, a year-on-year decrease of 21.01%.

(i) The performance of key tasks in the first half of the year

1. Seized opportunities for investment, mergers and acquisitions, and promoted nationwide distribution in many ways

(1) Deepened the distribution network layout: further completed the distribution of blank areas in Guangdong and Guangxi, and implemented secondary distribution in key regions and county markets.

(2) National distribution of the retail network: Guoda Drugstore fully undertook prescription outflows, quickly covered key areas through mergers and acquisitions, and connected medical insurance policies and outpatient specific items and outpatient designated chronic disease qualifications.

As of the disclosure date, Guoda Drugstore has delisted and acquired 100% equity of Chengda Fangyuan Pharmaceutical Group Co., Ltd. ("Chengda Fangyuan" for short), and completed the industrial and commercial change registration on July 30, 2020. As of the end of 2019, Chengda Fangyuan had more than 1,500 stores in 5 provinces and 19 cities, covering some key cities in Liaoning, Jilin, Inner Mongolia, Shandong and Hebei.

2. Completed the optimization of information organization structure and implemented the digital transformation project

The company established an information technology center to simulate "demutualization" operation and management, and promoted the transformation and upgrading of the supply chain through a clear digital implementation path:

(1) Deepened integrated management and control: achieved unification through standardization and obtained the best order, thereby reduced costs and improved efficiency.

(2) Improved visualization experience: realized business visibility, accuracy and traceability through the Internet of Things, big data and other technological information methods.

(3) Promoted digital transformation: strengthened capabilities in business decision-making, business operation, marketing design, and risk management and control through data analysis.

3. Promoted the integration of supply chain, integrated national logistics resources to improve efficiency

(1) Guoda Drugstore completed the collection of the address list of some network nodes, including the warehouse address information of more than 30 logistics centers in the country, and the address information of more than 5000 stores nationwide of Guoda Drugstore; completed the flow direction and flow analysis of some nodes in the national multi-warehouse model, including the flow direction and flow analysis report on the centralized procurement at the Guoda Headquarters, and planned the national logistics network around the strategic goal of the integration of wholesale and retail to realize the linkage of multiple warehouses across the country.

(2) Actively promoted logistics optimization projects and management improvement

Completed the supply chain ex-warehouse visualization of 10 logistics/distribution centers including Guangzhou warehouse, Foshan warehouse, and Shenzhen warehouse.

4. Distribution business: rapidly responded, improved quality and efficiency, and promoted the business deployment of one body with two wings

During the epidemic, the company's distribution business deployment of one body with highlighted its anti-risk capabilities. Among them, retail direct sales, retail diagnosis and treatment, and devices consumables businesses maintained a growth higher than the overall average growth rate. In the first half of 2020, hospital direct sales revenue was 11.516 billion yuan, a year-on-year decrease of 7.6%; primary medical sales revenue was 974 million yuan, a year-on-year decrease of 8.1%; retail direct sales revenue was 3.412 billion yuan, a year-on-year increase of 17.0%; retail clinic sales revenue was 770 million yuan, a year-on-year increase 24.4%; sales revenue of devices consumables was 2.179 billion yuan, a year-on-year increase of 40.4%.

(1) Actively responded to policy changes

Consortium Centralized Procurement (4+7 expansion): In Guangdong region, the point distribution ratio of the company was 100%; the second batch of national centralized procurement: the point distribution ratio of the company was 97.87%; national negotiations: the point distribution ratio of the company was 99.15%.

In Guangxi region, the point distribution ratio of the company was 80%; the second batch of national centralized procurement: the point distribution ratio of the company was 63%; the first batch of GPO in Guangxi, the point distribution ratio of the company was 76%.

(2) Retail direct sales: The number of single stores in the province reaches 6,613, with an increase of 1,800, the opened member stores total 628, and there are 279 stores near the hospitals. During the epidemic, retail direct medical e-commerce grew rapidly, with sales of 644 million yuan, a year-on-year increase of 28%.

(3) Retail diagnosis and treatment: There are 83 stores in Guangdong and Guangxi, including 62 in Guangdong and 21 in Guangxi.

Retail diagnosis and treatment explored the strategic layout of multi-modal prescription circulation projects, consolidated first-mover advantages through departmental linkage, and cooperated with more than 10 platforms.

Retail diagnosis and treatment explored different levels of medical insurance designated qualifications: obtained medical insurance coordinating designated qualifications for the "outpatient specific disease outsourcing + outpatient chronic disease drug outsourcing" in 9 cities in Guangdong and Guangdong, and actively explored

access to related characteristic models through "Internet + medical insurance co-ordination". Became the designated point of commercial supplementary medical insurance outsourcing in Zhuhai, Shenzhen, Foshan and other places, and developed the first insurance file system in the province.

Retail diagnosis and treatment innovated online live broadcast of patient education, and launched 25 online live broadcasts of patient education, including 5 broadcasts on the independent platform.

(4) Devices consumables: Realized business informatization, realized the promotion of the new consignment model across the whole province; completed the promotion of the consignment closed-loop management mode of 2 pilot hospitals; realized the interface interconnection of the provincial platform consumable network, and helped the consumable business to develop and accelerate the promotion of SPD in a number of hospitals in Guangzhou, Shenzhen and in the province, and advanced the implementation of SPD in 6 hospitals in Guangdong Province in the first half of the year.

5. Guoda Drugstore: seized opportunities, strengthened innovative business layout, and consolidated basic capabilities for high-quality development

As of June 30, 2020, the number of total stores of Guoda Drugstore reached 5,838, of which 4,516 were directly operated and 1,322 were franchised. During the epidemic, the performance of Guoda Drugstore showed a steady growth trend, and policies such as prescription outflow brought revenue growth to retail pharmacies. Various business types have been developing steadily, among them, direct sales revenue was 5.10 billion yuan, a year-on-year increase of 32.78%, DTP sales revenue was 972 million yuan, a year-on-year increase of 19.34%, OTO sales revenue was 115 million yuan, a year-on-year increase of 233.53%, franchise business sales revenue was 631 million yuan, a year-on-year increase of 14.13%.

(1) Comprehensive development of e-commerce business in multiple formats

Self-operated e-commerce platform: realized sales of 17.04 million in the first half of the year, an increase of 731% on a year-on-year basis. During the epidemic, the importance of the platform became prominent, the company reorganized the positioning of the platform, introduced products suitable for self-operated e-commerce sales, launched mask reservation service, and increased the number of fans on the official account by millions.

Third-party O2O platform: sales reached 115 million in the first half of the year, an increase of 262% on a year-on-year basis, daily order quantity exceeded 20,000, and prescription drug sales accounted for 20%. The number of online stores on third-party platforms (Meituan, Eleme, JD Daojia, and AliHealth) has reached 4,000, and 180 night sales stores have been opened. At the same time, third-party O2O channels such as platform haoyisheng and JD Health have been introduced.

Category: key cooperative suppliers carried out O2O business linkage, formulated exclusive regional hot-selling product catalogs for all regional companies across the country, created online core hot items, and used hot items to achieve drainage.

(2) Professional service ability improvement

Chronic disease management: Guoda Drugstore continued to strengthen chronic disease management and professional service improvement, developed a chronic disease core product catalog, and tracked the selection, stocking, and sales of chronic disease core products of various companies; developed gout, hyperlipidemia, and coronary heart disease projects for Healthy Communities, formulated relevant catalogs and set up return visits;

gradually improved the ability of pharmaceutical services by improving the quality of specialist cases.

Member management: Guoda Drugstore analyzed member data, carried out store basic service improvement and customer satisfaction surveys, and improved professional services; newly added chronic disease projects for Healthy Communities; promoted the establishment of member management platform, and Enterprise WeChat and member platforms have been connected (It has been piloted in Jiangmen and Guangxi).

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

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

(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

29 August 2020